Veterans Benefits Administration
Department of Veterans Affairs
Washington, D.C. 20420

Circular 26-14-6
February 28, 2014

Revised 2014 VA Effective Loan Limits

1. Purpose. This Circular announces the Department of Veterans Affairs (VA) revised effective loan limits for loans closed on or after the date of this Circular.

2. Background. On December 18, 2013, VA posted its effective loan limits for loans closed in calendar year (CY) 2014. These effective loan limits went into effect on January 1, 2014. Due largely to decreases in the year-over-year median home prices, VA's effective loan limits in several dozen counties declined from CY 2013 to CY 2014. VA evaluated the statutes and issues involved in calculating VA's maximum guaranty amount and is now publishing revised CY 2014 effective loan limits.

3. How VA Calculates Effective Loan Limits. It is important to note that VA does not impose a maximum loan amount that a Veteran may borrow to purchase a home; instead, the law directs the maximum amount that VA may guarantee on a home loan. Because most VA loans are pooled in securities that require a 25 percent guaranty, the effective no-downpayment loan limit on VA loans tends to be four times VA's maximum guaranty amount. VA's maximum guaranty amounts are governed by 38 U.S.C.§3703(a)(1)(C) and are statutorily indexed to the loan limits established by the Federal Housing Finance Agency (FHFA) in 12U.S.C.§1454(a)(2) for Freddie Mac. These limits are based on median house prices reported by the Federal Housing Administration each year.

4. Revised Effective Loan Limit Calculations. The revised CY 2014 effective loan limits are posted at http://benefits.va.gov/HOMELOANS/purchaseco_loan_limits.asp.

5. Rescission: This Circular is rescinded January 1, 2015.

By Direction of the Under Secretary for Benefits

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Director
Loan Guaranty Service

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