



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

**MORTGAGEE LETTER 2008-06**

**March 6, 2008**

**TO: ALL APPROVED MORTGAGEES**

**SUBJECT: Temporary Loan Limit Increase for FHA**

This Mortgagee Letter provides information on Federal Housing Administration single family mortgage limits as a result of enactment of the Economic Stimulus Act of 2008 (“the Act”). These limits are effective for mortgages endorsed for insurance on or after the date of this mortgagee letter and remain in effect for those mortgages for which the mortgagee has issued credit approval for the borrower on or before December 31, 2008.

**FHA Single Family Programs Affected:**

The mortgage limits described in this Mortgagee Letter are effective for those mortgages insured under the following Sections of the National Housing Act: Sections 203(b)(FHA’s basic 1-4 family mortgage insurance program), 203(h)(mortgages for disaster victims), 203(k)(rehabilitation mortgage insurance), and 234(c)(condominium units). *These limits do not apply to Section 255, Home Equity Conversion Mortgages (HECM).*

**Revisions to the Lowest Local Limits:**

The Act provides that the mortgage limit for any given area shall be set at 125% of the median house price in that area, as determined by the Department of Housing and Urban Development, except that the FHA mortgage limit in any given area cannot exceed 175% of the 2008 Freddie Mac conforming loan limit of \$417,000, nor be lower than 65% of the same 2008 Freddie Mac conforming loan limit for a residence of applicable size.

Thus, in areas where 125% of the median house price is less than 65% of the Freddie Mac limit, the FHA limits are set at the 65% limit, i.e., the “floor,” as follows:

One-Unit	\$271,050
Two-Unit	\$347,000
Three-Unit	\$419,400
Four-Unit	\$521,250

### **“High-Cost” Local Limits:**

Any area where the limits exceed the floor is known as a “high cost” area. In areas where 125% of the median house price exceeds the 175% limit of \$729,750 for a 1-unit property, the mortgage limits are set at the 175% amount, i.e., the “ceiling,” as follows:

One-Unit	\$729,750
Two-Unit	\$934,200
Three-Unit	\$1,129,250
Four-Unit	\$1,403,400

For all other areas, i.e., those where 125% of the median home price for the area is in between the floor and the ceiling, the limit shall be at 125% of the median home price.

The list of areas where the FHA mortgage limits are at the ceiling is provided in Attachment I. The list of areas where the FHA mortgage limits are in between the ceiling and the floor is provided in Attachment II. For any areas not listed in either Attachment I or II, the FHA mortgage limits are at the floor; this includes the vast majority of those areas (i.e., counties, parishes, boroughs, and independent cities) for which FHA has published loan limits.

### **Special Exceptions for Alaska, Hawaii, Guam, and Virgin Islands:**

In addition, the National Housing Act permits mortgage limits for Alaska, Guam, Hawaii and the Virgin Islands to be adjusted up to 150% of the above ceilings, to account for higher costs of construction. Thus, these four areas have a potential higher ceiling of \$1,094,625 (1-unit), \$1,401,300 (2-unit) \$1,693,875 (3-unit); and \$2,105,100 (4-unit). None of the limits for these areas has reached the full 150% ceiling, but several are between the temporary FHA statutory ceiling and the higher 150% ceiling provided for in those areas. These areas and limits are also identified in Attachment I.

### **Home Equity Conversion Mortgages Excluded from the Act:**

As a reminder, HECMs were not included in the Economic Stimulus Act. Therefore, FHA’s loan limits for HECMs will retain the existing “floor” of 48% of the conforming limit or \$200,160, as well as the “ceiling” of 87%, or \$362,790. Those areas in between are limited to 95 percent of the local median. Lenders are also reminded that while 2-, 3-, and 4-unit properties are eligible under the HECM program, the maximum claim amount is based on the 1-unit local limit.

### **Where to find comprehensive listing of FHA local limits:**

A complete schedule of FHA mortgage limits for all areas is available through the internet at <https://entp.hud.gov/idapp/html/hicostlook.cfm>. In addition, our comprehensive listing will include separate tables for FHA’s HECM as well as the local mortgage limits for loans that may be sold to Fannie Mae and Freddie Mac. The limits are determined by the county in which the property is located, except that for properties located in metropolitan or micropolitan statistical areas, as

determined by the Office of Management and Budget, the limit is set at that of the county with the highest limit within the metropolitan or micropolitan area. If you are unsure if a county is within one of the metropolitan or micropolitan areas listed on the attachments you should check the internet site before closing the mortgage at the revised limit. For a complete list of all metropolitan counties in the country by MSA, view the most recent bulletin updating statistical areas of definitions and guidance at <http://www.whitehouse.gov/omb/bulletins/index.html>.

### **Requests for Local Increases:**

Appeals to local area loan limits determined by HUD for implementing provisions of the Economic Stimulus Act of 2008 must be made within 30 days of this mortgagee letter; this includes appeals for loan limits for HECMs. Due to the limited time the new loan limits are authorized by Congress, and the need to have stability in the mortgage market, the standard procedures for appeals stated in Mortgagee Letter 2007-01 (<http://portal.hud.gov/fha/reference/ml2007/07-01ml.doc>) are suspended. Each request for appeals must contain sufficient housing sales price data, listing one-family properties sold in an area, to represent home prices across 2007. HUD is using an entire year for the basis of its decisions because of disruptions in the mortgage market that have affected home prices in recent months. All such requests will be handled exclusively by FHA's Santa Ana Homeownership Center. That address is:

U.S. Department of Housing and Urban Development  
Santa Ana Homeownership Center  
Santa Ana Federal Building  
34 Civic Center Plaza, Room 7015  
Santa Ana, CA 92701-4003  
Attn: Program Support/Loan Limits

### **Seller Concessions and Verification of Sales**

Given the "softness" in a number of housing markets, FHA believes it imperative to remind lenders and appraisers of FHA's policy regarding reporting seller concessions and the verification of sales data. This guidance was most recently expressed in mortgagee letter 2005-02. (<http://portal.hud.gov/fha/reference/ml2005/05-2ml.doc>)

If you have any questions regarding this mortgagee letter, please contact the FHA Resource Center at 1-800-CALL-FHA (1-800-225-5342).

Sincerely,

Brian D. Montgomery  
Assistant Secretary for Housing-  
Federal Housing Commissioner

Attachments