

VA Guaranty Calculation Examples

The following examples illustrate some common situations involving VA-guaranteed loans. They are by no means comprehensive. Due to variations in the amount of entitlement available to an individual veteran, loan limits for individual counties, and purchase prices for homes, situations may arise which are not covered here. Lenders are encouraged to contact the appropriate VA Regional Loan Center prior to closing a loan if there are questions about the VA guaranty calculation.

Example 1

Veteran has full entitlement available and is purchasing a home for \$300,000 where the county loan limit is \$417,000.

$\$417,000 \times 25\% = \$104,250$ Maximum Guaranty and Available Entitlement
 $\$300,000 \times 25\% = \$75,000$ Guaranty and Down Payment Combination Required

Since VA's guaranty is limited to the lesser of 25% of the county loan limit or 25% of the loan amount, VA will guaranty \$75,000 on Veteran's \$300,000 loan in this county. A down payment should not be required.

Example 2

Veteran has used \$48,000 of entitlement on a prior loan, which may not be restored, and is purchasing a home for \$320,000 where the county loan limit is \$625,000.

$\$625,000 \times 25\% = \$156,250$ Maximum Guaranty
 $\$156,250 - \$48,000 = \$108,250$ Entitlement Available
 $\$108,250 \times 4 = \$433,000$ Maximum Loan Amount with 25% Guaranty

Since the proposed loan amount will be less than \$433,000, the lender will receive 25% VA Guaranty on the loan of \$320,000. A down payment should not be required.

Example 3

Veteran has used \$104,250 of entitlement on a prior loan, which may not be restored, and is purchasing a home for \$380,000 where the county loan limit is \$815,000.

$\$815,000 \times 25\% = \$203,750$ Maximum Guaranty
 $\$203,750 - \$104,250 = \$99,500$ Entitlement Available
 $\$99,500 \times 4 = \$398,000$ Maximum Loan Amount with 25% Guaranty

Since the proposed loan amount will be less than \$398,000, the lender will receive 25% VA Guaranty on the loan of \$380,000. A down payment should not be required.

Example 4

Veteran has full entitlement available and is purchasing a home for \$480,000 where the county loan limit is \$417,000.

$$\begin{aligned} \$417,000 \times 25\% &= \$104,250 \text{ Maximum Guaranty and Entitlement Available} \\ \$104,250 / \$480,000 &= 21.72\% \text{ Guaranty} \end{aligned}$$

Since VA's Guaranty will be less than 25%, a down payment will likely be required to meet investor requirements.

$$\begin{aligned} \$480,000 \times 25\% &= \$120,000 \\ \$120,000 - \$104,250 &= \$15,750 \text{ Down Payment} \end{aligned}$$

Example 5

Veteran has used \$27,500 of entitlement on a prior loan, which may not be restored, and is purchasing a home for \$320,000 where the county loan limit is \$417,000.

$$\begin{aligned} \$417,000 \times 25\% &= \$104,250 \text{ Maximum Guaranty} \\ \$104,250 - \$27,500 &= \$76,750 \text{ Entitlement Available} \\ \$76,750 / \$320,000 &= 23.98\% \text{ Guaranty} \end{aligned}$$

$$\$76,750 \times 4 = \$307,000 \text{ Maximum Loan Amount with 25\% Guaranty}$$

Since VA's Guaranty will be less than 25%, a down payment will likely be required to meet investor requirements.

$$\begin{aligned} \$320,000 \times 25\% &= \$80,000 \\ \$80,000 - \$76,750 &= \$3,250 \text{ Down Payment} \end{aligned}$$

Example 6

Veteran has used \$36,000 of entitlement on a prior loan, which may not be restored, and is purchasing a home for \$120,000 where the county loan limit is \$417,000.

Since the loan amount will not be over \$144,000, the veteran's additional entitlement cannot be used. Therefore, the guaranty would be 0%: $\$0 / \$120,000$

Example 7

Veteran has full entitlement available and is purchasing a home for \$800,000 where the county loan limit is \$729,750.

$$\begin{aligned} \$729,750 \times 25\% &= \$182,437.50 \text{ Maximum Guaranty and Entitlement Available} \\ \$182,437.50 / \$800,000 &= 22.81\% \text{ Guaranty} \end{aligned}$$

$\$800,000 \times 25\% = \$200,000$ Guaranty and Down Payment Combination Required
 $\$200,000 - \$182,437.50 = \$17,562.50$ Down Payment

NOTE: Lenders should contact their investor to determine secondary market requirements.