# What Veterans Need to Know About Credit Scores and VA Home Loans

Many veterans assume that a low credit score automatically disqualifies them from a VA home loan. That assumption stops too many from even starting the process. While credit history matters, the VA loan program was built with flexibility in mind. The goal is to help eligible veterans become homeowners, not to filter them out based on a number.

Understanding how your credit score interacts with the VA loan process can change your approach. It shifts the focus from worry to action. Instead of waiting years to improve your credit, you may find that you qualify sooner than you think. The key is knowing what lenders actually look at, what the VA requires, and what you can do right now to strengthen your application.




## Credit Score Requirements Are Not Set by the VA

A common point of confusion is that the VA itself does not set a minimum credit score for a VA loan. The Department of Veterans Affairs does not require a specific number. Instead, the

VA issues guidelines for lenders, and lenders add their own requirements on top of those guidelines.

Most lenders do have a minimum credit score, often around 620, but that number is not universal. Some lenders go lower, especially if the rest of your financial profile is strong. Others may require a higher score if you have recent late payments or other risk factors. The practical takeaway is that your VA loan credit score threshold depends on the lender you choose, not on the VA program itself.

That distinction matters. If one lender turns you down, another may approve you. Shopping around for a lender who understands VA loans and works with lower credit scores can make a real difference. Some lenders specialize in manual underwriting, which we will cover later, and that can open doors when your score is below typical minimums.

## What Lenders Actually Evaluate

Your credit score is only one piece of the puzzle. Lenders look at the full picture of your financial life. They want to see that you can handle the monthly mortgage payment without falling behind. That means they pay close attention to your debt-to-income ratio, your residual income, and your employment history.



Residual income is a concept unique to VA loans. It is the money left over each month after paying all major expenses, including the mortgage, taxes, utilities, and other debts. The VA sets minimum residual income amounts based on family size and location. If your residual income is above that threshold, it can offset a lower credit score. Lenders see strong residual income as a sign that you can absorb unexpected costs.

Debt-to-income ratio is another factor. Even with a modest credit score, a low debt-to-income ratio shows that you are not overextended. If your monthly debts are small relative to your income, you have room in your budget for a mortgage payment. That signals stability.

Employment history also counts. A steady job in the same field for two or more years tells lenders you have reliable income. Gaps or frequent job changes raise questions, but a solid

work record can help balance a lower score.

## Compensating Factors Can Help

When your credit score does not meet a lender's standard, compensating factors can tip the scales in your favor. These are strengths in your application that reduce the lender's risk. The VA specifically allows lenders to consider compensating factors when deciding whether to approve a loan.

Common compensating factors include a large cash down payment, significant cash reserves after closing, a history of on-time rent payments, and a low debt-to-income ratio. If you have been paying rent consistently for a year or more, that record can be more relevant than a credit score that was hurt by old medical bills or a past hardship.

Another powerful factor is a high residual income. As mentioned, the VA sets minimums, but if your residual income is well above that minimum, it signals financial cushion. Lenders are more willing to approve a loan when they see that you have room to handle surprises.

## Manual Underwriting: An Alternative Path

Most mortgage applications go through automated underwriting systems. These systems check your credit score, income, and debts against a set of rules and return a decision quickly. If your credit score is low, the automated system may reject you even if your overall financial picture is solid.

Manual underwriting is different. A human underwriter reviews your entire file, looking at the story behind the numbers. They can consider compensating factors that an automated system ignores. This process takes longer and requires more documentation, but it can lead to approval when automated systems say no.




Not all lenders offer manual underwriting, and those that do may have stricter requirements around other parts of your application. If your credit score is a concern, ask potential lenders whether they offer manual underwriting and what they need to see for it to work. This is where the phrase VA loan credit score becomes less about a fixed number and more about the overall case you build for yourself.

## Improving Your Credit Before You Apply

Even if you can qualify with your current score, improving your credit before applying can get you better terms. A higher score often means a lower interest rate, which saves money over the life of the loan. It can also reduce the VA funding fee, which is a one-time cost paid at closing.

Credit repair is a gradual process, but you can make meaningful progress in a few months. Start by checking your credit reports from all three major bureaus. Look for errors, such as accounts that are not yours, incorrect late payments, or outdated negative information. Disputing errors can raise your score quickly if the bureaus remove them.

Paying down credit card balances is another effective move. Credit utilization, the percentage of your available credit you are using, has a big impact on your score. Keeping utilization below 30% helps, and lower is even better. Even paying a few hundred dollars off a card can move the needle.

Do not open new credit accounts in the months before applying for a mortgage. Each new application causes a small, temporary drop in your score. Multiple inquiries in a short period can signal risk to lenders. Focus on paying existing accounts on time and keeping balances low.

