

VA Lenders Handbook (VA Pamphlet 26-7), Chapter 3, Topic 3 — Maximum Loan

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3. Maximum Loan Change Date November 8, 2012, Change 21 • This section has been updated to correct a hyperlink. • This section has been updated to make minor grammatical edits. a. Does VA have Maximum Loan Amounts? Unlike other home loan programs, there are no maximum dollar amounts prescribed for VA-guaranteed loans. Limitations on VA loan size are primarily attributable to two factors: 1. Lenders who sell their VA loans in the secondary market must limit the size of those loans to the maximums prescribed by Government National Mortgage Association (GNMA) or whatever conduit they use to sell the loans. 2. VA limits the amount of the loan to the reasonable value of the property shown on the NOV plus the cost of energy efficiency improvements up to \$6,000 plus the VA funding fee, with the following exceptions. Exception Maximum Loan IRRRLs • Existing VA loan balance, plus • The cost of any energy efficiency improvements up to \$6,000, plus • Allowable fees and charges, plus • Up to two discount points, plus • VA funding fee. (Lenders must use VA Form 26-8923, IRRRL Worksheet, for the actual calculation.) Continued on next page VA Pamphlet 26-7, Revised Chapter 3: The VA Loan and Guaranty 3-8 3. Maximum Loan, Continued a. Does VA have Maximum Loan Amounts? (continued) Exception Maximum Loan Regular refinancing loan (cash-out) • 100 percent of the VA reasonable value, plus • the cost of any energy efficiency improvements up to \$6,000, plus • VA funding fee. Loans to refinance are: • a construction loan, • an installment land sales contract, or • a loan assumed by the veteran at an interest rate higher than that for the proposed refinancing loan. The lesser of: • the VA reasonable value, or • the sum of the outstanding balance of the loan plus allowable closing costs and discounts, plus • For construction loans, “balance of the loan” includes the balances of construction financing and lot liens, if any. • the cost of any energy efficiency improvements up to \$6,000, plus • VA funding fee. Graduated Payment Mortgage (GPM) loan on existing property • The VA reasonable value, minus • the highest amount of negative amortization, plus • the cost of any energy efficiency improvements up to \$6,000, plus • VA funding fee. Reference: See section 7 of chapter 7. GPM loan on new home 97.5 percent lesser of: • the VA reasonable value or • the purchase price, plus • the cost of any energy efficiency improvements up to \$6,000, plus • VA funding fee. Reference: See section 7 of chapter 7. Continued on next page VA Pamphlet 26-7, Revised Chapter 3: The VA Loan and Guaranty 3-9 3. Maximum Loan, Continued b. Downpayment Because VA loans can be for the full reasonable value of the property, no downpayment is required by VA except in the following circumstances: • If the purchase price exceeds the reasonable value of the property, a downpayment in the amount of the difference must be made in cash from the borrower’s own resources, and • VA requires a downpayment on all GPMs. If a veteran has less than full entitlement available, a lender may require a downpayment in order to make the veteran a loan that meets GNMA or other secondary market requirements. The “rule of thumb” for GNMA is that the VA guaranty, or a combination of VA guaranty plus downpayment and/or equity, must cover at least 25 percent of the loan. VA Pamphlet 26-7, Revised Chapter 3: The VA Loan and Guaranty 3-10

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