

FREE GUIDE

# The AZ VA Loan Playbook

The Arizona-specific guide to using your VA home loan benefit — base by base, county by county, with the AZ programs national lenders skip.

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# What's in this Playbook

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This Playbook is yours. Print it, share it with your spouse, send it to a vet friend who's about to buy. Mike's contact info is on the last page.

## Why this Playbook exists

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Most VA mortgage content online is written by national lenders templating the same article across all 50 states. The Arizona section is usually two paragraphs with "Arizona" substituted in. The base pages, when they exist, were written by someone who's never set foot on Luke AFB or Davis-Monthan.

This Playbook is the other thing — written by an Arizona loan officer for Arizona veterans, with the AZ-specific math, the base-specific BAH numbers, the county-specific property tax rates, and the AZ programs (HB 2792, Home In Five Advantage veteran bonus, Pathway to Purchase) that national lenders either don't know about or can't actually layer with VA financing.

### Who I am

Mike Certo. Branch Manager at Cornerstone First Mortgage in Phoenix. NMLS #260555. I close VA loans across Arizona — Luke AFB families PCS'ing in, Davis-Monthan retirees buying their forever home, Fort Huachuca intel professionals stacking AZ DPA with VA financing. I've been doing this for over a decade. I know the AZ realtor network, the AZ appraiser quirks, the AZ DPA program managers, and the title companies that close VA in 22 days when needed.

### What this Playbook will do for you

- Give you the AZ-specific math you need to know if a deal makes sense before you fall in love with a home
- Show you which AZ DPA programs actually stack with VA — and which exclude VA entirely
- Walk through the 2026 HB 2792 disabled veteran property tax exemption (the biggest change in AZ vet benefits in a decade) with real numbers
- Hand you the multi-offer playbook for AZ summer PCS season (June-August) so you don't lose three homes before winning one
- Tell you what VA appraisers actually flag in Arizona — including the AZ-only issues (defensible space, termite warranties, summer monsoon driveway grading)

### What this Playbook will NOT do

- Replace a conversation with a loan officer. The numbers depend on YOUR credit, income, entitlement, and target property
- Promise rates or rate locks. The math examples use representative rates; today's actual rates change daily
- Cover every edge case. There are always weird ones — Mike handles those with a phone call

**How to use this Playbook:** Read it once cover to cover. Then keep it as a reference when specific situations come up — read Chapter 5 before you offer on a home, read Chapter 7 before you start summer PCS shopping, read Chapter 8 before you walk through an older home that might have appraisal issues.

## Are you eligible?

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### The service requirement

VA loan eligibility hinges on military service. Specifically:

- **Active-duty service members** — 90 continuous days during wartime, 181 days during peacetime
- **Veterans** — discharged honorably or other-than-dishonorably after meeting service requirements
- **National Guard + Reserve** — generally 6 years of service, or 90 days of active duty during wartime
- **Surviving spouses** — of service members who died in service or from service-connected disability

### Certificate of Eligibility (COE)

Your COE is the official VA document confirming your eligibility. You'll need it before any VA lender can close a loan. Three ways to get yours:

1. **Through VA.gov directly.** Fastest if you have access to eBenefits + your service records are clean. Usually instant if so.
2. **Through Mike (or any VA lender).** Mike can pull COE through the WebLGY system at no cost. Takes 1-3 business days typically.
3. **Mailing VA Form 26-1880.** Slowest path. Use only if the digital methods don't work for your situation.

### Entitlement reality (the part everyone gets confused about)

Your "entitlement" is the VA's guarantee to the lender that makes the \$0-down work. Basic entitlement is \$36,000. Bonus entitlement (since the Blue Water Navy Act of 2020) effectively scales with the FHFA conforming loan limit — currently \$832,750 in Arizona for 2026.

For vets with **full entitlement** (no prior unpaid VA loans), this means:

- You can borrow up to the conforming limit (\$832,750) at \$0 down
- You can borrow ABOVE the conforming limit (VA jumbo) at \$0 down up to whatever your lender + the VA approves — typically \$1.5M-\$4M
- You can have ONE VA loan at a time on your primary residence

For vets with **partial entitlement** (an existing unpaid VA loan), the math gets more complicated. The "remaining entitlement" determines how much you can borrow at \$0 down on a SECOND VA loan — situations like Active-duty PCS'ing while keeping an existing VA home as a rental.

