Key points to compare among VA repair loan lenders

Understanding what lenders look at differently

When you apply for a VA renovation loan, the basic program guidelines come from the Department of Veterans Affairs. But the lender you choose applies its own set of rules on top of those guidelines. These extra rules, called lender overlays, can determine whether your application gets approved or denied. Comparing lenders on the details that matter most can save you time and frustration.

Before you submit an application, look at how each lender handles credit score requirements, AUS approval, project scope, contractor requirements, and property eligibility. Each of these areas can vary significantly from one lender to the next, and understanding those differences helps you pick the right partner for your renovation project.



Credit score minimums and how they affect your options

The VA itself does not set a minimum credit score for renovation loans. However, most lenders do. Some will work with scores in the low 600s, while others require a 620 or higher. A few lenders may even demand a 640 or above. Your credit score directly influences which lenders you can realistically work with.

It is worth checking your credit report before you start comparing lenders. If your score falls on the lower side, focus on lenders known for more flexible credit standards. Those lenders may charge a slightly higher interest rate to offset the risk, but they can still get you into a home renovation loan when others cannot. On the other hand, if your score is strong, you can shop for lenders that offer the best combination of rates and overlay policies.

Some lenders also consider your entire credit profile, not just the score. They may look at payment history, debt-to-income ratio, and the reasons behind any recent late payments. A lender that evaluates the full picture can be more forgiving than one that relies solely on a number. Ask each lender how they handle credit scores and whether they have any overlays that tighten the standard VA guidelines.

AUS approval and the role of automated underwriting

Most lenders use an automated underwriting system (AUS) to decide the initial eligibility of your loan application. The AUS returns one of several findings: accept, approve eligible, or refer. A "refer" finding does not mean the loan is dead, but it often triggers additional manual underwriting requirements.



Different lenders have different policies on how they handle a refer finding. Some will proceed with the loan if you can document compensating factors, such as a large down payment or strong savings. Others may require a higher credit score or a lower debt ratio before they will approve a refer finding. Knowing how each lender treats AUS findings helps you avoid surprises later.

If your application gets a refer finding, a lender with a flexible overlay may still approve the loan. That flexibility can be the difference between moving forward with your renovation project or having to start over with another lender. When comparing lenders, ask how they handle each AUS finding and what compensating factors they accept.

Lender overlays on VA renovation loans

Lender overlays are additional requirements that a lender imposes beyond the standard VA program guidelines. These overlays can cover almost any part of the loan process, from credit score to property condition. For a VA repair loan, some common overlays include limits on the maximum loan amount, restrictions on the types of repairs allowed, or additional documentation for the contractor bid.

One lender might allow any licensed contractor, while another requires the contractor to be registered with the VA or have a specific bond. Another overlay might prohibit certain types of

renovations, such as swimming pools or purely cosmetic upgrades. The project scope you have in mind could be perfectly fine under one lender and completely ineligible under another.

Before you commit to a lender, ask for a list of their overlays. Some lenders publish this information on their website. Others will share it during the pre-qualification process. If a lender is vague about their overlays, that is a red flag. You want a lender who is transparent about their rules so you can plan accordingly. scarpero.com provides detailed information on lender overlays and how they affect VA renovation loan eligibility, helping you compare your options more effectively.

Contractor requirements and project oversight

VA renovation loans require that the renovation work be done by licensed contractors. But the level of oversight and the specific contractor qualifications can differ by lender. Some lenders require the contractor to be registered with the VA or to have a specific license classification. Others may accept any contractor who is properly licensed in the state where the work is done.

You should also ask about how the lender handles contractor bids. Some lenders require a detailed scope of work and a firm bid before closing. Others allow a more flexible approach, with bids that include allowances for materials or labor. If your project involves multiple trades, a lender that accepts a single bid from a general contractor can simplify the process.



Another point to check is whether the lender requires the contractor to carry certain insurance, such as general liability or workers' compensation. If your contractor does not have the required coverage, you may need to find a different contractor or switch lenders. Comparing these requirements early can save you from having to change contractors mid-stream.

Property eligibility and the scope of work

Not all properties qualify for a VA renovation loan. The property must be a one- to four-unit residential property that the veteran will occupy as their primary residence. Condos and townhouses may also qualify if they meet VA requirements. However, lenders may have additional restrictions on property types, such as properties with more than four units or those located in certain areas.

The scope of work is another area where lenders differ. Some lenders have a minimum repair cost, meaning you must do at least a certain dollar amount of renovations. Others have a maximum repair cost, capping how much you can borrow for improvements. If your project is small, a lender with a high minimum may not work for you. If your project is large, a lender with a low maximum may not give you enough funds.

You should also ask about the types of repairs that are eligible. Most VA renovation loans cover structural repairs, mechanical system upgrades, and energy efficiency improvements. Cosmetic changes, such as painting or new flooring, may or may not be allowed, depending on the lender. A clear understanding of what qualifies helps you plan your renovation budget and avoid surprises during the loan process.

Loan underwriting and program guidelines

The underwriting process for a VA renovation loan can be more complex than for a standard purchase loan. The lender must review the renovation plans, the contractor bid, and the property appraisal, which includes an estimate of the after-renovation value. Different lenders have different underwriting timelines and processes.

Some lenders have a dedicated renovation loan department with underwriters who are familiar with the VA program guidelines. Others treat renovation loans as a niche product and may not have as much expertise. Working with a lender who understands the nuances of VA renovation loans can lead to a smoother process and fewer requests for additional documentation.

You can ask each lender how many VA renovation loans they close each month and how long the typical underwriting process takes. A lender with high volume and fast turnaround is likely to have efficient systems in place. scarpero.com offers resources that explain the underwriting requirements for VA renovation loans, helping you ask the right questions during lender comparisons.



Making your choice based on the details

After you have gathered information on credit score requirements, AUS approval, lender overlays, contractor requirements, and property eligibility, you can compare lenders side by side. Create a simple checklist for each lender and note how they handle each area. Pay attention to the areas that matter most for your specific situation.

If your credit score is borderline, prioritize lenders with flexible credit standards. If your project is large, focus on lenders with high maximum repair costs. If you already have a contractor in mind, verify that the lender's contractor requirements match your contractor's qualifications. The right lender for someone else may not be the right lender for you.

Taking the time to compare these details before you submit an application can prevent a denial later. It also gives you confidence that the lender you choose will support your renovation goals from start to finish. A little upfront research goes a long way toward a successful VA renovation loan experience.