

VA loans on the rise in San Diego and U.S.

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U.S. Department of Veterans Affairs Home Loan Program - VA Loan Limits

San Diego is among the country's top markets for VA loans, which have risen in the past year likely because of lower-than-normal interest rates and a large inventory of lower-priced distressed properties.

The government-issued loans, which help active-duty members and veterans, made up 6.4 percent of all home-purchase loans in February among 20 major metro areas, including San Diego County, according to analysts at DataQuick Information Systems on Monday. That's up from 5.5 percent a year ago and is about the same as January, when it was 6.5 percent.

The percentage of purchase loans that were classified as VA was highest in Honolulu, at 18.9 percent. San Diego, which has a significant military population, was second at 15.3 percent, up from 11.9 percent one year ago.

Such loans, which peaked in December 2010 at 6.7 percent in the U.S., offer low- or no-down payment options to borrowers as long as certain guidelines are met.

Daniel Williams, a broker at San Diego Lending Solutions in Mission Valley, said VA loans have risen in the local region because housing prices have come down significantly, driven by high rates of foreclosures and short sales.

Real estate professionals like Williams say they're seeing VA borrowers gravitate toward investor-flipped homes in the \$300,000 to \$400,000 range over conventional home sales because they're cheaper and easier to close on than bank-owned homes.

"It's strictly affordability," Williams said. "Prices have come down so far."

VA loans among 20 major U.S. metros

Metro area	Feb-10	Feb-11	Peak month since 07
Honolulu	15.4%	18.9%	23.1%
San Diego	11.9%	15.3%	15.3%
Washington D.C.	10.9%	13.8%	13.9%
Seattle	8.6%	10.6%	11.3%
Las Vegas-Paradise	9.8%	10.4%	11.4%
Baltimore	9.2%	9.9%	10.7%
Tampa	9.2%	9.1%	11.1%
Riverside	7.6%	8.2%	8.5%
Denver	5.3%	6.6%	7.3%
Phoenix	5.9%	6.6%	7.6%
Nashville	4.3%	6.0%	6.7%
Portland	5.6%	5.5%	9.1%
Orlando	4.9%	4.9%	7.0%
Sacramento	4.3%	4.7%	5.3%
Chicago	1.8%	2.8%	3.4%
LA/Orange County	2.2%	2.4%	2.6%
Miami	2.7%	2.2%	3.8%
San Francisco	1.3%	2.1%	2.1%
New York	0.6%	1.1%	2.1%
San Jose	0.8%	0.9%	1.8%

February's median home price for all homes in San Diego County was \$308,000. The peak was \$517,500 in November 2005.

Historically low interest rates also are a factor, brokers and agents have said. Freddie Mac reported in its most recent weekly survey that the average 30-year fixed mortgage rate is 4.86 percent. Williams added that guidelines to secure VA loans are also more flexible compared to other types of mortgages. Typically, borrowers need at least a 620-640 credit score. For a conventional loan, lenders say 600 is the minimum while you're in a good spot with a score of 740.

They're also more forgiving about debt-to-income requirements as long as borrowers have enough residual income -- what's left after paying all debts and monthly bills. A family of four in the Western region who wants a loan of \$80,000 or more, they'd need a residual income of \$1,117 a month.

"They want to make sure you have certain amount of dollars to take care of your family," Williams said.

James Dedolph, a Realtor in Carmel Valley, says current home prices have allowed lower-ranking military personnel to afford homes that were impossible to snag during the height of the market. The motivation to own among service members is fortified by the confidence of job security.

"Navy personnel, for example, have a consistent income and they're not as affected by the economy (as other professions,)" said Dedolph, whose majority of clients are in the military.