



VA Loan Guide

Purchasing a Home as you
**Transition from
Active Duty or
Careers**

Created By
[VeteranPCS](#)



Many companies
prey on our military
community
**As fellow
Veterans and
Military Spouses,
we're here to
help.**

“

When I transitioned from active duty in 2020 I had no idea how the VA Loan worked and I had never purchased a home. I decided to put some roots down, purchase my first home, and quickly realized using your VA Loan is a lot more tricky when there are changes of employment.

Jason Anderson **Founder & CEO VeteranPCS**

”

Important questions

We will cover

- Im transitioning out but don't have a job yet, can I qualify for a mortgage?
- I'm retiring, can I use my retirement income to qualify?
- Im going to school and will collect BAH, can I use that income to qualify?
- Does my sign-on bonus count towards my yearly income?
- I'll be making a commission-based income, how does that work?
- What about hourly pay?
- My spouse has a job but they will have to find a new one when we move, can we use their current income to qualify?

The best advice?

Start working with a VeteranPCS Real Estate Agent and VA Loan Expert as soon as possible to discuss your unique situation and needs and develop a sound strategy.

Together we'll make it *Home.*



We are Veteran & Military Spouse Real Estate Agents and VA Loan Experts, Nationwide!



Buy or Sell a Home, Get Cash Back!



Starting a career in real estate? Check out our [Internship](#)



74

VA Loans completed



\$237,000

Given back in bonuses



300

Veterans & Mil Spouse Real Estate Agents, Nationwide



\$20,000

Donated to Mil charities

VA Loan Guide

- How transition or retirement orders affect your ability to qualify for a mortgage
- Types of pay and how they're considered
- Spouse employment considerations
- Assets, Debts, and Obligations



FAQ

- I'm transitioning out in 6 months and don't have a job yet but we want to purchase a home as we will be moving to our hometown and both my spouse and I will be working, can I qualify for a mortgage?
- I'm retiring from active duty but want to take some time off of work, can I qualify for a home?
- Can I get pre-qualified if I don't know where i'm moving or retiring to yet?
- Im going to school and working part-time time so I should be making, \$4,000 per month, can I use this to qualify for a home?
- I'm transitioning out and we are planning to buy a home. My spouse works now and will plan to work where we move but doesn't have a job yet. Can we use their current income to qualify for a home in our new location?

How Orders Affect Your Timeline

Enlisted Service Members

For Enlisted members that are transitioning out and trying to buy a home prior to their official end-of-service date your Leave and Earnings Statement (LES) may impact your ability to qualify. If your end-of-service date (commonly known as an ETS or EAS date) shows on your LES and is less than one year out from when you want to close on a home, you may have difficulty using your active duty income to qualify for a VA Loan mortgage. In this case, you may have to obtain a job offer letter to show future employment or qualify with different income. There are other options that can be worked to still qualify you for a home based on your scenario but it would require speaking with a VA Loan Expert to work your specific situation.

In a general sense, having a job offer letter at least 60 days prior to your end-of-service date will provide you enough time to get pre-approved for a VA Loan and find a home to contract to purchase. Its important to start your transition timeline early and work with a VA Loan Expert to understand what exactly you need from an employer and what type of income it will be. More on this below.



Types of Pay that can Contribute to Income

- Understanding Different Income Sources.
- When qualifying for a mortgage your type of income makes a big difference.



W2 Income

- W2 income is seen as good, guaranteed income when qualifying for a mortgage, however, if you have a pay structure that includes bonuses, or are working part-time, those rules change.

Self Employment or W9 Income

- Self employment or contractor-type of roles can make it tricky to qualify for a mortgage. If you plan to be self-employed after your time in the service you may want to consider purchasing a home prior to transitioning out. Or you may consider finding full-time, W2, type of income at first to purchase a home and then transition to fully self-employed in the future.



- If self-employment or contractor income is going to be your sole source of income (W9 or 1099 income) you will likely need to show two years of tax returns to verify your income. Real Estate as a career is considered self-employment income so you may need to wait two years, or longer, to show a track record of income before you can qualify for a mortgage. VA Loan Originators will look at your Adjusted Gross Income after any tax write-offs so its apparent that you plan accordingly so you show enough income to afford the mortgage you desire. If you try and reduce your taxable income so drastically that you pay very low taxes you may put yourself in a bind where you have a hard time qualifying for a mortgage.



Hourly Pay

- Self employment or contractor-type of roles can make it tricky to qualify for a mortgage. If you plan to be self-employed after your time in the service you may want to consider purchasing a home prior to transitioning out. Or you may consider finding full-time, W2, type of income at first to purchase a home and then transition to fully self-employed in the future.

Part-Time

- Hourly pay on a part-time basis is different. Even if you have two part-time jobs you may have a difficult time qualifying for a mortgage. In most cases, with part-time employment, you will need to show two years of consistent income to use your part-time income as qualifying income for a mortgage.

Bonuses

- If you receive a sign-on-bonus for starting a job, you likely cannot use this pay, even if its spread out monthly. VA Loan originators may consider bonuses that you've earned over the last two years, but your employer will likely need to verify that bonuses will continue (some exceptions apply). If you receive a salary-plus-bonus income you may need to show two years of this bonus structure to use the bonus pay as qualifying income.

