



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: December 6, 2013

To: All Approved Mortgagees

Mortgagee Letter 2013-43

Subject Federal Housing Administration's (FHA) Maximum Loan Limits Effective for Case Numbers Assigned on or after January 1, 2014 through December 31, 2014.

Purpose This Mortgagee Letter:

- announces the expiration of Congressional Authority for loan limits established under the Economic Stimulus Act for 2008 (ESA),
- provides notice of FHA's single family housing loan limits for Title II Forward Mortgages and Home Equity Conversion Mortgages (HECMs), and
- provides loan limit instructions for streamline refinance transactions without an appraisal.

Effective Period The loan limits in this Mortgagee Letter are effective for case numbers assigned on or after January 1, 2014 through December 31, 2014.

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Legal Authority

Below are the relevant sections of the National Housing Act (NHA) and the Federal Home Loan Mortgage Corporation Act which address FHA Title II loan limits for all Forward Mortgages, streamline refinances without an appraisal, and HECMs.

Forward Mortgages: FHA's single family forward mortgage loan limits are governed by section 203(b)(2) of the National Housing Act, which includes a cross-reference to section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)).

Due to the expiration of the authority granted in the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55), the calculation of FHA's single family loan limits is altered, resulting in a decrease in the calculation of high cost area limits and the loan limit "ceiling" for case numbers assigned on or after January 1, 2014 through December 31, 2014. The expiring authority had required the maximum loan limits to be calculated as the higher of the limits established under section 203(b) of the NHA or the limits established under ESA (Public Law 110-185). ESA used higher multiples than the NHA in establishing limits in high cost areas (125 percent versus 115 percent) and in establishing the national FHA loan limit "ceiling" as a percentage of the conforming loan limit (175 percent versus 150 percent).

Streamline Refinance Mortgages: Streamline refinance transactions without an appraisal are not subject to the limits established by Section 203(b)(2) of the National Housing Act. They are subject to the maximum mortgage amounts governed by Section 223(a)(7) of the National Housing Act.

HECMs: HECM loan limits for Traditional, HECM for Purchase and HECM to HECM refinances are governed by the maximum claim amount limitation in sections 255(g) and 255(m) of the National Housing Act, which contains cross-references to section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)).

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**Forward
Mortgages –
Applicability
of New Loan
Limits**

The new loan limits announced in this ML apply to FHA Title II forward mortgage insurance programs under the National Housing Act except for streamline refinance transactions without an appraisal, addressed in the “Streamline Refinances Loan Limits” section of this ML.

**Forward
Mortgages –
Loan Limits for
Low Cost and
High Cost
Areas**

The minimum FHA national loan limit “floor” is at 65 percent of the national conforming loan limit (which is \$417,000 for a one unit property for the period January 1, 2014 through December 31, 2014). The “floor” applies to those areas where 115 percent of the median home price is less than 65 percent of the national conforming loan limit.

Any area where the loan limit exceeds the “floor” is a high cost area.

The maximum FHA national loan limit “ceiling” is at 150 percent of the national conforming loan limit. In areas where 115 percent of the median home price (of the highest cost county) exceeds 150 percent of the conforming loan limit, the FHA loan limits remain at 150 percent of the conforming loan limit.

The following table illustrates FHA loan limits for low cost and high cost areas.

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

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**Forward
Mortgages -
Limits Between
“Floor” and
“Ceiling”**

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 as determined by HUD.

The list of areas where the FHA loan limits are at the “ceiling” is provided in Attachment I. The list of high cost areas where the FHA loan limits are between the “ceiling” and “floor” is provided in Attachment II. For areas not listed in either Attachment I or II, the FHA loan limits are set at the national “floor.”

**Forward
Mortgages -
Special
Exceptions for
Alaska, Hawaii,
Guam and
Virgin Islands**

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 “Forward Mortgages – Loan Limits for Low Cost and High Cost Areas” in this ML.) Thus, these special exception areas have potential for higher “ceilings” for the period January 1, 2014, through December 31, 2014, as illustrated in the following table.

