



Announcement

Announcement # 19-58

Date: November 15, 2019

Topic: VA Circular 26-19-23: Updates to the Entitlement Calculation and Funding Fee

Effective for loans closed on or after January 1, 2020, PennyMac is aligning with updates in VA Circular 26-19-23, including but not limited to the below:

[Update to the Entitlement Calculation](#)

Currently, VA follows conventional loan limits (CLL) established by Freddie Mac to calculate the maximum entitlement available to the veteran.

Effective with this change, Freddie Mac loan limits are no longer a factor for veterans with full entitlement. Veterans with full entitlement, and loan amounts of \$144,001 or greater, will automatically receive a 25% guarantee based on the loan amount. For veterans with previously used entitlement that has not been restored, the maximum guarantee is the lesser of 25% of the loan amount or the remaining amount of entitlement available. When calculating the remaining entitlement, 25% of the Freddie Mac CLL must be used, and reduced by the amount of un-restored entitlement.

This update does not change the maximum amount of entitlement available to veterans for loans equal to or less than \$144,000.

As a reminder, PennyMac does not allow base loan amounts over \$1,500,000. Base loan amounts between \$1,000,000 and \$1,500,000 require a minimum FICO score of 700. The Ginnie Mae requirement for 25% guarantee based on the sales price or NOV must still be met.

[Update to the Funding Fee](#)

The VA funding fee amount has been updated for loans **closed** on or after January 1, 2020. The below table summarizes funding fee rates for the most common types of loans for all veterans (regular military, reserves, and national guard) and should be used for all VA loans closed in 2020.

Type of Loan	Down payment	Percentage for First Time Use	Percentage for Subsequent Use
Purchase and Construction loans	None	2.30%	3.60%
	5% but less than 10%	1.65%	1.65%
	10% or more	1.40%	1.40%
Cash-Out Refinance Loans	NA	2.30%	3.60%
IRRRLs	NA	0.50%	0.50%
Loan Assumptions	NA	0.50%	0.50%



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Please review [VA Circular 26-19-23](#) for complete information.

Please contact your Sales Representative with any questions.