**Restored entitlement:** Once your first VA loan is paid off (typically via home sale), your full entitlement restores. Vets who used VA in 1995 and sold/paid off in 2018 likely have full entitlement available again now.

### Common eligibility surprises

- **National Guard + Reserve PCS-to-active** — Reserve members who get called to active duty for 90+ days during wartime become eligible without the 6-year requirement
- **OTH discharges** — Other-than-honorable discharges are NOT automatically disqualifying. The VA reviews case-by-case
- **Spousal eligibility** — Some surviving spouses qualify even if the service member never used the benefit themselves
- **Tribal trust land** — Native veterans buying on tribal trust land use the Native American Direct Loan (NADL) program, not standard VA. Different lender (the VA itself). See [azvalloan.com/tribal-lands-nadl.html](http://azvalloan.com/tribal-lands-nadl.html) for details.

# How much home can you afford?

Three different tests determine what you can actually qualify for. National lenders usually only mention the first one. AZ lenders who actually close VA every week run all three before quoting you a number.

## Test #1 – Debt-to-Income (DTI)

VA's guideline is 41% back-end DTI. That means total monthly debt obligations (mortgage PITI + car loan + student loan + credit card minimums + child support + alimony) divided by gross income should stay under 41%.

Example: A vet with \$7,500 gross monthly income and \$450 in other monthly debts has \$2,625 of headroom for total housing payment (PITI). That's the DTI ceiling.

Many AZ VA lenders accept higher DTI (45-50%) if residual income is strong — but the 41% guideline is the safe starting point.

## Test #2 – Residual Income (VA's hidden test)

This is what most national lenders don't explain well. After paying the proposed PITI, plus utilities (VA uses 0.14% of loan amount as the estimate), plus all other monthly debts — does the borrower have enough left over each month for food, gas, healthcare, clothing, and routine living?

The minimum residual income amount depends on family size + region. Arizona falls in the VA's "West" region. The 2026 West region residual income requirements (for loans of \$80,000 or more):

Family size	Required monthly residual income
1 person	\$491
2 people	\$823
3 people	\$990
4 people	\$1,117
5 people	\$1,158
+\$80 per additional	—

Why this matters: a borrower who passes DTI but fails residual income can still be denied. Conversely, a borrower at 47% DTI with strong residual income often gets approved when their lender knows how to present it.

## Test #3 – BAH math (for active-duty)

Active-duty members get Basic Allowance for Housing (BAH) — tax-free monthly pay that's intended to cover housing. If your full PITI fits within (or close to) your BAH, you're essentially "free" — the government covers your housing.

2026 BAH for Arizona bases at the most common pay grades (with dependents):

Pay grade	Luke AFB / Phoenix MHA	Davis-Monthan / Tucson	MCAS Yuma	Fort Huachuca / Sierra Vista
E-4	\$2,034	\$1,701	\$1,506	\$1,524
E-5	\$2,289	\$1,905	\$1,695	\$1,719
E-6	\$2,517	\$2,070	\$1,851	\$1,890
E-7	\$2,673	\$2,184	\$1,959	\$2,001
O-1	\$2,256	\$1,884	\$1,683	\$1,704
O-3	\$2,829	\$2,520	\$2,178	\$2,238

Pay grade	Luke AFB / Phoenix MHA	Davis-Monthan / Tucson	MCAS Yuma	Fort Huachuca / Sierra Vista
O-4	\$3,165	\$2,706	\$2,346	\$2,397

Use BAH + base pay + any disability income (grossed up 25%) as your income for VA qualification.

#### Real example — Luke AFB E-6 with dependents

Base pay: \$4,200/month. BAH: \$2,517/month. No disability rating. Gross income for VA: \$6,717/month. Other monthly debts: \$400.

DTI ceiling (41%):  $\$2,754 - \$400 = \$2,354$ /month available for PITI.

At 6.50% over 30 years, \$2,354 of PITI on a Maricopa County property (0.51% property tax + ~\$120 insurance) supports a purchase price of approximately **\$385,000** at \$0 down.