Commissions

- Commissions and bonuses are considered in a similar fashion. If you plan to start a career in a sales role with base income plus commission you may only use the base pay amount unless you have two years of commissions to show consistency and averages. Base pay plus bonus is averaged over two years. For example, lets say you make \$40,000 base salary and plan to make \$2,000 in commissions per month. You may think you can claim \$64,000 as your income but unless you have two years proving you have averaged \$2,000 per month in commissions your base pay of \$40,000 will be the qualifying income amount.



- Careers that are fully commissioned based, such as a real estate agent, are looked at like self-employment, meaning you will need to show two years of income, which will then be averaged.

Other Types of Pay

Educational BAH

- if you plan to go to school and will be using GI Bill and receiving educational BAH this type of income does *not* count as income towards your qualification as its not guaranteed. Many people make the mistake of thinking their BAH of, lets say, \$2,500 per month and then making another \$2,500 per month in hourly pay will allow them to show \$5,000 of income to qualify for a mortgage. Not the case. Your Educational BAH will not be considered and your hourly pay would only count if you have two years to show a strong average over time.



VA Disability Pay

- VA Disability counts, any disability pay is non-taxable so the amount you receive is multiplied by 125% for your qualifying income. For example, if your VA disability pay is \$1000 per month this would be actually considered as \$1,250 when qualifying for a mortgage. Just another added benefit of disability pay.
- If you are transitioning out and do not have a disability rating you cannot project it and try and use that as income. You must have the actual disability rating prior to closing on your home to use the income AND be exempt from paying the VA funding fee. The VA Funding is waived at 10% disability ratings or higher, and also waived for active duty purple heart recipients. Learn more about the VA Funding fee on our other articles and guides.

Retirement Pay

- Retirement pay is taxable income so it is used at the amount that you will receive. If you're retiring at or after 20 years and are shopping for a home prior to retirement you can calculate what you will be making as retirement income and use that as qualifying income.

Rental Properties affecting Income

- Lets say you have a home from a previous duty station that you are now renting out. Many people wonder if that income can be used towards their mortgage qualification. For rental property income, if you have a signed lease you can eliminate the mortgage from counting against your approval for a future mortgage.
- If you are "cash-flowing" on a rental property you will need to show two years of tax records of rental income in order to use that towards your qualification for your next home purchase. If you have not been claiming that income on taxes you may be required to amend or fix previous years of taxes to clean your financial records up for a future mortgage.
- If you have a track record of purchasing and renting properties or flipping properties you may be able to use your positive track record to show income and expected income. In these cases, you'll likely be looking at different loan products like a conventional loan rather than a VA loan.



Spouse Income Considerations

Spouse Employment

- Military Spouses are a backbone in our military community, and spousal income is often very important during a transition from active duty service. Spousal income can be considered for a mortgage but there are important considerations.

Moving Locations

- Pre-approval for a VA loan or mortgage will always look at your upcoming income, not just your current income. If you are moving locations and your spouse has employment in your current location, but is planning to find work at your next location (where you plan to buy a home) you will need to show a job offer letter showing the type of employment and pay. If your spouse has employment and you are staying in your local area as you transition out you can use that employment as qualifying income since that employment will remain as you transition and find your next career. Its important to understand the type of pay that your spouse has. If they are commission based, or hourly, you may need to show two years of history.

Schooling Shown as Consistency

- Let's say you or your spouse has been in school instead of working so there is a gap in work history. Their education can show consistency over that break in time, even if there is no pay. The consistency may need to be proven with transcripts. This may be important as mortgage lenders assess your work history during underwriting for a mortgage.

Assets, Debts, and Obligations

Other important considerations as you consider applying for a mortgage are assets, debts, and obligations. Lets break some of these common ones down.

Types of Obligations that count against your income

- Child support payments count against your income
- Alimony payments count against your income
- Childcare expenses can count against your income if both you and your spouse are employed. Childcare expenses may not count against your income in certain situations. Make sure to discuss more in detail with a [VeteranPCS VA Loan Expert](#).



- Student Loans, Auto Payments, and any other credit payments all count against your overall income. The amount in which it counts against your income is based on the minimum payment required, not necessarily the payment that you're making.

Assets and how it affects your Pre-Approval

- If you will be showing a high Debt to Income ratio (or DTI), having assets on your pre-approval could help your overall pre-approval amount. Assets would include: savings, checking account balances, TSP, stocks, bonds, retirement accounts, and even pending income from an upcoming sale of a home.



What about other items like a car that is paid off? Does that count as an asset?


- In a short answer, no. This is not considered an asset. Anything that is not liquid will not be considered. Even crypto assets can be hard to prove based on the volatility.

Let's Work Together.

- ✓ We are Veteran & Military Spouse Real Estate Agents and VA Loan Experts You Can Trust!
- ✓ Buy or Sell a Home, Get Cash Back!
- ✓ Totally free to use!



Connect with us!

 719-249-4757

 Info@VeteranPCS.com

 www.VeteranPCS.com

 @VeteranPCS



Thank You *for your service*



www.VeteranPCS.com