

## HUD ANNOUNCES NEW, PERMANENT FHA MORTGAGE LOAN LIMITS

U.S. Department of Housing and Urban Development Secretary Steve Preston announced the new Federal Housing Administration (FHA) mortgage loan limits for single-family homes as prescribed by the Housing and Economic Recovery Act of 2008.

**Beginning January 1, 2009**, FHA will insure single-family home mortgages up to \$271,050 in low cost areas and up to a maximum of \$625,500 in high cost areas. The February 2008 Stimulus Package temporarily raised the FHA maximum to \$729,750 through December 31, 2008. The new \$625,500 maximum, however, represents a significant increase over the \$362,790 limit that was in effect prior to the Stimulus Package.

"In today's environment where access to credit is being restricted, we need to make mortgage loans readily available to households throughout the country, and especially in high-cost areas," said Preston. "These new loan limits will ensure FHA can to continue help struggling homeowners refinance into safe, affordable government-insured loans, and allow many first-time buyers take advantage of today's buyers market"

For several years, FHA's loan levels were below the cost of the average home in communities across the nation. As a result, families who needed FHA mortgage insurance to qualify to buy a home were effectively locked out of the process. In some cases, borrowers turned to exotic subprime loans.

FHA mortgage insurance makes home financing more available to low-income and first time homebuyers. This is because the mortgage is backed by the full faith and credit of the government, freeing lenders from assuming the risk of default.

Higher FHA loan limits do not cost the government any money because the FHA Insurance Fund is fully supported by premiums paid by borrowers who receive FHA-insured mortgage loans.

The Housing and Economic Recovery Act pegs the national conforming mortgage loan limit to a house price index chosen by the new Federal Housing Finance Agency (FHFA). For 2009, the national conforming limit will remain at the current level of \$417,000.

The Act says that the new FHA loan limits will be set at 115 percent of the median house price in a given area, as determined by HUD, but can not be lower than 65 percent of the conforming loan limit (the national floor). Also, the FHA mortgage limit cannot exceed 150 percent of the national conforming loan limit (the national ceiling).

### Home Equity Conversion Mortgages

The Act also pegs the national mortgage limit for FHA-insured reverse mortgages to the national conforming loan limit. The FHA product known as the Home Equity Conversion Mortgage (HECM) will therefore have a national mortgage limit of \$417,000. Unlike the new forward mortgage loan limits, the new HECM loans limits are effective on loans insured or after November 6, 2008. This is the first time that a single limit applies to these mortgages nationwide. As in previous years, the special exception areas of Alaska, Hawaii, Guam, and the Virgin Islands may have higher loan limits. Starting in January 2009 counties in those areas may have loan limits of 115 percent of area median prices, where that amount is above \$417,000, up to a ceiling of \$625,500.

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Reverse mortgages allow homeowners age 62 and older to borrow against the value of their homes without selling them. Homeowners can select a lump-sum payment, monthly payments or tap into a line of credit. No repayment is required as long as a homeowner lives in a home with a reverse mortgage. The reverse mortgage is repaid, with interest, when a homeowner sells the home or dies.

HUD will inform mortgage lenders and brokers of the new limits through a mortgagee letter posted on [www.hud.gov](http://www.hud.gov) and [www.fha.gov](http://www.fha.gov).

HUD is making available comprehensive listings of the new loan limits in all counties throughout country. Downloadable files are available for FHA Forward Loans, FHA HECM loans, and Fannie Mae and Freddie Mac purchases on the HUD website. The limits are determined by the county in which the property is located, except that for properties located in metropolitan statistical areas the limit is determined by the county with the highest median home price within the metropolitan area.

HUD is the nation's housing agency committed to increasing homeownership, particularly among minorities; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development, and enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet at [www.hud.gov](http://www.hud.gov) and [espanol.hud.gov](http://espanol.hud.gov)