

**Federal Housing Finance Agency (FHFA) Announces
2021 Conforming Loan Limits**

1. Background. On November 24, 2020, the Federal Housing Finance Agency (FHFA) announced the maximum conforming loan limits (CLL), also known as Freddie Mac CLL, for 2021. 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-Limits.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 entitlement.¹ In such cases, the amount of remaining entitlement is calculated by taking 25 percent of the CLL and subtracting the previously used entitlement that was not restored.² See [VA Circular 26-19-30](#) and [Public Law 116-23, Section 6](#), for additional information. VA-guaranteed loans are often securitized in pools that require the loan to have a 25-percent 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.

3. Single and Multi-Unit Properties. Lenders should note that while a Veteran may use a VA-guaranteed loan to purchase a multi-unit property³ 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 entitlement.⁵

5. Loan Limit Increases or Decreases from the Previous Year. Where the 2021 Freddie Mac CLL is higher than the 2020 county loan limit, VA will use the 2021 loan limit. Where the 2021 Freddie Mac CLL is lower than the 2020 Freddie Mac CLL, VA will use the 2020 Freddie Mac CLL for loan applications signed prior to January 1, 2021, where the loan closed on or after January 1, 2021.⁶

6. Executive Order 13891 Disclosure/Congressional Review Act: The contents of this

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)

document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies. Pursuant to the Congressional Review Act (5 U.S.C. § 801 et seq.), the Office of Information and Regulatory Affairs designated this circular as not a major rule, as defined by 5 U.S.C. § 804(2).

7. Rescission. This Circular is rescinded January 1, 2022.

By Direction of the Under Secretary for Benefits

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