Residual income check: \$6,717 gross becomes ~\$5,400 net after taxes.  $\$5,400 - \$2,354 \text{ PITI} - \$400 \text{ debts} - \$539 \text{ utility estimate}$  (0.14% of \$385K loan + funding fee) = \$2,107 residual. Required for family of 4: \$1,117. Passes comfortably.

**Mike's rule of thumb for AZ active-duty:** Take your monthly BAH, add your base pay, subtract \$400 for typical "other debts," multiply by 0.41, and you have your monthly PITI ceiling. Divide that ceiling by roughly \$720 per \$100K of loan (at current ~6.5% VA rate including escrows) to get your approximate max purchase price.

## The \$o-down math

VA loans are famous for \$0 down. Here's how it actually works, what the funding fee really costs, and when putting money down is the better play.

### How VA achieves \$0 down

The VA guarantees a portion of every VA loan to the lender. That guarantee is what allows lenders to skip the standard 20% down requirement. The VA isn't lending you the money — they're insuring the lender against loss if you default.

In exchange for that guarantee, the VA charges a one-time **funding fee**. This is what funds the program. Without the funding fee, VA loans wouldn't exist.

### 2026 funding fee table

Down payment	First use of VA	Subsequent use of VA
Less than 5%	2.15%	3.30%
5% to less than 10%	1.50%	1.50%
10% or more	1.25%	1.25%
IRRRL refinance	0.50%	0.50%
Cash-out refinance	2.15%	3.30%

**Funding fee WAIVED for veterans with 10% or higher service-connected disability rating** — and for qualifying surviving spouses. This is a major benefit that many vets don't realize until they're under contract.

### To finance or pay at closing?

Most VA borrowers finance the funding fee into the loan. On a \$475,000 first-use VA loan with \$0 down, the funding fee is \$10,213. Financing it brings the actual loan amount to \$485,213.

At today's VA rates around 6.50% over 30 years, that extra \$10K adds roughly \$63/month to your payment. Most veterans find that more manageable than coming up with \$10K in cash at closing.

### When putting money down makes sense

Three scenarios where some down payment is the right call:

- Crossing the funding fee tier.** If you can put down enough to cross from "<5%" to "5-9.99%" — the funding fee drops from 2.15% to 1.50%. On a \$475K loan that's \$3,088 in savings. If you can put down enough to cross to "10% or more," the funding fee drops to 1.25% — saving \$4,275.
- Comfort with the monthly payment.** Some buyers want a lower monthly payment for cash flow reasons. \$50K down brings the payment down noticeably.
- Avoiding being underwater.** If the local market is uncertain and you might sell within 3-5 years, having equity from a down payment cushions against being upside down on the loan if prices dip.

### The funding fee refund nobody mentions

If you received a disability rating AFTER closing that would have qualified you for the funding fee waiver at the time of closing, you can request a refund of the funding fee from the VA Regional Loan Center.

This is one of the most under-claimed VA benefits in Arizona. Mike handles the paperwork for veterans in this situation — the refund typically takes 4-8 weeks and goes back to whoever paid the fee originally (you, if you paid at closing; the lender on file, if it was financed into the loan).

**If you're a vet currently filing for or appealing a disability rating, and you bought a home in the last 2-3 years using a VA loan, this might be money waiting for you.** Mike does this paperwork at no cost for past clients and for any AZ vet who asks.

## AZ-specific advantages

Most national VA content treats every state the same. Arizona has four specific advantages that, stacked together, make AZ one of the strongest VA-buyer states in the country.

### 1. HB 2792 — Expanded disabled veteran property tax exemption (2026)

The single biggest change in Arizona veteran benefits in a decade. Governor Hobbs signed HB 2792 into law February 12, 2026.

What changed:

- **100% service-connected disabled vets:** FULL property tax exemption on their primary residence. No assessed-value cap. Was previously capped at modest exemption amounts.
- **Partial-disability vets (10-99%):** Proportional exemption against an expanded baseline (\$4,873 of assessed value in 2026).
- **Surviving spouses:** Eligible for the same exemption as the deceased veteran was.

For a 100%-rated vet buying a \$475,000 home in Surprise (Maricopa County), this is roughly \$2,400 per year in cash flow that didn't exist under the old law. Over a 10-year hold, that's \$24,000+ in retained income.

