

2016 Department of Veterans Affairs County Loan Limits

1. Purpose. This Circular announces the Department of Veterans Affairs (VA) effective loan limits for loans closed on or after January 1, 2016.
2. Interest Rate Reduction Refinancing Loans (IRRRLs). The county loan limits do NOT apply to IRRRLs. VA will guarantee 25 percent of the loan amount on an IRRRL, regardless of whether the loan exceeds the limit for the particular county.
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 is typically four times VA's maximum guaranty amount. Lenders may make loans greater than the effective loan limit; however, the Veteran may be required to make a downpayment; typically 25% of the difference between the loan amount and the county loan limit. Downpayments required on VA loans are typically far less than downpayments required on other loan products.
4. Effective Loan Limit Calculations. The 2016 effective loan limits are posted at: http://benefits.va.gov/HOMELOANS/purchaseco_loan_limits.asp. Please note: For purposes of determining the VA guaranty, lenders are instructed to reference only the One-Unit Limit column in the Federal Housing Finance Agency (FHFA) Table "Fannie Mae and Freddie Mac Maximum Loan Limits for Mortgages Acquired in Calendar Year 2016 and Originated after 10/1/2011 or before 7/1/2007". While a Veteran may use the VA Home Loan Guaranty benefit to acquire a property up to 4-units in size, VA's maximum guaranty amount will be based on the One-Unit (single-family residence) limit, as prescribed by FHFA in the aforementioned table. For example, if a Veteran plans to purchase a four-unit dwelling for \$700,000, in a county where the FHFA One-Unit (single-family residence) limit is \$417,000, then VA's maximum guaranty amount would be 25% of the \$417,000."
5. Loan Applications in Process. In instances where a county loan limit has decreased in calendar year 2016, VA will honor the previous year's higher limit on a purchase loan, provided the sales contract has been ratified by all parties and the Uniform Residential Loan Application (URLA) is signed by both parties prior to January 1, 2016. If the borrower is originating a non-IRRRL refinance loan, the URLA must be signed by the lender and the borrower prior to January 1, 2016, and provided to VA with a time stamp substantiating the date the URLA was printed. Note that VA will only permit the use of the previous year's higher limit for loan applications taken on or before December 31, 2015 and where the loan closed on or before December 31, 2016. No exceptions to this policy will be granted for loans that fall outside these parameters.

6. Lender Actions after Closing for Lower-Limit Counties. In instances where a county loan limit has decreased from calendar year 2015 to calendar year 2016, lenders are required to upload a copy of the ratified contract, URLA and HUD-1/Closing Disclosure into the WebLGY system after receipt of the Loan Guaranty Certificate. The lender is then required to contact the VA Regional Loan Center of jurisdiction to request an adjustment to the loan limit.

7. Rescission: This Circular is rescinded January 1, 2017.

By Direction of the Under Secretary for Benefits

Michael J. Frueh, Director
Loan Guaranty Service

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