

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011

To: All Approved Mortgagees

Mortgagee Letter 11-29

Subject Federal Housing Administration's (FHA) Maximum Loan Limits Effective October 1, 2011 through December 31, 2011

Purpose This Mortgagee Letter :

- provides notice of FHA's single family housing loan limits for Forward Mortgages and Home Equity Conversion Mortgages (HECMs) effective October 1, 2011 through December 31, 2011,
- provides loan limit instructions for FHA-insured to FHA-insured refinance transactions, and
- provides eligibility criteria and instructions for pipeline loans which have not closed on or before September 30, 2011.

Effective Period The Mortgagee Letter is effective from October 1, 2011 through December 31, 2011. However, 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 which defines the most recent loan limits for both FHA-insured forward mortgages and HECMs.

Legal Authority Below are the relevant sections of the National Housing Act and the Federal Home Loan Mortgage Corporation Act which address FHA loan limits for all Forward Mortgages, FHA-insured to FHA-insured refinance forward mortgages, and HECMs.

Forward Mortgages: FHA-loan limits are governed by section 203(b)(2) of the National Housing Act and section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454)(a)(2)).

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

Legal Authority ***Forward FHA-insured to Forward FHA-insured Refinance Mortgages:***
(continued) Refinance transactions involving a refinance of an existing FHA-insured forward mortgage with a new FHA-insured forward mortgage are governed by sections 203(b) and 223(a)(7) of the National Housing Act.

HECMs: HECM loan limits for traditional and HECM to HECM refinances are governed by the maximum claim amount limitation in section 255(g) of the National Housing Act, and section 255(m) of that Act for HECMs for purchase. Both of these sections reference section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454)(a)(2)) for rules on the actual dollar limitation.

HECMs – Applicability of New Loan Limits All purchase, traditional and HECM to HECM refinance mortgages insured on or after October 1, 2011, cannot exceed 150 percent of the national conforming limit of \$417,000, which is set in conformance with section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(a)(2)).

For the period October 1, 2011 through December 31, 2011, the loan limit and maximum claim amount for FHA-insured HECMs will remain at \$625,500 (150 percent of Federal Home Loan Mortgage Corporation's (Freddie Mac) national conforming limit of \$417,000). This maximum FHA loan limit and maximum claim amount of \$625,500 is also applicable to special exception areas - Alaska, Hawaii, Guam and the Virgin Islands.

Forward Mortgages – Applicability of New Loan Limits The new loan limits announced in this Mortgagee Letter apply to FHA forward mortgage insurance programs under the National Housing Act except for the following forward mortgage transaction types which may exceed the new loan limits:

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

**Forward
Mortgages –
Applicability of
New Loan
Limits**
(continued)

- 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 in this Mortgagee Letter designated “FHA-Insured to FHA-Insured Refinances – May Exceed New Loan Limits,”
- Loans in the pipeline that meet the credit approval criteria addressed in the section of this Mortgagee Letter 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.

Mortgagees must comply with current FHA requirements including, but not limited to, FHA regulations and policies in HUD handbooks, and Mortgagee Letters.

Verification of mortgagee compliance with the guidance in this Mortgagee Letter regarding the application of new loan limits may occur at any time prior to or after the issuance of FHA insurance.

Note: HECMs insured under section 255 of the National Housing Act are addressed in the section designated “HECM Loan Limits” in this Mortgagee Letter.

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

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

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), or in areas where 115 percent of the median house price is less than 65 percent of the national conforming loan limit.

Any area where the loan limits exceed the “floor” is 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, 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 Unit	\$347,000	\$800,775
Three Unit	\$419,425	\$967,950
Four Unit	\$521,250	\$1,202,925

**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 for the period October 1, 2011 through December 31, 2011.

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.”

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

**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 designated, “Forward Mortgages – Loan Limits for Low Cost and High Cost Areas” in this Mortgagee Letter.) 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

**Requests for
Local Increases**

HUD is now implementing loan limits that were previously calculated for 2011, using median house prices from 2010. The median prices used for calculating 2011 loan limits were subject to public appeals as stipulated in Mortgagee Letter 2010-40. As HUD is not updating median prices at this time, there is no appeal period associated with the change of loan limits on October 1, 2011.

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

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.

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

**Where to find
comprehensive
listing of FHA
local limits
(continued)**

The drop down choices in the Limit Year will change as follows:

- 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.

Mortgage Limits

Sorted By:

State:

County:

County Code:

MSA Name:

MSA Code:

Limit Type:

Limit Year:

Last Revised: / /

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

Where to Find Comprehensive Listing of FHA Local Limits

Loan limits are determined by the county in which a property is located, except that for properties located in metropolitan statistical areas as determined by the Office of Management and Budget, the limits are set using the county with the highest median price within the metropolitan area.