**How to claim:** File AZ Form 82514B "Disabled Veteran Affidavit" with your county assessor by the September 1 deadline. Most counties have it as a downloadable PDF on their assessor website. Mike helps clients with the paperwork.

### 2. AZ DPA programs that stack with VA

Arizona has three real DPA programs that layer cleanly with VA financing:

#### Home In Five Advantage (Phoenix metro only — Maricopa + Pinal counties)

Up to **6% of loan amount** as a grant or three-year forgivable second. Includes a **1% veteran bonus** on top of the standard 5%. On a \$475K loan, that's \$28,500 in bonus money. Income limit ~\$112,785 in 2026. Credit minimum 640.

#### Home Plus (statewide)

Up to **5% of loan amount** as a grant or three-year forgivable second. No vet bonus but available statewide (Phoenix, Tucson, Sierra Vista, Yuma, etc.). Income limit \$122,100 in Maricopa/Pinal or \$108,420 in Pima. Credit minimum 640.

#### Pathway to Purchase (specific revitalization cities)

Up to **10% of purchase price** (max \$20,000) as a five-year forgivable second. Available in specific eligible AZ cities. Largest absolute grant amount available.

**The strategic play:** Apply the DPA grant to closing costs (so the seller credit can go to rate buydown instead) OR apply it to principal (which lowers your monthly payment without affecting your funding fee tier).

### 3. Lower AZ property tax effective rates than most VA-buyer states

AZ counties have some of the lowest effective property tax rates in the country. For comparison, here's what AZ counties charge vs. national averages:

AZ County	Effective Property Tax	VA buyer relevance
Maricopa (Phoenix)	0.51%	Lowest in candidate set
Coconino (Flagstaff)	0.46%	Lower than Maricopa

AZ County	Effective Property Tax	VA buyer relevance
Yavapai (Prescott)	0.50%	Mountain retirement areas
Mohave (Lake Havasu)	0.46%	Lowest with Coconino
Pinal	0.69%	South of Phoenix metro
Cochise (Sierra Vista)	0.74%	Fort Huachuca area
Pima (Tucson)	0.81%	Higher but offset by lower home prices
Yuma	0.83%	MCAS Yuma area

For context: California averages 1.10%, Texas 1.83%, New York 1.69%, Florida 0.86%. Buying in Maricopa County saves roughly \$3,000/year in property tax vs. an equivalent home in Texas.

#### 4. No state income tax on military retirement

AZ fully exempts military retirement pay (including Reserve component pay and SBP survivor benefits) from state income tax. VA disability compensation is already federally tax-free.

A 20-year-retired O-5 with a \$60K annual pension would owe roughly \$3,000-\$4,000 in state tax in California, Oregon, or Minnesota on that income. In Arizona: \$0. Over a 20-year retirement, this is \$60K+ in cumulative savings.

**The stacked picture:** A 100%-rated disabled veteran retiring to Maricopa County with \$60K in military retirement pay enjoys: zero state tax on military retirement, zero property tax on primary residence (HB 2792), no funding fee on a VA loan (disability waiver), and federally tax-free disability income. Few other states come close to this combination.

## Picking your AZ market

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Arizona has roughly 7 metros that VA buyers regularly consider. Here's the trade-off snapshot for each.

### Phoenix metro

**Best for:** Active-duty Luke AFB families, working-age retired vets, anyone wanting maximum optionality. Largest VA market in AZ.

**The case:** Largest selection at every price point. Multiple VA Medical Center locations. Strong job market for transitioning vets. Multiple top school districts. Lowest property tax effective rate in candidate set (Maricopa 0.51%).

**The trade:** 105-115°F summer days. Traffic + sprawl. HOA + CFD assessments common in newer neighborhoods.

**Median price 2026:** ~\$475,000 · **Luke E-5 w/dep BAH:** \$2,289

### Tucson metro

**Best for:** Active-duty Davis-Monthan families, retiring vets prioritizing affordability + community, families wanting Vail Unified schools.

**The case:** \$120K cheaper than Phoenix for equivalent homes. Vail Unified = AZ #2 ranked school district. Tucson VAMC is a full medical facility. Cooler average summer temps (5-8°F less than Phoenix).

