# FEDERAL HOUSING FINANCE AGENCY

## NEWS RELEASE

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# Maximum Conforming Loan Limits to Remain Unchanged in the First Nine Months of 2011

**Washington, DC** – The Federal Housing Finance Agency (FHFA) has announced that, under terms set forth in a recently-enacted Congressional continuing resolution (Public Law Number 111-242), the maximum conforming loan limits for mortgages originated in the first nine months of 2011 will remain unchanged from existing loan limits for 2010 originations. Those limits are generally $417,000 but can be as much as $729,750 in certain high cost areas in the contiguous United States. The maximum loan limits for counties across the United States can be found here (130 pages).

Under the continuing resolution, the highest loan limits that Fannie Mae and Freddie Mac may set for mortgages originated during the federal government's Fiscal Year 2011—which extends through September 2011—are to be equal to the higher of the maximums determined under the Economic Stimulus Act of 2008 (ESA) and the Housing and Economic Recovery Act of 2008 (HERA). While the former limits are fixed dollar amounts, the HERA limits are updated each year. In setting loan limits for FY2011-originated mortgages, FHFA thus calculated 2011 HERA loan limits and compared the resulting values to limits established under ESA, which tend to be much higher. FHFA has found that the resulting maximum limits are the same as existing loan limits in every area of the country.

For more details behind the calculation of HERA Loan Limits, see attached. Remaining technical questions concerning the loan limits can be sent to LoanLimitQuestions@fhfa.gov.

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*The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than $5.9 trillion in funding for the U.S. mortgage markets and financial institutions.*

# Addendum

HERA provisions set loan limits as a function of local area median home values. Consistent with FHFA's prior practice, in determining the 2011 HERA limits, FHFA used median home values estimated by the Federal Housing Administration (FHA) of the Department of Housing and Urban Development (HUD). FHA has calculated those median values for the purpose of determining its own lending limits. FHA will allow a 30-day appeals period for appellants to submit data suggesting a potentially higher median home value for a given area. Because the ESA-based loan limits substantially exceed the HERA-determined limits in many areas and Public Law Number 111-242 sets the FY2011 limits at the higher of the two, appellants should be aware that successful appeals are unlikely.

The HERA-calculated maximum loan limit for one-unit properties in most of the contiguous United States has been left unchanged at $417,000 for 2011. Corresponding loan limits for two-, three-, and four-unit properties will also generally remain at earlier levels: $533,850, $645,300, and $801,950 respectively for homes in the contiguous U.S. Loan limits are higher in certain high cost areas, where median home prices are high, and in certain statutorily designated locations, including Alaska, Hawaii, Guam and the U.S. Virgin Islands. The full list of 2011 maximum loan limits determined under HERA can be found here. In addition to being necessary components of the calculation of maximum loan limits for FY2011-originated loans, these 2011 HERA limits are significant in that they apply to Fannie Mae and Freddie Mac's 2011 acquisitions of certain seasoned loans and to mortgages originated after September 30, 2011.

The national limit for 2011 was left unchanged based on prior declines in FHFA's monthly and quarterly house price indexes over the past three years. HERA requires that the national loan limit be adjusted each year to reflect changes in the national average home price, but does not permit declines in the national loan limit. If average home prices decline, then the national loan limit is to remain the same. When prices increase, the loan limit is to be raised only if the magnitude of the increase exceeds the cumulative price declines that occurred in preceding periods.

In November 2008 and November 2009, when setting loan limits under the terms of HERA, FHFA found that the national average home price had declined over the prior years. As a result, the national loan limit was left unchanged. This year, the monthly and quarterly house price index (HPI) series produced by FHFA show further national price declines and thus the loan limit is again unchanged.

Pursuant to the terms of HERA, FHFA is evaluating alternatives to the FHFA HPI for use in tracking annual price changes and adjusting the national loan limit. An FHFA Research Paper outlining one possible alternative was recently published and is available here. As discussed in the paper, price changes estimated with the described methodology as well as other reliable national house price measures, without exception, show very large cumulative price declines since home prices peaked several years ago. Accordingly, if used as the basis for evaluating national price changes and adjusting the national loan limit, any of these other price measures would have produced an unchanged national loan limit.

In determining the HERA loan limits in high-cost areas, FHFA continued its policy of not permitting declines relative to the prior HERA limits. While HERA did not explicitly prohibit declines in high-cost area loan limits, that approach is consistent with the statutory procedure for responding to changes in prices on a national basis. Subject to this policy, the 2011 HERA limits reflect the higher of the limits directly calculated for 2011 and HERA loan limits determined for 2009 and 2010.