

Adjustment of Loan Limit Examples

The purpose of this exhibit is to provide examples of guaranty calculations for various loan scenarios. Nothing in this exhibit supplements, overrides, or supersedes any provisions of applicable statutes, policies, or regulations. As always, lenders should refer to all applicable statutes, regulations, and policies, including [VA Pamphlet M26-7, Lenders Handbook](#), for further information.

A. Veterans with Full Entitlement

A1. Veteran has full entitlement available and is purchasing a home for \$1,200,000. Freddie Mac CLL is \$726,525. The maximum amount of guaranty is \$300,000 [$\$1,200,000 \times 25\%$].

A2. Cash-out Refinance. Veteran is looking to complete a cash-out refinance of an existing VA-guaranteed loan in which the Veteran used \$80,000 entitlement. The Veteran has no other previously used entitlement (not restored). The refinancing loan amount is \$600,000. The Freddie Mac CLL is \$484,350. The entitlement used (\$80,000) for the existing VA-guaranteed loan can be restored for purposes of the refinance, resulting in full entitlement available to the Veteran. The maximum amount of guaranty is \$150,000 [$\$600,000 \times 25\%$].

A3. Back-to back loan closings. The Veteran is selling an existing VA-guaranteed loan in which the Veteran used (not restored) \$125,000 entitlement. The Veteran has no other previously used entitlement (not restored). Loan amount of the new home is \$900,000. Freddie Mac CLL is \$529,000. Loan closing for both loans (sell and purchase) is on the same day. The maximum amount of guaranty is \$225,000 ($\$900,000 \times 25\%$). However, the lender must ensure that the restoration process of the prior loan is complete before requesting VA guaranty. If the purchase loan closes one or more days before the closing of the existing VA loan, the maximum guaranty is \$7,250. [$\$132,250$ (25% of CLL) minus \$125,000 (entitlement not restored)]

A4. Married Veterans. Veteran and the Veteran's spouse, who is also a Veteran, want to use dual entitlement to guaranty the loan. Both have full entitlement. The loan amount is \$600,000. The Freddie Mac CLL is \$625,500. The guaranty is \$150,000 [$\$600,000 \times 25\%$].

Default Guaranty (unless uneven guaranty is requested):

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged (per Veteran)</u>
Veteran with full entitlement	\$600,000	\$150,000	\$75,000
Veteran's spouse with full entitlement	(loan amt)	(25%)	\$75,000

B. Veteran with Partial Entitlement

B1. Loan amount is \$765,000; Entitlement used (not restored) is \$70,000; Freddie Mac CLL is \$724,000. The guaranty amount is \$111,000.

$$(\$724,000 \times 25\%) - \$70,000 = \$111,000 \text{ [Guaranty Entitlement Available]}$$

$$\$111,000 / \$765,000 = 14.51\% \text{ [VA Guaranty]}$$

B2. Loan amount is \$200,000; Entitlement used (not restored) is \$36,000; Freddie Mac CLL is \$500,000. The guaranty amount is \$50,000.

$$(\$500,000 \times 25\%) - \$36,000 = \$89,000 \text{ [Guaranty Entitlement Available]}$$

$$\$200,000 \times 25\% = \$50,000 \text{ [25\% of Loan Amount]}$$

$$\$50,000 / \$200,000 = 25.00\% \text{ [VA Guaranty]}$$

B3. Loan amount is \$400,000; Entitlement used (not restored) is \$161,000; Freddie Mac CLL is \$600,000. The Veteran does not have entitlement available for this purchase.

$$(\$600,000 \times 25\%) - \$161,000 = (\$11,000) \text{ [No Guaranty Entitlement Available]}$$

B4. Married Veterans. Veteran and the Veteran’s spouse, who is also a Veteran, want to use dual entitlement to guaranty the loan. One has full entitlement and the other has partial entitlement available. The loan amount is \$660,000. The Freddie Mac CLL is \$600,000. The guaranty is \$165,000 [\$660,000 x 25%].

Uneven entitlement is charged according to their preference.

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged (per Veteran)</u>
Veteran partial entitlement = \$60,000 Veteran’s spouse with full entitlement	\$660,000 (loan amt)	\$165,000 (25%)	\$ 60,000 \$105,000

If both have partial entitlement, the guaranty is \$146,000.

