

VA Loan Guaranty Service

Native American Direct Loan (NADL) Program Overview



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VA



U.S. Department
of Veterans Affairs

What is a VA Direct Loan?

- The purpose of this loan is for purchasing, constructing, or improving an existing home on the reservation (Federal Trust Land).
- This loan differs from the traditional loan guaranty program as banks are not involved.
- The current interest rate is 2.5% fixed for a 30 year loan.



Overview of the Loan Process

Think of VA as the Lender

- The VA Determines Eligibility
- Qualifies the Borrower
- Loan Requirements
- Determines the Property Value
- Conducts the Closing
- After Closing and Servicing



Determining Eligibility

- Tribal organization must have a signed Memorandum of Understanding (MOU) with the VA. Many tribes already have MOUs with the VA.
- Native American Veteran must be on the Homesite Lease Agreement or Deed and be an enrolled member.
- Native American Veterans must have sufficient length of service and character of service. This will be determined by obtaining a Certificate of Eligibility (COE).



Benefits of the NADL Program

Borrower Benefits

- No down-payment required
- No private mortgage insurance
- Minimal closing/transaction costs
- Low, fixed rate mortgage, 30 year term
- Assumable for qualified borrowers
- Continued support after closing



How to Qualify for Native American Direct Loan

- Income – Stable, reliable, and expected to continue
- Credit – Recent 12-month history of timely payments on credit obligations (credit cards, loans, etc.)
- Debt-to-Income (DTI) – Current expenses and new housing payment compared to gross income. Ideal DTI ratio of <41%
- Assets – Expenses and costs for construction and closing



Loan Requirements

- Leasehold term remaining must be 14 years plus length of loan, at a minimum.
- Maximum loan term 30 years.
- Homeowners' Insurance and Flood Insurance.
 - Insurance is required to protect the value of the home.
 - Force Placed vs Homeowners Insurance.



Appraisal/Construction MPR

- Qualified Builders
- Construction Documentation
 - Construction Contract
 - Construction Plans and Specifications
 - Description of Materials
- Minimum Property Requirements (MPRs)
 - Safe, Sound, and Sanitary
- Appraisal – Based on the cost to construct the home.
 - Do the construction costs support the value?



Closing Costs

- VA Funding Fee
 - Veteran may choose to include in the loan amount
 - Purchase/Construction = 1.25% of loan amount
 - Interest Rate Reduction Refinance = 0.5% of loan amount
 - Veterans in receipt of service-connected disability compensation are exempt from paying the funding fee



Closing Costs, continued

- Appraisal Fee, average fee is \$700.
- Compliance Inspection Fees, average number of inspections is 4 at \$225 per inspection.
- Homeowner's Insurance Premium, minimum 12 months insurance policy
- Settlement/Escrow Fees, average cost is \$500, if applicable
- Insurance Escrow Impounds



After Loan Closing and Servicing

- BSI Financial is the servicer of the loan after closing.
 - Loan payments made to BSI: Mail, Phone, and Online.
- NADL Coordinators act as facilitators and liaisons for Veteran borrowers.
- Loss Mitigation – What happens should the loan become delinquent?
 - Special Forbearance
 - Repayment Plan
 - Loan Modification
 - Foreclosure



How to Apply for the Loan

- Requesting an application from the NADL team
- Gathering financial documents: pay stubs, W2s, award letters, bank statements and tax returns, if applicable
- Applying for lease assignment with the tribal housing or land management office, unless the veteran already has one.
- Evidence of Tribal Membership: Tribal ID or Certification of Indian Blood



A Complete Loan Application

- Income/Credit/Asset Verification
- Construction Contract and Construction Exhibits
- Purchase Agreement
- Lease Agreement or Deed
- Title Status Report (TSR)
- Archeological and Environmental Survey
- Water/Sewage Report from Indian Health Services (IHS)



VA NADL Coordinators and Contact Information

Phone: 1-888-349-7541

General Email: NADL@va.gov

Name	Extension	Email Address
Cherie Castanares (Supervisor)	221455	cherie.castanares@va.gov
James Lewis	221462	james.lewis2@va.gov
Craig Filbeck	221426	craig.filbeck@va.gov
Cassandra Kelting	221286	cassandra.kelting@va.gov
General Loan Guaranty		1-877-827-3702



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