

FREQUENTLY ASKED QUESTIONS FHA LOAN LIMITS EFFECTIVE OCTOBER 1 - DECEMBER 31, 2011

***Updated 10/3/11**

Q. What is the effective date for the new FHA loan limits announced in [Mortgagee Letter 11-29](#)?

A. The new FHA loan limits are effective from October 1, 2011 through December 31, 2011.

Q. What are the FHA loan limits/maximum claim amount for HECM Mortgages for October 1, 2011 through December 31, 2011?

A. Maximum claim amount for this period will remain at \$625,500. See section designated “HECMs – Applicability of New Loan Limits” in [Mortgagee Letter 11-29](#).

Q. What are the FHA loan limits for Forward Mortgages for October 1, 2011 through December 31, 2011?

A. By property size, the following limits were established for the FHA “floor” and “ceiling:”

Property Size	Low Cost Area “Floor”	High Cost Area “Ceiling”
One Unit	\$271,050	\$625,500
Two Unit	\$347,000	\$800,775
Three Unit	\$419,425	\$967,950
Four Unit	\$521,250	\$1,202,925

Q. How are the floor and ceiling limits calculated?

A. The FHA national loan limit “floor” is at 65 percent of the national conforming loan limit (which remains at \$417,000 for a one unit property for the period October 1, 2011 through December 31, 2011). In areas where 115 percent of the median house price is less than 65 percent of the national conforming loan limit, the floor is the effective loan limit for that area.

Any area where the loan limits exceed the “floor” is known as a high cost area. The FHA national loan limit “ceiling” is at 150 percent of the national conforming loan limit. In areas where 115 percent of the median house price (of the highest cost county) exceeds 150 percent of the conforming loan limit of \$417,000, the FHA loan limits remain at 150 percent of the conforming loan limit.

Q. What about those areas between the floor and ceiling?

- A. FHA loan limits for all other areas, where 115 percent of the median home price for the area is between the “floor” and “ceiling,” the loan limit shall be set at 115 percent of the median home price.

For purposes of maintaining loan limits under the new authorities that take effect on October 1, 2011, HUD maintains county-level median price estimates for all years starting in 2008 (the year of enactment of these authorities). The median price used for loan limit determination is the high-price point since 2008. For counties within Office of Management and Budget designated metropolitan areas (Core Based Statistical Areas, Metropolitan Statistical Divisions, or micropolitan areas), the county with the largest high-price point determines the loan limit for the entire metropolitan area. Because loan limits are established in advance of each calendar year, those for 2011 are based upon the series of median prices from 2008 to 2010. The limits taking effect on October 1, 2011, were calculated prior to the start of the calendar year, but delayed in implementation by Congressional action in 2010.

Q. FHA has reverted back to the loan limits under HERA. What is the rationale for this move?

- A. Loan limit rules established in the Housing and Economic Recovery Act of 2008 (HERA) have never been fully implemented due to a series of temporary measures passed by the Congress to assure that the higher limits established under the Economic Stimulus Act of 2008 were allowed to continue. The last of those temporary measures was in the Continuing Appropriations Act of 2011, and it expires on September 30, 2011.

Q. What will FHA do if the current (pre-October) 2011 loan limits are extended?

- A. If legislation is enacted to extend the current FHA-insured loan limits, which expire on September 30, 2011, the Department will publish a Mortgagee Letter stating that there will be no change in limits on October 1.

Q. Are the new loan limits applicable to all forward mortgage insurance programs?

- A. The new loan limits apply to FHA forward mortgage insurance programs under the National Housing Act **EXCEPT** for the following forward mortgage transaction types that have the potential of exceeding the new loan limits:
- Forward refinance transactions involving a refinance of an existing FHA-insured forward mortgage with a new FHA-insured forward mortgage. Loan limits for FHA-insured to FHA-insured refinances are addressed in the section designated “FHA-Insured to FHA-Insured Refinances – May Exceed New Loan Limits,” in [Mortgagee Letter 11-29](#)
 - Loans in the pipeline that meet the credit approval criteria addressed in this section of [Mortgagee Letter 11-29](#) designated “Definition of Credit Approval,” and

- Loans that have closed on or before September 30, 2011, but have not yet been endorsed for FHA-insurance.

Q. What are the requirements for FHA-insured to FHA-insured refinances which may exceed the new loan limits?

- A. FHA-insured to FHA-insured refinance transactions may exceed the new loan limits if the new mortgage complies with section 223(a)(7) of the National Housing Act. However, the maximum loan amount for the new mortgage cannot exceed the original principal balance of the existing FHA mortgage and the additional guidelines stated in [Mortgage Letter 11-29](#).

The requirements in the section in the Mortgage Letter designated “FHA-Insured to FHA-Insured Refinances – May Exceed New Loan Limits” only apply to transactions where the requested or required loan amount exceeds the loan limits that are effective October 1, 2011.

Q. What’s the impact to non-credit qualifying FHA-insured to FHA-insured streamline refinances?

- A. Non-credit qualifying Streamline Refinances in the pipeline that exceed the new loan limits and that have not closed on or before September 30, 2011, must
- meet the criteria described in the section designated, “FHA-insured to FHA-insured Refinances – May Exceed New Loan Limits” in [Mortgage Letter 11-29](#) to be eligible to exceed the loan limits effective October 1, 2011, and
 - the maximum loan amount for the new mortgage cannot exceed the original principal balance of the existing FHA mortgage.

