Maximum VA Guaranty Calculation

The information and examples provided are solely to help you calculate the maximum VA guaranty. This document does not supplement, override, or supersede any provisions of law, applicable statutes, regulations, or VA policies. While VA doesn't require a credit score or down payment for the VA home loan, the amount a lender will lend may be based on individual borrower characteristics such as credit, cash on hand, down payments, and other factors. Borrowers should shop around for a loan product that best suits their financial needs.

The Blue Water Navy Vietnam Veterans Act of 2019 changed the way the VA guaranty is calculated for purchase, refinance (other than IRRRLs), and loans made to build a home above $144,000 for loans closed on or after January 1, 2020. Specifically, for Veterans with full entitlement, the maximum guaranty amount is 25 percent of any loan amount above $144,000, regardless of the county loan limit. However, for Veterans with partial entitlement, the maximum amount of guaranty for a loan above $144,000 may not exceed the lesser of 25 percent of the loan amount or 25 percent of the county loan limit minus the amount of entitlement previously used and not restored.

The following examples illustrate some common situations involving VA guaranty calculations. They are by no means comprehensive of all situations due to variations of entitlement available to an individual Veteran, county loan limits, purchase prices, and loan amounts. Situations may arise that are not shown in these examples.

Note: All dollar amounts below are simplified for explanation purposes. To see current conforming loan limits by county, refer to the ‘One-Unit Limit’ column in the Federal Housing Finance Agency’s maximum loan limit table.

Example 1 – (Full Entitlement)

The maximum guaranty for borrowers with full entitlement is 25 percent of the loan amount.

\[
\text{Loan Amount: } \$1,200,000 \\
\text{Maximum Guaranty: } \$1,200,000 \times 25\% = \$400,000
\]

Example 2 – (Partial Entitlement)

In this case, the borrower used $70,000 of entitlement on a prior VA-guaranteed home loan (not restored). The borrower is seeking to purchase another home with a loan amount of $200,000. County loan limit of the property is $600,000.

\[
\begin{align*}
\$150,000 \ (\$600,000 \times 25\%) & \quad \text{OR} \quad \$200,000 \ (\text{loan amount}) \\
- \$70,000 \ (\text{entitlement used}) & \xrightarrow{x \ 25\%} \ 50,000 = \text{possible guaranty} \\
\$ \ 80,000 = \text{remaining entitlement available} & \quad \text{or} \quad \$ \ 50,000 = \text{possible guaranty}
\end{align*}
\]

Effective: January 1, 2020
Maximum Guaranty = $50,000

Example 3 – (Partial Entitlement)
The borrower used $70,000 of entitlement on a prior VA-guaranteed home loan (not restored). The Veteran is seeking to purchase another home with a loan amount of $350,000. County loan limit of the property is $300,000.

\[\begin{align*}
\text{Loan Amount} & : \quad 75,000 \quad (\frac{300,000 \times 25}{100}) \\
\text{Entitlement used} & : \quad 70,000 \\
\text{Remaining Entitlement} & : \quad 5,000
\end{align*}\]

Maximum Guaranty = $5,000

Example 4 – (No Entitlement)
The borrower used $36,000 of entitlement on a prior VA-guaranteed home loan (not restored). They are seeking to purchase another home with a loan amount of $144,000. County loan limit of the property is $300,000.

Since the loan amount is not over $144,000 the borrower has no remaining entitlement available. Therefore, they cannot use his/her home loan benefit to guaranty the loan without obtaining restoration of entitlement.

Example 5 – (Refinance)
The borrower used $36,000 of entitlement on a prior VA-guaranteed home loan (not restored). They are seeking to obtain a cash-out refinance on his/her current VA-guaranteed home loan in the amount of $180,000. The borrower has no other VA-guaranteed home loan. County loan limit of the property is $300,000.

\[\begin{align*}
\text{Loan Amount} & : \quad 180,000 \quad \text{Maximum Guaranty:} \quad 180,000 \times 25\% = 45,000
\end{align*}\]

Entitlement used may be restored for purposes of a cash-out refinance.

Example 6 – (One-time Restoration)
The borrower used $36,000 of entitlement on a prior VA home loan (paid-in-full / not restored). They are seeking to purchase another home with a loan amount of $180,000. County loan limit of the property is $300,000.

\[\begin{align*}
\text{Loan Amount} & : \quad 180,000 \quad \text{Maximum Guaranty:} \quad 180,000 \times 25\% = 45,000
\end{align*}\]

A one-time restoration is possible where the prior VA loan has been paid-in-full, but the borrower maintains the property from the original loan. If the Veteran wants to use the

Effective: January 1, 2020
benefit in the future for another purchase or cash-out refinance, both properties would have to be disposed of before entitlement can be restored.