Uneven entitlement is charged according to their preference.

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged (per Veteran)</u>
Veteran entitlement available = \$60,000 Veteran’s spouse entitlement available = \$86,000	\$600,000 (CLL)	\$146,000 (22%)	\$60,000 \$86,000

C. Joint Loan

C1. (Vet/Vet). Both Veterans have full entitlement and both will use their entitlement to guaranty the loan. The loan amount is \$600,000. The Freddie Mac CLL is \$529,000. The guaranty is \$150,000 [$\$600,000 \times 25\%$].

Default Guaranty (unless manual uneven guaranty is requested):

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged (per Veteran)</u>
Veteran 1 (full entitlement)	\$600,000	\$150,000	\$75,000
Veteran 2 (full entitlement)	(loan amt)	(25%)	\$75,000

C2. (Vet/Vet). One Veteran has full entitlement and the other has partial entitlement. Both will use their entitlement to guaranty the loan. The loan amount is \$600,000. The Freddie Mac CLL is \$500,000. The guaranty amount is \$125,000 [$\$500,000 \times 25\%$].

Default Guaranty (unless manual uneven guaranty is requested):

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged (per Veteran)</u>
Veteran 1 (full entitlement)	\$500,000	\$125,000	\$62,500
Veteran 2 entitlement available = \$89,000	(CLL)	(20.83%)	\$62,500

Manual Uneven Guaranty (possible variation):

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged</u>
Veteran 1 (full entitlement)	\$500,000	\$125,000	\$118,500
Veteran 2 entitlement available = \$6,500	(CLL)	(20.83%)	\$6,500

D. Joint Loan with More than Two Obligors

D1. (Vet/Vet/Vet). All Veterans have full entitlement and will use their entitlement to guaranty the loan. The loan amount is \$600,000. The Freddie Mac CLL is \$500,000. The guaranty amount is \$150,000 [$\$600,000 \times 25\%$].

Default Guaranty (unless manual uneven guaranty is requested):

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged</u>
Veteran 1 (full entitlement)	\$600,000	\$150,000	\$50,000
Veteran 2 (full entitlement)	(loan amt)	(25%)	\$50,000
Veteran 3 (full entitlement)			\$50,000

D2. (Vet/Vet/Vet). Two Veterans have full entitlement and one Veteran has partial entitlement. All will use their entitlement to guaranty the loan. The loan amount is \$300,000. The Freddie Mac CLL is \$500,000. The maximum guaranty amount is \$75,000 [$\$300,000 \times 25\% = \$75,000$].

Default Guaranty:

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged</u>
Veteran 1 (full entitlement)	\$300,000	\$56,500	\$25,000
Veteran 2 (full entitlement)	(loan amt)	(18.83%)	\$25,000
Veteran 3 entitlement available = \$6,500			\$6,500

Manual Uneven Guaranty (possible variation):

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged</u>
Veteran 1 (full entitlement)	\$300,000	\$75,000	\$20,000
Veteran 2 (full entitlement)	(loan amt)	(25%)	\$48,500
Veteran 3 entitlement available = \$6,500			\$6,500

D3. (Vet/Vet/Vet). Two Veterans have full entitlement and one Veteran has partial entitlement. All will use their entitlement to guaranty the loan. The loan amount is \$600,000. The Freddie Mac CLL is \$500,000. The maximum guaranty amount is \$125,000 [$\$500,000 \times 25\%$].

Default Guaranty:

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged</u>
Veteran 1 (full entitlement)	\$500,000	\$89,834	\$41,667
Veteran 2 (full entitlement)	(CLL)	(14.97%)	\$41,667
Veteran 3 entitlement available = \$6,500			\$6,500

Manual Uneven Guaranty (possible variation):

<u>Obligors</u>	<u>Amt Used to Calculate Max Guaranty</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charged</u>
Veteran 1 (full entitlement)	\$500,000	\$125,000	\$60,000
Veteran 2 (full entitlement)	(CLL)	(20.83%)	\$58,500
Veteran 3 entitlement available = \$6,500			\$6,500

D4. (Vet/Vet/Non-Vet). Two Veterans have full entitlement and will use their entitlement to guaranty the loan. The loan amount is \$600,000. The Freddie Mac CLL is \$500,000. The loan amount eligible for guaranty is \$400,000. The guaranty is limited to the portion of the loan allocable to the Veterans; therefore, the maximum guaranty amount is \$100,000 [$\$400,000 \times 25\%$].

