

WHOLESALE BULLETIN

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19W-107

Attention: Business Development Managers & Mortgage Brokers

December 27, 2019

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: [VA Loan Program Changes 2020](#)

Summary

The "Blue Water Act" makes significant changes to the VA home loan program. Some of them are alterations to help pay for some of the measures required by the act, others are procedural changes, while still others are fundamental alterations to the basic structure of VA loans. The changes include:

- No upper loan limit on VA mortgages as of 1 January 2020.*
- An increase in the VA Loan Funding Fee for all non-exempt borrowers.
- Purple Heart recipients are now exempt from paying the VA loan funding fee the same as those who receive or are entitled to receive VA compensation.

What Is The Blue Water Navy Vietnam Veterans Act of 2019?

This legislation, signed into law in 2019 and effective starting in January of 2020, created relief for veterans with medical conditions presumed to have been caused by Agent Orange or "herbicide exposure" during service in Vietnam.

The Blue Water Navy Vietnam Veterans Act is also known as House Resolution 299 (HR 299) and addresses a variety of Vietnam-era, Korean War-era, and Gulf War-era issues associated with VA medical claims. But the law also includes other items in the bill including a removal of VA loan limits for approved transactions, and an increase in the VA Loan Funding Fee.

The Blue Water Navy Vietnam Veterans Act amends existing VA program guidelines with changes designed to "expand maximum guaranty amounts for purchase, construction, and cash-out refinance loans greater than the Freddie Mac conforming loan limit".

Loan Limits still apply for those who have more than one active VA loan, only partial entitlement available or those who have defaulted on a previous loan.

The Purple Heart Exemption For The VA Loan Funding Fee

The VA Loan Funding Fee is an expense associated with VA mortgages which most veterans must pay unless they receive or are eligible to receive VA compensation for service-connected medical issues.

Due to HR 299, those who still serve on active duty and were awarded the Purple Heart are now also exempt from paying the funding fee as of January 1, 2020.

The Resolution also provides for the first increase in the VA loan funding fee program in some time.

VA Guaranty Requirements on and after January 1, 2020

It is important to assure that eligibility has been reinstated.

The following documents must be in the Closed Loan Package to evidence eligibility has been reinstated, unless the amount of the guaranty is automatically covered at 25% (e.g., Interest Rate Reduction Refinance Loan - IRRRL):

- Revised 26-8320 (Certificate of Eligibility) showing restored entitlement, or
- Unrevised 26-8320, 26-1880 (Request for Determination of Eligibility), and Closing Disclosure evidencing previous property has been sold on or before Closing date of the new Loan

VA Loan Funding Fee Increases In 2020

The VA loan funding fee is on a sliding scale with the lowest fees reserved for first-time VA borrowers, and higher fees for those who have used VA loans before. Under the new law, the VA loan funding fee for an active duty first-time borrower is increased to 2.30% and the subsequent use fee set at 3.60%. Other VA loan funding fees are increased too; higher fees may apply for VA refinance loans and other transactions. Refer to the [VA Funding Fee Chart](#) and [VA Product Matrix](#) for additional details.

Type of Loan	Downpayment	Percentage for First Time Use	Percentage for Subsequent Use
Purchase & Construction	None	2.30%	3.60%
	5% or more (up to 10%)	1.65%	1.65%
	10% or more	1.40%	1.40%
Cash-Out Refinance	N/A	2.30%	3.60%
IRRRLs	N/A	0.50%	0.50%
Loan Assumptions	N/A	0.50%	0.50%

VA Loan Limit Rules

VA loan rules under the "Blue Water Act" remove the loan limits, however, the maximum loan amounts for VA loans funded with MWF remain at their current levels:

VA Non-IRRRL:

- FICO ≥ 700 : \$1,500,000 max loan amount
- FICO < 700 : \$1,000,000 max loan amount

VA IRRRL: \$950,000 max loan amount

Loans can be registered and/or locked with the new loan limits effective immediately, but cannot close until after 01/01/2020.

Additional Resources

[Blue Water Navy Vietnam Veterans Act of 2019](#)

[VA Circular 26-19-23](#)

[VA Circular 26-19-30](#)

[VA Circular 26-19-31](#)

If you have any questions, contact your local Account Executive or Business Development Manager. You may also contact the SVP of Wholesale for Mountain West Financial®: Brian Daily at 909-255-8332 or Brian.Daily@mwfinc.com.

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