

Federal Housing Finance Agency (FHFA) Announces 2023 Conforming Loan Limits

1. Background. On November 29, 2022, the Federal Housing Finance Agency (FHFA) announced the maximum conforming loan limits (CLL), also known as Freddie Mac CLL, for 2023. In VA's program, the CLL can impact the entitlement calculation for some Veterans. The new FHFA loan limits are found at:

<https://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limit.aspx>.

2. Freddie Mac Conforming Loan Limit Impact on Borrowers with Partial Entitlement. If an eligible Veteran with partial entitlement seeks a loan of more than \$144,000, the CLL is part of the formula to calculate remaining entitlement¹. In such cases, the amount of remaining entitlement is calculated by taking 25% of the CLL and subtracting the previously used entitlement that was not restored². VA-guaranteed loans are often securitized in pools that require the loan to have a 25% guaranty. For Veterans without full entitlement who do not make a down payment, lenders often limit the total loan amount to four times the amount of the remaining entitlement or, put another way, four times the amount of VA's guaranty. Down payments required on VA loans are typically far less than down payments required on other loan products. As a reminder, the guaranty percentage on the loan guaranty certificate only reflects VA's guaranty on the loan, and may not represent total coverage for secondary market purposes.

3. Single and Multi-Unit Properties. Lenders should note that while a Veteran may use a VA-guaranteed loan to purchase a multi-unit property,³ the entitlement statute requires the use of the Freddie Mac CLL applicable to a single-family residence, (i.e., single unit property)⁴.

4. Interest Rate Reduction Refinancing Loans (IRRRLs). The Freddie Mac CLLs do NOT apply to IRRRLs. For IRRRLs greater than \$144,000, VA will guarantee 25 percent of the loan amount, regardless of the Veteran's entitlement⁵.

5. Loan Limit Increases or Decreases from the Previous Year. Where the 2023 Freddie Mac CLL is higher than the 2022 county loan limit, VA will use the 2023 loan limit. Where the 2023 Freddie Mac CLL is lower than the 2022 Freddie Mac CLL, VA will use the 2022 Freddie Mac CLL for loan applications signed prior to January 1, 2023, where the loan closed on or after January 1, 2023.⁶

¹ 38 U.S.C. 3703 (a)(1)(c)(iii)(I)

² 38 U.S.C. 3703 (a)(1)(c)(ii)

³ 38 CFR 36.4301

⁴ 38 U.S.C. 3703 (a)(1)(c)(iii)(II)

⁵ 38 U.S.C. 3710 (e)(2)

⁶ 38 U.S.C. 3703 (a)(1)(c)(iii)(II)

6. Rescission. This Circular is rescinded January 1, 2024.

By Direction of the Under Secretary for Benefits

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