

Difference Between Texas Vet Loan & VA Loan: A Comprehensive Guide for Veterans



When buying a home, understanding your financing options is crucial, especially for veterans. In Texas, veterans have access to two fantastic loan programs: the Texas Vet Loan and the regular VA Loan. Knowing the differences between these programs can help you choose the one that best suits your needs. Here's a detailed comparison of Texas Vet Loans and Federal VA Loans.

Texas Vet Loan & VA Loan Overview

Two Programs With Great Benefits For Veterans Living In Texas

This chart provides a clear comparison of Texas Vet and Federal VA home loans, helping veterans understand their options based on residency, fees, interest rates, and other loan specifics.

Comparison Point	Texas Vet Loan	Federal VA Home Loan
Eligibility	Must be a Texas resident at the time of mortgage application	No residency requirement
Lender Fees Allowed	1% origination fee, 1% participation fee	Underwriting fees, origination fees, lender fees, discount points
Interest Rate	Changes weekly; 30%+ VA disability can affect rates	Changes daily; VA disability has no effect
Loan Amount	Max \$766,550	No maximum limit
Occupancy	Must intend to occupy for 3 years	Must intend to occupy for 12 months
Loan Type	Purchase only	Purchase and refinance allowed
Maximum Loans	One at a time	Multiple loans allowed
Private Mortgage Insurance (PMI)	Not charged on a VA Texas Vet Loan; charged on FHA and Conventional Texas Vet Loans with less than 20% down	No PMI
Energy Requirements	Must have ENERGY STAR or HERS Index ≤ 75 for new home construction	No specific requirements

Texas Vet Rate Vs. VA Loan Rate

Understanding how interest rates are determined and adjusted for both Texas Vet Loans and Federal VA Loans is crucial for veterans navigating their home financing options.

Interest Rate Adjustments

- **Texas Vet Loan Rates:** Adjusted weekly, with the new rates taking effect every Monday, providing stability in your rate shopping process.
- **Federal VA Loan Rates:** Adjust daily based on market conditions, meaning the rate can vary from one day to the next.

Rate Lock Terms

- **Texas Vet Loans:** Typically offer shorter rate lock periods, giving you a limited window to lock in your interest rate.
- **Federal VA Loans:** Provide longer rate lock periods, offering more flexibility to secure a favorable rate if market conditions change.

Impact Of Disability Ratings

- **Texas Vet Loans:** Offer a discounted rate for veterans with a service-connected disability rating of 30% or more, reducing the interest rate by 0.5%.
- **Federal VA Loans:** Do not adjust loan rates based on disability ratings.

Influence Of Credit Scores

- **Texas Vet Loan Rates:** Not directly affected by the borrower's credit score.
- **Federal VA Loan Rates:** Can be influenced by your credit score, with higher scores potentially securing lower interest rates.

Buying Down Rates

- **Texas Vet Loans:** Do not allow veterans to buy down their interest rate below the available rate for the week.
- **Federal VA Loans:** Allow borrowers to pay discount points upfront in exchange for a lower interest rate.

Texas Veterans & VA Loan Rate Features

Feature	Texas Vet Loan	Federal VA Loan
Rate Adjustment	Weekly on Monday	Daily
Rate Lock Term	Shorter term	Longer term
Disability Rate Impact	0.5% rate discount for 30%+ disability	No impact
Credit Score Impact	Not affected by credit score	Rates can be lower with higher credit scores
Buying Down Rate	Not allowed to buy down below the weekly rate	Allowed to buy down the rate

This comparison highlights the unique benefits each loan offers to veterans, helping you choose the one that best fits your financial situation and homeownership goals.

Texas Veterans And VA Loan Closing Costs

When comparing closing costs, it's important to understand the different fees and expenses associated with Texas Vet Loans and VA Loans.

Texas Vet Loan Closing Costs:

- May include a 1% origination fee and a 1% participation fee.
- Underwriting fees may apply.
- Discount points are not allowed.
- Closing costs can include appraisal fees, title insurance, survey, and state recording fees.
- Specific requirements for energy efficiency may impact costs.

VA Loan Closing Costs:

- Typically do not include an origination fee if the lender charges the VA's 1% flat fee.
- Includes lender fees such as processing and underwriting fees.
- Discount points are negotiable and can be used to reduce the interest rate.
- VA funding fee varies based on down payment and previous VA loan use (exempt for disabled veterans).
- Other closing costs may include appraisal and compliance inspections, recording fees, credit report and flood determination fee, survey, title insurance, and VA funding fee.

Both loan types are subject to additional costs such as property taxes, homeowner's insurance, and prepaid interest. Always consult with a loan officer for the most accurate and up-to-date information regarding closing costs for Texas Vet and VA loans.

Conclusion

Understanding the differences between Texas Vet Loans and VA Loans can help veterans make informed decisions about their home financing options. Both programs offer unique benefits, and the right choice depends on your individual needs and circumstances.

Contact HomeTown Lending to learn more about these loan programs and receive personalized advice tailored to your situation. Our team is dedicated to helping veterans achieve their homeownership dreams with the best financial solutions available.