**The trade:** Higher property tax effective rate (0.81% vs Maricopa's 0.51%). Smaller job market. Some older infrastructure in central Tucson.

**Median price 2026:** ~\$355,000 · **D-M E-5 w/dep BAH:** \$1,905

### Sierra Vista (Fort Huachuca)

**Best for:** Active-duty Fort Huachuca families, intelligence community vets, anyone wanting lowest housing costs in AZ candidate set.

**The case:** Lowest housing costs of any AZ candidate metro. Fort Huachuca = Army intelligence + cyber (USAICoE + NETCOM). Strong vet community. 8.5% YoY BAH increase in 2026 means more buying power than ever.

**The trade:** Limited employment outside of Fort Huachuca + civilian contractors. 75 min to Tucson VAMC for specialty care. Smaller town feel.

**Median price 2026:** ~\$285,000 · **E-5 w/dep BAH:** \$1,719

### Yuma (MCAS Yuma)

**Best for:** Active-duty Marines at MCAS Yuma. Best BAH-to-price ratio in AZ — BAH covers full PITI on most homes with surplus.

**The case:** Cheapest housing in AZ candidate set. Strong Marine + Border Patrol community. Multiple master-planned communities (The Terraces, Ocotillo, Kerley Ranch) with VA-friendly builders.

**The trade:** Hottest summers in AZ (113°F+ regularly). Limited civilian job market. 3 hours to Phoenix or San Diego for specialty.

**Median price 2026:** ~\$265,000 · **E-5 w/dep BAH:** \$1,695

### Prescott + Prescott Valley

**Best for:** Retiring vets prioritizing climate + community, vets working remote, anyone with respiratory issues struggling with Phoenix heat.

**The case:** Cool summers (75-85°F July highs vs 105°F+ in Phoenix). Real four seasons. Prescott National Cemetery + VAMC. AZ's #3 retiring-vet destination after Phoenix Sun Cities.

**The trade:** Higher home prices than Phoenix or Tucson. Limited job market beyond healthcare + tourism. Wildfire risk in some surrounding areas.

**Median price 2026:** ~\$580,000

### Flagstaff

**Best for:** Vets prioritizing cool mountain climate, NAU connection, gateway-to-Grand-Canyon lifestyle.

**The case:** Cool year-round (avg July high 82°F). University town energy. Coconino County tax rate is lowest of candidates (0.46%). Active Air National Guard presence.

**The trade:** Highest insurance costs of AZ metros (wildfire risk in forest fringe areas). Limited job market. Sub-zero winter temps in some areas.

**Median price 2026:** ~\$680,000

## Other AZ markets worth knowing

- **Lake Havasu City + Bullhead City** — Western AZ along Colorado River. Retiring vet destinations. Affordable. Hot summers but waterfront access.
- **Sedona** — High-end, scenic, expensive. Few vets buy here as primary; some retiring high-rank officers do.
- **Casa Grande + Maricopa** — South of Phoenix metro. Affordable. Growing rapidly. Worth considering for Phoenix-priced-out vets.

# The summer PCS playbook

The Department of Defense schedules ~85% of permanent change-of-station moves between May 15 and August 31. AZ specifically sees major Luke AFB, Davis-Monthan, Fort Huachuca, and MCAS Yuma arrivals during this window.

What this means for AZ housing:

- Inventory in vet-heavy neighborhoods tightens 30-50% June through July
- Days-on-market drops to 14-21 days vs. 35-50 in winter
- Multiple offers become standard on well-priced homes
- Listing agents specifically counsel sellers to favor conventional + cash over VA

## The 5 tactics that win VA offers in AZ summer markets

### 1. Get fully underwritten (TBD) BEFORE writing any offers

Standard "pre-approval" letters are weak. **Full underwriting on a TBD basis** (to-be-determined property) gives you what's effectively a conditional approval — income, credit, and assets are verified. The only remaining conditions become property-specific. Listing agents recognize TBD letters and treat them like cash.

### 2. Aggressive but realistic earnest money

Standard AZ earnest money is 1% of purchase price. For a VA offer in multi-offer scenarios, bump to **2% or 3%**. It signals seriousness without real risk (earnest money is refundable in your first inspection window).

