

February 24, 2009

**MORTGAGEE LETTER  
2009-07**

**TO: ALL APPROVED MORTGAGEES**

**SUBJECT: Loan Limit Increases for FHA**

This Mortgagee Letter provides information on Federal Housing Administration (FHA) single family loan limits that have changed as a result of the American Recovery and Reinvestment Act of 2009 (ARRA) signed into law on February 17, 2009. These limits are effective for those loans for which credit is approved in calendar year (CY) 2009 and will remain in effect until December 31, 2009.

**FHA Single Family Programs Affected:**

The loan limits described in this Mortgagee Letter are effective for those mortgages insured under the following Sections of the National Housing Act: 203(b)(FHA's basic 1-4 family mortgage insurance program – including individual condominium units), 203(h)(mortgages for disaster victims), and 203(k)(rehabilitation mortgage insurance).

FHA loan limits for Section 255, Home Equity Conversion Mortgages (HECM) are effective immediately for those loans closed on or after the date of this mortgagee letter. Further instructions for HECM loan limits are set forth below.

**Revisions to Current Limits:**

Under ARRA, the revised FHA loan limits for 2009 will be set at the higher of the loan limits established for 2008 under the Economic Stimulus Act of 2008 (ESA) or those established for 2009 under the Housing and Economic Recovery Act of 2008 (HERA).

**2009 HERA vs. 2008 ESA Limits:**

Under ESA, loan limits for high-cost areas were set at 125 percent of local house price medians, with a maximum high-cost limit (the national ceiling) of 175 percent of the national conforming limit (\$729,750 in the continental U.S.). See [Mortgagee Letter 2008-06, dated March 6, 2008](#).

HERA, on the other hand, stipulated that the national conforming loan limit remain at \$417,000 for 2009, and that in future years, it shall be pegged to a house-price index

chosen by the Federal Housing Finance Agency. HERA also provided that the one-unit mortgage limit for any given area shall be set at 115 percent of the median house price in that area, except that the FHA mortgage limit in any given area could not exceed 150 percent of the Freddie Mac national conforming loan limit (\$417,000 in 2009), nor be lower than 65 percent of that limit. See [Mortgagee Letter 2008-36, dated November 7, 2008](#). FHA's floor and ceiling loan limits for 2009 under ARRA, which relies on the higher of HERA or ESA, are set forth below.

**FHA Floor:**

Under both HERA and ESA, and thus under ARRA as well, the FHA national floor limits remain set at the 65 percent amount (the "floor,") by property size, 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. Because ESA used a higher multiple in establishing the national FHA loan limit ceiling, as a percentage of the conforming loan limit, than does HERA (175 percent versus 150 percent), the ESA national ceiling is binding under ARRA for 2009. By property size, these national "ceiling" limits are as follows:

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

For areas where the higher of the ESA-determined loan limits for 2008 and the HERA-determined limits for 2009 is in between the national floor and the ceiling, the limit shall be at the higher of those two limits, effective for any loans for which credit is approved in CY 2009.

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:**

Loan limits for the special exception areas of Alaska (AK), Hawaii (HI), Guam (GU) and Virgin Islands (VI) also follow the ARRA rule of choosing the higher of the 2008 ESA and 2009 HERA limits. The National Housing Act permits mortgage limits for Alaska, Guam, Hawaii and the Virgin Islands to be adjusted up to 150 percent of the above national ceilings, by property size, to account for higher costs of construction. Thus, these four areas have a potential higher ceiling in 2009 of \$1,094,625 (1-unit), \$1,401,300 (2-unit) \$1,693,875 (3-unit); and \$2,105,100 (4-unit). At the present time, no counties in these areas qualify for limits above the national ceiling of \$729,750.

### **Home Equity Conversion Mortgages:**

Under ARRA, the national FHA loan limit for HECM will increase from \$417,000 to \$625,500 (from 100 percent to 150 percent of the conforming limit). HECM loan mortgagors do not undergo the same procedures for credit approval as do mortgagors for forward mortgages. FHA does not deem the credit approval process to be complete until the HECM loan is closed. Therefore, HECM loans closed on or after the date of this Mortgagee Letter are subject to the higher maximum dollar amounts.

In those areas, the maximum claim payable by FHA is 150 percent of the Freddie Mac conforming limits. To avoid potential cases where a claim could be less than the national limit, as adjusted for the special exception areas, HUD had decided **not** to make the adjustment. Therefore, these few special exception areas will have the same \$625,500 limit as all other areas.

FHA will, for a limited time, allow HECM loans that received case number assignments but did not close prior to the effective date of this mortgagee letter to be closed using either the old limit that was used to originally calculate the loan, or the new limits as prescribed herein. An option will be made available in FHA Connection for the lender to choose which rate to use. This option will be available until April 30, 2009.

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

Complete schedules of FHA mortgage limits for all areas, for forward loans and reverse mortgages, are available through the internet at <https://entp.hud.gov/idapp/html/hicostlook.cfm>. 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 for the entire area is set based on the county with the highest median price 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:**

HUD allowed appeals to both the 2008 ESA limits and the 2009 HERA limits at the time that those limits were made public. Because the ARRA requires only that HUD compare those two sets of limits in setting the new 2009 limits, there is no need for any appeals period as a part of this process.

If you have any questions regarding this mortgagee letter, please contact the FHA Resource Center at 1-800-CALL-FHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

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

Attachments