

# Temporary Increase In Maximum VA Guaranty

Wednesday, 06 August 2008

## TEMPORARY INCREASE IN MAXIMUM GUARANTY AMOUNT UNDER H.R. 3221

1. **PURPOSE:** On July 30, 2008, the President signed H.R. 3221, the Housing and Economic Recovery Act of 2008. This circular explains the procedures for implementing Section 2201 of that Act, the "Temporary Increase in Maximum Loan Guaranty Amount for Certain Housing Loans Guaranteed by the Secretary of Veterans Affairs."

2. **GUARANTY AMOUNTS:** H.R. 3221 provides a temporary increase in the maximum guaranty amount for VA loans originated from July 30, 2008 through December 31, 2008. During this period, the "maximum guaranty amount" set forth in this circular should be substituted for the maximum guaranty amount specified at 38 U.S.C. 3703(a)(1)(C) and 38 CFR 36.4302(a)(4) and 36.4802(a)(4). Please note that, if a veteran has previously used entitlement which has not been restored, the guaranty amount for that veteran must be reduced accordingly.

a. **Loans for \$417,000 or Less Are Unaffected.** The guaranty amount for loans where the original principal loan amount is \$417,000 or less remains unchanged. On these loans, VA will continue to guarantee the amounts specified at 38 CFR 36.4302 and 36.4802.

b. **Loans for More Than \$417,000.** If the original principal loan amount is greater than \$417,000, VA will guarantee 25 percent of the original principal loan amount, up to the maximum guaranty amount. The maximum guaranty amount varies depending upon the location of the property being purchased, constructed, or refinanced.

(1) For all locations in the United States other than Alaska, Guam, Hawaii, and the Virgin Islands, the maximum guaranty amount is 25 percent of the greater of: (a) \$417,000 or (b) 125 percent of the area median price for a single-family residence, up to \$729,750.

(2) In Alaska, Guam, Hawaii, and the U.S. Virgin Islands, the maximum guaranty amount is 25 percent of the greater of: (a) \$625,500 or (b) 125 percent of the area median price for a single-family residence, up to \$1,094,625.

c. **Guaranty Limit for Regular Refinance Loans.** H.R. 3221 did not make any changes to the guaranty limit for regular refinance loans. The limit remains at \$36,000.

3. **CALCULATING THE MAXIMUM GUARANTY FOR LOANS OVER \$417,000:** The applicable maximum guaranty amount may be calculated using data available online from the Department of Housing and Urban Development. To calculate the maximum guaranty amount for a particular property, go to <https://entp.hud.gov/idapp/html/hicostlook.cfm>, select the appropriate state, enter the name of the county, select "Fannie/Freddie" for the "Limit Type," and click "SEND." The applicable maximum guaranty amount is 25 percent of the amount in the column labeled "One-Family."

4. **LOAN GUARANTY CERTIFICATES:** VA is in the process of updating our online system, webLGY, to accommodate this new policy. During this transition, lenders should contact the appropriate VA Regional Loan Center if they believe that the amount on a loan guaranty certificate has been calculated incorrectly.

5. **RESCISSION:** This circular is automatically rescinded January 1, 2009.