### 3. Waive minor seller concessions

VA allows up to 4% in seller concessions. Don't ask for the max — listing agents discount your offer mentally. Ask for \$0 in concessions + a tight 5-day inspection window (vs standard 10). Cover what you'd have asked the seller for with lender credits + cash.

### 4. Pre-emptively address the VA appraisal concern

Have your agent include a paragraph in the offer: *"Buyer's lender (Cornerstone First Mortgage) routinely closes VA loans in 30 days or less. VA appraisal process has been streamlined; expect 5-7 business days for AZ properties. Buyer is pre-underwritten, only property-specific conditions remain."*

### 5. Use a 25-day close commitment

Standard AZ contracts run 30-45 day close. Offer 25 days. With pre-underwriting + AZ-fast VA appraisal, Mike has closed in 18 days when needed. Shorter timeline often beats a higher-price competing offer because sellers value certainty + speed.

## The 8-week pre-PCS prep timeline

Weeks out	What to do
8-6	Get TBD pre-underwriting · verify COE current · verify entitlement available
6-4	Identify target neighborhoods · run BAH math · check insurance quotes if mountain area
4-2	House-hunt actively (remote OK) · send Mike target addresses for VA approval checks · write offers
2-0	Open escrow · VA appraisal ordered immediately · close within 21-25 days · move in within 60 days of close

### Common summer PCS mistakes to avoid:

- Don't lowball — summer competition means lowballs get rejected without counter
- Don't skip the home inspection (separate from VA appraisal)

- Don't write offers with maximum concession asks — signals weak buyer
- Don't assume the listing agent will explain VA to the seller — make sure YOUR agent does
- Don't wait to get pre-underwritten — TBD takes 2-3 days, do it 90+ days out

## VA appraisal in Arizona — what they actually check

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The VA appraisal is different from a home inspection. The appraiser is verifying property value AND that the property meets VA's Minimum Property Requirements (MPRs). MPRs are about safety, habitability, and long-term security of the loan — not about whether the carpet is stained or the kitchen is dated.

### The AZ-specific MPRs that come up most

#### Working A/C with cooling capability to 65°F or lower

Non-negotiable in Arizona. An AZ home without working A/C will not pass VA appraisal. If the system is old (>15 years), the appraiser may flag for additional inspection.

#### Termite warranty + soil treatment

AZ has very active subterranean termites. VA requires a current termite report (NPMA-33) AND active treatment warranty on existing homes. New construction needs soil pretreatment certification. Seller typically provides the report; if not, buyer can order one (\$75-\$150).

#### Roof life expectancy of 5+ years

The appraiser estimates roof remaining life. AZ sun degrades roofing materials faster than most states — tile roofs last longer (40+ years), asphalt shingles roughly 20 years in AZ vs 25-30 nationally. An aging asphalt roof can flag the appraisal.

#### Defensible space (wildfire-prone areas)

Flagstaff, Sedona, Prescott, Payson, Show Low, Pinetop-Lakeside, Strawberry, Pine, Williams — all WUI areas. Requires 30 feet of cleared/maintained vegetation around the structure.

#### Adequate setbacks from washes + floodplains

Important in flash-flood-prone areas. The appraiser checks FEMA flood zone status and may flag if the home is in a 100-year floodplain (requires flood insurance) or AZ-specific flash flood drainage path.

#### Working well + septic (if rural) OR connection to county utilities

Sierra Vista periphery, parts of Tucson outskirts, and rural mountain communities often have well + septic. Both need recent service records.

### The single most common AZ VA appraisal issue

**Driveway grading after monsoon rain.** If your closing falls in late July, August, or early September, the appraiser may flag erosion at the driveway-garage interface. Easy fix; plan for it.

### Pool requirements

If the home has a pool:

- Pool fencing or barriers required (AZ law)
- Functional pump + filtration
- No visible safety hazards (cracks, missing tiles, etc.)

### What the appraisal is NOT

The VA appraisal is not a home inspection. Get a separate buyer-paid home inspection (\$350-\$600 in AZ). The home inspection covers electrical, plumbing, HVAC details, kitchen + bathroom condition, foundation, and other things VA doesn't focus on.