- If you are unsure if a county is within one of the metropolitan (or micropolitan) areas listed in the attachments, you should 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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FHA-Insured to FHA-Insured Refinances – May Exceed New Loan Limits

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 this section of the Mortgagee Letter.*

The criteria in this section of the Mortgagee Letter only apply to transactions where the requested, or required, new loan amount exceeds the loan limits that are effective October 1, 2011.

Transactions for which this guidance is applicable include:

- FHA-insured to FHA-insured refinance transactions originated on or after October 1, 2011,
 - Credit qualifying FHA-insured to FHA-insured refinance mortgages with assigned case numbers on or before September 30, 2011 that do not have Credit Approval on or before September 30, 2011, and
 - *All* FHA-insured to FHA-insured non-credit qualifying Streamline Refinance transactions (all pipeline transactions and new originations on or after October 1, 2011).
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Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

**FHA-Insured to
FHA-Insured
Refinances –
May Exceed
New Loan
Limits**
(continued)

Mortgagees must ensure that the new FHA-insured mortgage complies with **all** the following criteria and conditions:

- The new mortgage must be a refinance of an existing FHA-insured mortgage.
- The maximum loan amount of the new FHA-insured mortgage, including all fees, closing costs, mortgage insurance premiums (MIP), interest, etc., must not exceed the original principal amount of the existing FHA-insured mortgage. Should the maximum loan amount (based on the original principal balance of the existing FHA mortgage) be insufficient to cover allowable interest, MIP, closing costs, fees, etc., the borrower shall provide cash to cover the costs that exceed the allowable maximum loan amount.
- The new FHA-insured mortgage may not have a term of more than 12 years in excess of the unexpired term of the existing FHA-insured mortgage.
- The monthly payment due under the new FHA-insured mortgage is less than that due under the existing FHA-insured mortgage for the month in which the new FHA-insured mortgage is executed.
- The mortgagee cannot require a minimum principal amount to be outstanding on the existing FHA-insured loan.

Note: There may be an impact to non-credit qualifying streamline refinances in the pipeline that have not closed on or before September 30, 2011, as they may not meet the new criteria. Mortgagees must review pipeline transactions to ensure that the FHA non-credit qualifying streamline refinances of existing FHA mortgages meet all of the above criteria.

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

Loans in the Pipeline with Assigned Case Number and Credit Approval – May Exceed New Loan Limits

The following pipeline loans with case numbers and credit approval (as defined below in “Definition of Credit Approval”) 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 meets the criteria in this section but do not meet criteria described in “FHA-insured to FHA-insured Refinance – May Exceed New Loan limits” section in this Mortgagee Letter.

Note: Non-credit qualifying Streamline Refinances in the pipeline 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 this Mortgagee Letter to be eligible to exceed the loan limits effective October 1, 2011 .

The following table of the “floor” and “ceiling” applies to the loans in the pipeline that meet the criteria for credit approval defined in the section designated “Definition of 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

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

**Definition of
Credit
Approval**

Credit Approval is defined as the underwriter's approval date of the loan. Credit approval requires that **all** of the following criteria are met on or before September 30, 2011. If any one of the criteria below has not been 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.

- A Direct Endorsement (DE) underwriter has approved the loan (i.e., the lender has received and accepted approval via TOTAL Scorecard, or has manually underwritten the loan) on or before September 30, 2011.
- The approval includes the DE underwriter's review and approval of the appraisal on or before September 30, 2011.
- The HUD/VA Addendum to Uniform Residential Loan Application, Form HUD 92900-A, page 3, must be signed and dated by the underwriter on or before September 30, 2011.
- The FHA Loan Underwriting and Transmittal Summary, Form HUD-92900-LT must be signed and dated by the underwriter on or before September 30, 2011, for manually underwritten loans.
- The Underwriter Approval Date on the Insurance Application Screen in the FHA Connection must be on or before September 30, 2011.
- The Appraisal date must be on or before September 30, 2011, and must be effective at loan closing date.
- HUD has issued a firm commitment date for insurance (for test cases) on or before September 30, 2011.
- Borrower and terms of the loan must be the same as the borrower and the terms approved on or before September 30, 2011.
- The case number has not expired or been cancelled – no assignment or new case numbers permitted.

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: August 19, 2011, Continued

Instructions for Documenting Credit Approval and Appraisal Information

- Case binder information must comply with the section, “Definition of Credit Approval” in this Mortgage Letter and must include valid underwriting information in support of credit approval status and appraisal information.
 - A loan may be re-scored in TOTAL after September 30, 2011, but the reason for rescoring must be documented in the case binder and the required underwriter signed documents reflecting approval on or before September 30, 2011, must be retained in the case binder.
 - A re-run of TOTAL Scorecard will not override underwriter’s approval date.
 - Loan limits will be validated against the Underwriter Approval Date, Appraisal Date and status of FHA-to-FHA 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.
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Information Collection Requirements

The information collection requirements contained in this Mortgage 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.

Continued on next page

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: **August 19, 2011**, Continued

**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.

Signature

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