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

**HECMs –
Loan Limits**

For the period January 1, 2014 through December 31, 2014, the maximum claim amount for FHA-insured HECMs will remain \$625,500 (150 percent of Federal Home Loan Mortgage Corporation’s (Freddie Mac) national conforming limit of \$417,000). This maximum claim amount of \$625,500 is also applicable to Freddie Mac’s special exception areas - Alaska, Hawaii, Guam and the Virgin Islands.

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Requests for Local Increases

Any requests to change high-cost-area loan limits determined by HUD must be received by FHA's Santa Ana Homeownership Center at the address below no later than January 6, 2014. The procedures set forth in Mortgagee Letter 2007-01 (<http://portal.hud.gov/fha/reference/ml2007/07-01ml.doc>) to change established loan limits are once again suspended. Any changes in area loan limits as a result of valid appeals will be retroactively in effect for case numbers assigned on or after January 1, 2014.

Each request to change loan limits must contain sufficient housing sales price data, listing one-family properties sold in an area within the look-back period, January through August 2013. Requests should differentiate between single-family residential properties and condominiums or cooperative housing units. Ideally, data provided should also distinguish between distress and non-distress sales. Requests for a change will only be considered for counties for which HUD does not already have home sales transaction data for the calculation of loan limits.

All requests for local area increases will be handled exclusively by FHA's Santa Ana Homeownership Center:

Attn: Program Support/Loan Limits
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

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Where to find comprehensive listing of FHA local limits

Complete schedules of FHA loan limits are available online at <https://entp.hud.gov/idapp/html/hicostlook.cfm>. In addition, downloadable files with complete listings of all county loan limits and the underlying home prices are available at: http://www.hud.gov/pub/chums/file_layouts.html. This website has loan limit files for FHA Title II Forward Mortgages, FHA HECM, and Fannie Mae and Freddie Mac mortgages, with individual records at the county level. Additional text files with record layouts are also available on the website hosting the data files.

Determination of Loan Limits

Loan limits are determined by the county in which a property is located, except for properties located in metropolitan statistical areas as defined by the Office of Management and Budget. The limits in these areas are set using the county with the highest median price within the metropolitan statistical area. For purposes of conforming high-cost-area limits to the indexing of the base Freddie Mac loan limit required in 305(a)(2) of the Federal Home Loan Mortgage Corporation Act, HUD uses indexing of county level prices starting in 2008, the year that current statutory authorities for FHA loan limit determination were enacted. That implies that, when determining high-cost-area limits, HUD defines the highest median price over time as well as across counties.

- If you are unsure if a county is within one of the metropolitan (or micropolitan) statistical areas listed in the attachments, check the FHA mortgage limits internet site before closing the mortgage at a revised limit (<https://entp.hud.gov/idapp/html/hicostlook.cfm>).
- For a complete list of all metropolitan counties in the country by MSA, view the most recent OMB bulletin updating statistical area definitions and guidance at <http://www.whitehouse.gov/omb/bulletins/index.html>.

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Streamline Refinances – Loan Limits

Mortgages that meet the requirements for streamline refinance transactions without an appraisal are governed only by the maximum mortgage amounts under Section 223(a)(7) of the National Housing Act and 24 CFR 203.43(c). These transactions are not subject to the limits described in this ML.

Information Collection Requirements

The information collection requirements contained in this Mortgagee Letter were approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520). Approval of the HECM Program is covered by OMB control number 2502-0302, with disclosures requirements being covered by OMB control numbers 2502-0265 and 2502-0059. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

Contact Information

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 TTY by calling the Federal Information Relay Service at (800) 877-8339. For additional information on this Mortgagee Letter, please visit www.hud.gov/answers.

Signature

Carol J. Galante, Assistant Secretary for Housing -
Federal Housing Commissioner