## If the appraisal comes in low

Three options if the appraisal comes in below the contract price:

1. **Renegotiate** the contract price down to the appraised value
2. **Cash in** — buyer brings the difference between appraisal and contract price as additional cash at closing
3. **Walk away** — VA loans include an "amendatory clause" that allows buyers to walk if appraisal comes in low, without losing earnest money

## Reconsideration of Value (ROV)

If you have strong evidence the appraiser missed comparable sales or facts about the property, you can request a Reconsideration of Value. Mike walks veterans through ROV submissions when appropriate.

## Refinancing later — IRRRL + cash-out reality

One of the strongest VA loan features is the streamlined refinance — the IRRRL (Interest Rate Reduction Refinance Loan). When rates drop or your situation improves, IRRRL is often the cheapest, fastest path to a lower payment.

### IRRRL basics

- **No income docs.** The IRRRL doesn't require new income verification
- **No appraisal.** The IRRRL uses your original appraisal — no new one required
- **0.50% funding fee.** Lower than standard VA refi. Waived for 10%+ disability.
- **Must replace an existing VA loan.** You can't IRRRL out of a conventional or FHA loan
- **Same borrower.** The borrower on the new IRRRL must be the same as on the original VA loan (with limited exceptions)

### The 36-month recoupment rule

VA requires that your IRRRL recoup the closing costs within 36 months. Calculation: total closing costs (including funding fee) divided by monthly payment savings = months to break even. If that number is over 36, VA won't approve the IRRRL.

#### Real example — IRRRL recoupment

Current loan: \$430,000 balance, 7.25% rate, \$2,932 monthly P&I.

Proposed new loan: 6.00% rate, 30-year, closing costs \$6,500 (includes 0.5% IRRRL funding fee waived for 60% disability rating, so \$6,500 total).

New monthly P&I: \$2,580. Monthly savings: \$352.

Recoupment:  $\$6,500 / \$352 = 18.5$  months. **PASSES.**

### Cash-out refinance

VA allows cash-out refinances up to 100% LTV — significantly higher than conventional (typically 80% LTV cash-out cap). Useful for:

- Debt consolidation
- Home improvement projects
- Replacing PMI on a non-VA loan with VA financing
- Freeing up cash for major life events

Cash-out funding fee: 2.15% first use or 3.30% subsequent. Same waiver rules apply (10%+ disability waives the fee).

### Strategic considerations

- **Rate spread:** IRRRL typically makes sense when your new rate is 0.75%+ lower than current
- **Length of stay:** If you'll move within 18 months, the recoupment math probably doesn't favor IRRRL even if the rate drops
- **Cash-out vs HELOC:** For smaller cash needs, a HELOC may be cheaper than a full cash-out refi
- **VA cash-out for non-VA refi:** Vets with existing conventional or FHA loans + sufficient equity can refinance INTO a VA loan via cash-out, sometimes saving significant PMI

## Pitfalls — what goes wrong + how to avoid it

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Patterns Mike sees repeatedly. Each of these is preventable with the right preparation.

### Listing agent VA bias

Many AZ listing agents have heard horror stories about VA loans from 10+ years ago and still discount VA offers. Counter this with the 5 tactics in Chapter 7 — TBD pre-underwriting, aggressive earnest money, tight close timeline, pre-emptive language in the offer.

### HOA + CFD assessments that blow up DTI

Several AZ master-planned communities (Verrado, Vistancia, Eastmark) have CFD (Community Facilities District) bond assessments that add \$50-\$200/month on top of HOA dues. VA underwriters include CFD payments in your total housing cost. A \$300 HOA + \$150 CFD on a community you assumed had \$300 in monthly fees can shift you from passing to failing residual income.

Verify all monthly community obligations BEFORE you offer.

### Disability rating mid-process

If you're in the middle of a disability rating appeal or new claim, time it carefully. A rating that comes through 30 days before closing can waive your funding fee. A rating that comes through 30 days AFTER closing requires you to file a separate refund request.

### Spouse credit issues

VA loans CAN be in just one spouse's name (the veteran). If the non-veteran spouse has weak credit, leave them off the application. If you NEED both incomes to qualify, both go on the loan — and the lower credit score becomes the qualifying score.