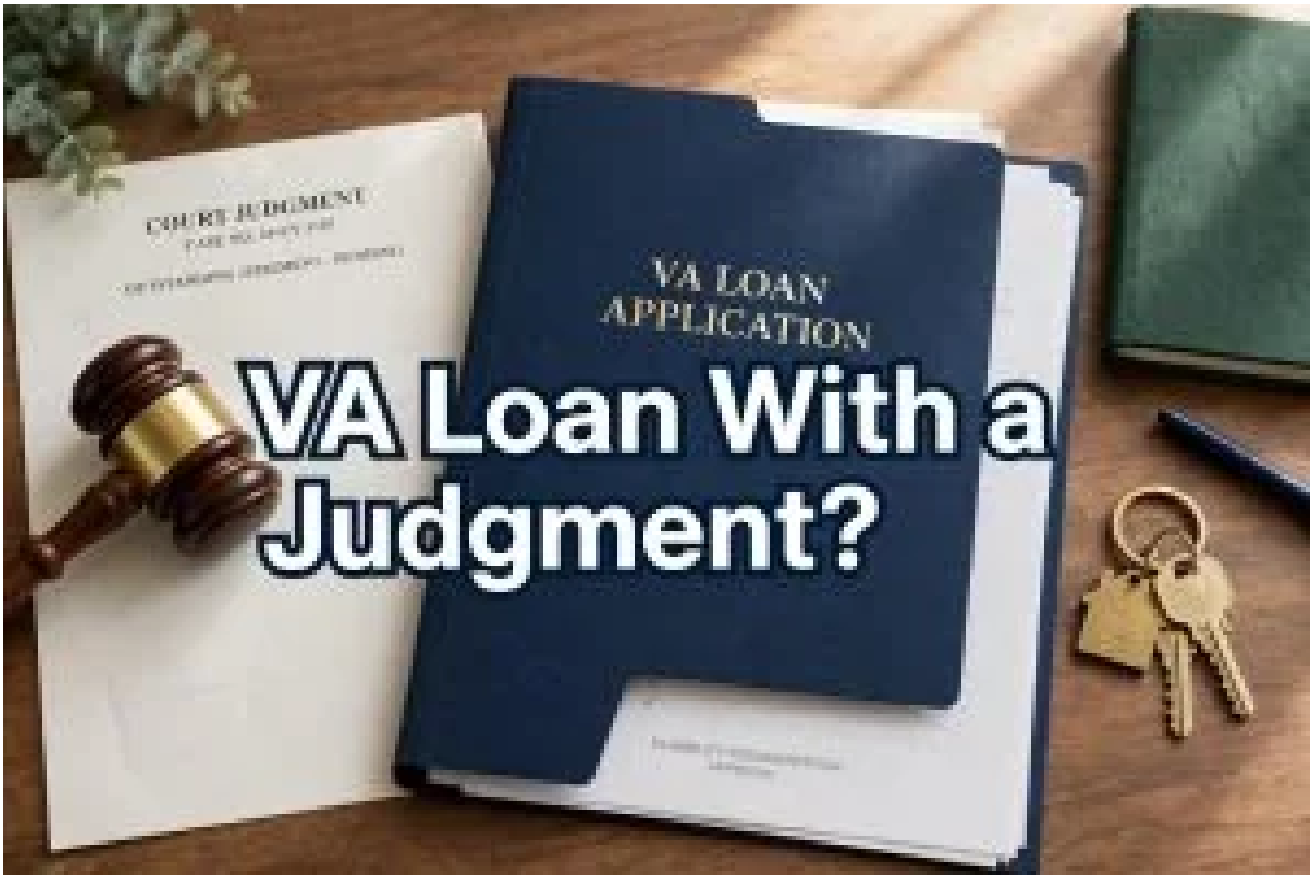
## The Role of the Certificate of Eligibility

Before any credit discussion, you need to prove you are eligible for the VA loan program. That requires a Certificate of Eligibility, or COE. This document confirms that you meet the service requirements for a VA home loan. You can obtain it through the VA's online portal, by mail, or through your lender.

Your credit score has no bearing on whether you receive a COE. Eligibility is based solely on your military service. Once you have that certificate, you can move forward with finding a lender and starting the application process. Do not let concerns about your credit score stop you from getting your COE. That step is free and independent of your financial history.

## Putting It All Together

The path to a VA home loan with a less-than-perfect credit score is not automatic, but it is achievable. Start by getting your COE. Then research lenders who are experienced with VA loans and willing to work with lower scores. Ask about their minimum requirements, their experience with manual underwriting, and what compensating factors they consider.




Gather documentation that tells your financial story. Pay stubs, bank statements, rent payment records, and proof of any cash reserves all help. If you have a history of paying rent on time, get a letter from your landlord. If you have paid off old debts, keep the records showing the zero balance.

Be honest with yourself and your lender about your credit history. Hiding problems only creates issues later. A good lender will help you find a path forward, whether that means waiting a few months to improve your score or going through manual underwriting now. The VA loan credit score you have today does not have to be the number that defines your future.

Veterans have earned the right to use this benefit. A low credit score does not erase that. With the right knowledge, the right lender, and a solid plan, homeownership is within reach.