

Native American Direct Loan Program

Program Highlights

- ◆ What is a Native American Direct Loan (NADL)?
- ◆ Who is Eligible?
- ◆ Loan Purposes.
- ◆ The Approval Process.

What Is A VA Direct Loan?

- The Department of Veterans Affairs serves as the principal lender and directly lends the funds to an eligible Native American Veteran for the purpose of purchasing, constructing or improving a home on trust lands.

Determining Eligibility

- Native American Veterans with sufficient entitlement.
- The tribal organization has a **standing Memorandum of Understanding** with the Secretary of Veterans Affairs.
- The home is on trust/lease/allotted land.
- The Veteran (or spouse) is a member of the tribe.

Eligible Loan Purposes



- To purchase, construct, or improve a home on Native American trust land.
- To simultaneously purchase and improve a home.
- To refinance another NADL direct loan and lower the interest rate.

Requirements For Loan Approval

- Loan approval requires the Veteran to meet the following requirements:
 - ◆ The loan must be for an eligible purpose.
 - ◆ The Veteran intends to occupy the home as his/her primary residence. Rentals and/or investments are not allowed.

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- The Veteran and, if applicable, the spouse are satisfactory credit risks.
- The Veteran and, if applicable, the spouse have stable and reliable income that is sufficient to meet payment obligations and provide enough left over for family support.

Direct Loan Benefits

- No down payment.
- No private mortgage insurance.
- Minimal closing costs.
- Interest rate may be lower than conventional mortgages.
 - ◆ Currently, the interest rate is 3.5%.
- Veterans receiving VA compensation may elect to have their mortgage payments directly deducted from their compensation.

Costs

- Funding fee—which may be included in the loan amount—must be paid to VA.
 - ◆ Active duty = 1.25% of the loan amount
 - ◆ Guards/Reserves = 2.00% of the loan amount

Veterans in receipt of service-connected disability pay are exempt from the funding fee.

Costs Continued...

- VA appraisal
- Credit report
- A loan processing fee
- Title search, title insurance, or other title review fees.
- State and/or local transfer taxes, if applicable
- Recording fees
- Survey
- Hazard insurance premium



Obtaining A VA Loan

- Determine if the tribal organization or appropriate Native American group has a standing **Memorandum of Understanding (MOU)** with the Secretary of Veterans Affairs and participates in the VA direct loan program. The MOU spells out the conditions under which the program will operate on tribal trust lands.
- The Veteran will need to submit or apply for a Certificate of Eligibility (COE). If the Veteran does not have a COE, then they may apply by completing and submitting VA Form 26-1880 (Request for Determination of Eligibility) to the local VA office.

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- Contact the local housing authority or the local VA Regional Center and apply for the loan, which will require the submission of a variety of documents in order to process the loan.
- Find a home to buy and sign a purchase agreement and/or a construction contract with the builder to build the home.
- **If approved**, close the loan and move into the new home.

Contact Information

Laura Rodriguez

Native American Direct Loan Coordinator
VA Houston Regional Loan Center

- laura.rodriguez2@va.gov
- houstonlgy@va.gov
- Toll-free 1-888-232-2571, ext. 1808
- Direct number: 713-383-1808

NADL (On-line Version)

- Native American Direct Loans (On-line version)

<http://www.benefits.va.gov/homeloans/VAP26-93-1.asp>

Questions?