### Insurance disasters in mountain communities

In Flagstaff, Sedona, Payson, Prescott Forest fringes, some homes can't get standard insurance. Get insurance QUOTES (not estimates) BEFORE writing your offer. AZ FAIR Plan is the fallback but adds significantly to monthly costs.

### HB 2792 timing

The exemption only applies if you file the affidavit (AZ Form 82514B) with your county assessor by September 1 of the year you want the exemption to start. Buy a home in October and you wait until next year's tax cycle to claim the exemption.

### The 60-day occupancy rule

VA loans require primary residence occupancy within 60 days of closing. If you close in May and don't move in until August, you're technically in violation. Most active-duty situations allow flexibility (PCS orders) but talk to Mike if your situation is unusual.

### Tribal trust land confusion

If you're a Native veteran buying on tribal trust land, you cannot use a standard VA loan — you need NADL (Native American Direct Loan) instead. National lenders rarely know this. See [azvaloan.com/tribal-lands-nadl.html](http://azvaloan.com/tribal-lands-nadl.html).

### Entitlement tied up in old loans

Vets who used VA decades ago sometimes assume their entitlement is gone. Reality: once you paid off or sold the original VA home, your entitlement restores. Mike can pull a current entitlement statement so you know exactly where you stand.

## Next steps + how to reach Mike

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### The simplest first move

Call or email Mike. Even if you're 6-12 months away from buying, getting the conversation started now means:

- Your COE is in hand (or being requested) before you actually need it
- Your entitlement status is clarified
- You have a target purchase price range based on YOUR income + situation
- You know which AZ DPA programs you qualify for
- You're prepped to move fast when the right home appears

### How Mike works

- **Direct line.** No call centers, no rotation. Mike handles your file personally.
- **No commitment to apply.** Initial conversations are educational. If you decide VA isn't right for your situation, Mike will tell you and recommend a better path.
- **Closing within 21-30 days when needed.** Especially for active-duty PCS situations.
- **Compliance-first.** Cornerstone First Mortgage is regulated under NMLS #173855. All marketing and lending follows VA + state requirements.

### Contact

Phone	(480) 296-6513
Email	mcerto@cfmtg.com
Website	azvaloan.com
Mike's NMLS	#260555 (lookup at <a href="https://nmlsconsumeraccess.org">nmlsconsumeraccess.org</a> )
Cornerstone NMLS	#173855
Branch office	Phoenix Metro, Arizona

### Other AZ VA resources Mike publishes

- **VA BAH Calculator** — base + rank → max AZ home price · [azvaloan.com/calculator.html](https://azvaloan.com/calculator.html)
- **Funding Fee Calculator** — exact fee for your situation · [azvaloan.com/calc-funding-fee.html](https://azvaloan.com/calc-funding-fee.html)
- **PITI Payment Calculator** — full monthly with AZ county tax · [azvaloan.com/calc-piti.html](https://azvaloan.com/calc-piti.html)
- **Max \$0-Down Purchase Calculator** · [azvaloan.com/calc-max-purchase.html](https://azvaloan.com/calc-max-purchase.html)
- **HB 2792 Tax Savings Calculator** · [azvaloan.com/calc-disabled-vet-tax.html](https://azvaloan.com/calc-disabled-vet-tax.html)
- **IRRRL Recoupment Calculator** · [azvaloan.com/calc-irrrl-recoupment.html](https://azvaloan.com/calc-irrrl-recoupment.html)
- **Residual Income Calculator** · [azvaloan.com/calc-residual-income.html](https://azvaloan.com/calc-residual-income.html)
- **Base-specific PCS guides** — Luke AFB, Davis-Monthan, MCAS Yuma, Fort Huachuca
- **HB 2792 deep dive** · [azvaloan.com/disabled-veteran-property-tax.html](https://azvaloan.com/disabled-veteran-property-tax.html)
- **AZ DPA + VA Stacker** · [azvaloan.com/dpa-va-stacker.html](https://azvaloan.com/dpa-va-stacker.html)

entitlement at the time of application. Loan programs, rates, and terms are subject to change without notice. Equal Housing Lender. Veterans should always confirm loan eligibility through the official VA portal at [va.gov](http://va.gov).