Q. What is the definition of credit-approval?

- A. **Credit Approval** is defined as the underwriter’s approval date of the loan. Credit approval requires that all of the criteria stated in the section designated as Definition of Credit Approval in [Mortgage Letter 11-29](#) are met on or before September 30, 2011. If any one of the criteria is not completed on or before September 30, 2011, the loan does not have credit approval and can only be considered for the new FHA loan limits in effect on October 1, 2011.

Q. What are the instructions for documenting credit approval and appraisal information?

- A. Case binder information must comply with the section designated “Definition of Credit Approval” in [Mortgage Letter 11-29](#) and must include valid underwriting information in support of credit approval status and appraisal information.

Q. Does the appraisal have to be logged in prior to 9/30/11?

- A. No, the appraisal may be logged in after 9/30/11. However, the appraisal must be valid at the time of loan closing.

Q. Can the appraisal be updated for an additional 120 days?

A. Yes. Current guidelines apply. Update must be completed using form 1004-D.

Q. Is an extension to the appraisal expiration permitted?

A. Yes. Current guidelines permit one 30 day extension.

Q. On new construction, if the loan has credit approval and a valid appraisal, can the appraisal be updated provided the update is ordered before the expiration of the initial appraisal?

A. Yes. Current guidelines permit the appraisal to be updated one time for a period of 120 days.

Q. If the loan had credit approval and a valid appraisal on 9/29/11, but the loan closing was postponed to a date in which the initial appraisal will expire, can the lender obtain an appraisal update to close the loan provided the value is still supported?

A. Yes. The appraisal update must be completed prior to the expiration of the initial appraisal using form 1004-D.

Q. I have loans that have case numbers and credit approval using the current 2011 loan limits. What must I do to ensure that these loans meet the requirements by October 1, 2011 when the new lower limits are in effect?

A. The following pipeline loans with case numbers and credit approval (as defined in section designated “Definition of Credit Approval” in [Mortgagee Letter 11-29](#)) on or before September 30, 2011 are eligible to qualify for loan limits in effect January 1, 2011 through September 30, 2011.

- Purchase transactions,
- Conventional-to-FHA-insured refinance transactions, and
- Credit qualifying FHA-to- FHA refinances with an appraisal, that do not meet criteria described in section designated “FHA-insured to FHA-insured Refinance – May Exceed New Loan limits” in [Mortgagee Letter 11-29](#).

The following limits apply to the loans in the pipeline that meet the criteria for credit approval. For eligible loan amounts at different timeframes, see the section designated “Where to Find Comprehensive List of FHA Loan Limits.”

Property Size	Low Cost “Floor”	High Cost “Ceiling”
One Unit	\$271,050	\$729,750
Two Unit	\$347,000	\$934,200

Three Unit	\$419,425	\$1,129,250
Four Unit	\$521,250	\$1,403,400

Q. What happens if my loan exceeds the allowable loan limit after October 1, 2011?

- A. Mortgagees are responsible for applying new loan limits in effect on October 1, 2011, in accordance with the guidance provided in [Mortgagee Letter 11-29](#). Verification of mortgagee compliance with the guidance in [Mortgagee Letter 11-29](#) regarding the application of new loan limits may occur at any time prior to or after the issuance of FHA insurance.

Loan limits will also be validated against the Underwriter Approval Date, Appraisal Date and status of FHA-insured to FHA-insured refinance transactions to confirm maximum loan limits that apply to each transaction at the time the loan data is entered in to the Insurance Application Screen on FHA Connection

Q. I would like to buy a house in Hawaii. Is this area subject to higher loan limits?

- A. Section 214 of the National Housing Act permits loan limits for Alaska, Hawaii, Guam and the Virgin Islands to be increased to 150 percent of the “ceilings” to account for higher costs of construction. See the section designated, “Forward Mortgages – Loan Limits for Low Cost and High Cost Areas” in [Mortgagee Letter 11-29](#). Thus, these special exception areas have potential for higher “ceilings” for the period October 1, 2011, through December 31, 2011, as illustrated in the following table.

Property Size	FHA Maximum Loan Limits for Alaska, Hawaii, Guam, and Virgin Islands
One Unit	\$938,250
Two Unit	\$1,201,150
Three Unit	\$1,451,925
Four Unit	\$1,804,375

Q. How can I request a loan limit change?

- A. As HUD is not updating median prices at this time, there is no appeals period associated with the change of loan limits on October 1, 2011. The median prices used for calculating 2011 loan limits were subject to public appeals as stipulated in [Mortgagee Letter 10-40](#).

Q. How can I get a copy of the FHA loan limits file?

- A. Downloadable files for loan limits effective October 1, 2011 through December 31, 2011, with complete listings of all counties, their loan limits, and the median prices used to determine those limits are available at http://www.hud.gov/pub/chums/file_layouts.html. That website has loan limit files for FHA forward loans, FHA HECM, and Fannie Mae and Freddie Mac purchases, with individual records at the county level.

Q. How will I be able to view loan limits for different years?

- A. The drop down choices in the Limit Year are:

- CY2011 will change to January 1, 2011 – September 30, 2011
- A new choice will be added for the period of October 1, 2011 – December 31, 2011, and
- When the limits adjust in January 2012, the choice will be CY2012.

Q. Where do I call with more questions?

- A. If you have questions regarding this Mortgagee Letter, please call FHA's 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).