

TO: Distribution

DATE: January 8, 2020

RE: CMG Financial Correspondent Lending Updates

EFFECTIVE: As noted below

CMG FINANCIAL CORRESPONDENT LENDING UPDATES

Topics Covered in this Announcement:

- VA Circular 26-19-33-New 2020 VA Max Loan Amount

VA CIRCULAR 26-19-33- NEW 2020 VA MAXIMUM LOAN AMOUNTS

Summary: As previously announced, the 2020 VA Loan Limit will impact on borrowers with Partial Entitlement. VA does not impose a maximum loan amount that a Veteran with partial entitlement 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-down payment loan limit on VA loans is typically four times VA's maximum guaranty amount. CMG allows loans greater than the effective loan limit to a borrower with partial entitlement; however, the Veteran is required to make a down payment (25 percent of the difference between the loan amount and the county loan limit).

Effective Loan Limits: The 2020 effective loan limits are posted at:

http://www.benefits.va.gov/homeloans/purchaseco_loan_limits.asp. Note that for purposes of determining the VA guaranty for loans involving Veterans with partial entitlement, lenders are instructed to reference only the One-Unit Limit column in the Federal Housing Finance Agency (FHFA) Table "Loan Limits for Calendar Year 2020- All Counties" (<https://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx>).

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 with partial entitlement plans to purchase a four-unit dwelling for \$700,000, in a county where the FHFA One-Unit (single-family residence) limit is \$510,400, then VA's maximum guaranty amount would be 25 percent of the \$510,400.

When the VA does not guaranty a full 25%, the Correspondent Lender must provide their own worksheet/calculation confirming the 25% guaranty/down payment (equity) requirement is met.

Effective Date: VA loans closed on and after 1/1/2020.

Link to Circular 26-19-33: https://www.benefits.va.gov/homeloans/documents/circulars/26_19_33.pdf

***Please contact your Correspondent National Sales Manager
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