Default Guaranty:

<u>Obligors</u>	<u>Total Loan Amount</u>	<u>Allocable Loan Portion</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charge</u>
Veteran 1 (full entitlement) Veteran 2 (full entitlement) <i>Non-Veteran (no entitlement)</i>	\$600,000	\$200,000 \$200,000 \$200,000	\$100,000 (16.67%)	\$50,000 \$50,000 N/A

D5. (Vet/Vet/Non-Vet). One Veteran has full entitlement and one Veteran has partial entitlement. Both will use their entitlement to guaranty the loan. The loan amount is \$600,000. The Freddie Mac CLL is \$500,000. The loan amount eligible for guaranty is \$400,000. The guaranty is limited to the portion of the loan allocable to the Veterans, therefore, the maximum guaranty amount is \$100,000 [$\$400,000 \times 25\%$].

Default Guaranty:

<u>Obligors</u>	<u>Total Loan Amount</u>	<u>Allocable Loan Portion</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charge</u>
Veteran 1 (full entitlement) Veteran 2 entitlement available = \$6,500 <i>Non-Veteran (no entitlement)</i>	\$600,000	\$200,000 \$200,000 \$200,000	\$56,500 (9.42%)	\$50,000 \$ 6,500 N/A

Manual Uneven Guaranty (possible variation):

<u>Obligors</u>	<u>Total Loan Amount</u>	<u>Allocable Loan Portion</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charge</u>
Veteran 1 (full entitlement) Veteran 2 entitlement available = \$6,500 <i>Non-Veteran (no entitlement)</i>	\$600,000	\$200,000 \$200,000 \$200,000	\$100,000 (16.67%)	\$93,500 \$ 6,500 N/A

D6. (Vet/Vet/Non-Vet). Two Veterans have partial entitlement and will use their entitlement to guaranty the loan. The loan amount is \$600,000. The Freddie Mac CLL is \$500,000. The guaranty is limited to the portion of the loan allocable to the Veterans [$\$200,000 \times 2 = \$400,000$]. Since the Veterans' combined available entitlement (\$78,000) is less than 25% of the loan amount eligible for guaranty [$\$400,000 \times 25\% = \$100,000$], the maximum guaranty amount is \$78,000.

Manual Uneven Guaranty (possible variation):

<u>Obligors</u>	<u>Total Loan Amount</u>	<u>Allocable Loan Portion</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charge</u>
Veteran 1 entitlement available = \$71,500	\$600,000	\$200,000	\$78,000	\$71,500
Veteran 2 entitlement available = \$6,500		\$200,000	(13.00%)	\$ 6,500
<i>Non-Veteran (no entitlement)</i>		<i>\$200,000</i>		<i>N/A</i>

D7. (Vet/Vet/Non-Vet). Two Veterans have partial entitlement and will use their entitlement to guaranty the loan. The loan amount is \$900,000. The Freddie Mac CLL is \$500,000. The guaranty is limited to the portion of the loan allocable to the Veterans. [\$300,000 x 2 = \$600,000]. However, the loan amount allocable to the Veterans (\$600,000) exceeds the Freddie Mac CLL, therefore, the maximum guaranty amount is \$125,000 [\$500,000 x 25%].

Default Guaranty:

<u>Obligors</u>	<u>Total Loan Amount</u>	<u>Allocable Loan Portion</u>	<u>Guaranty Amt (% of loan)</u>	<u>Entitlement Charge</u>
Veteran 1 entitlement available = \$89,000	\$900,000	\$300,000	\$125,000	\$62,500
Veteran 2 entitlement available = \$63,000		\$300,000	(13.89%)	\$62,500
<i>Non-Veteran (no entitlement)</i>		<i>\$300,000</i>		<i>N/A</i>