Community Planning and Development

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Q: What limits must Participating Jurisdictions (PJs) use as the maximum purchase price or after-rehabilitation value limits for their HOME-assisted homeownership housing, now that the Economic Stimulus Act of 2008 (Public Law 110-185) has expired and the Housing and Economic Recovery Act of 2008 (Public Law 110-289) has established a new procedure for determining Section 203(b) mortgage limits?

A. On March 2008, HUD provided guidance in HOMEfires Vol. 9 No. 3, advising PJs that they cannot use the higher Section 203(b) mortgage limits approved by the Economic Stimulus Act of 2008, because they exceed the limits established by the HOME statute. HUD authorized PJs to use "pre-stimulus" Section 203(b) mortgage limits or the actual 95 percent of median sales price for their areas, whichever is higher. HUD attached a spreadsheet containing these limits for each county in the U.S.
The Economic Stimulus Act of 2008 expired on January 1, 2009. The Housing and Economic Recovery Act of 2008 (HERA) established new rules governing how HUD determines the Section 203(b) mortgage limits for loans originating in 2009 or later. These resulting 203(b) limits also exceed the limits established in Section 215(b) of the Cranston-Gonzalez National Affordable Housing Act (NAHA), which authorized the HOME program. NAHA requires that the value of homeownership units assisted with HOME funds not exceed 95 percent of the area median purchase price or after-rehabilitation value for single family housing, as determined by the HUD Secretary. The HOME final rule at 24 CFR 92.254(a)(2)(iii) permits PJs to use the FHA Single Family Mortgage Limits under Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)) as a surrogate for the 95 percent of median value limit. This provision of the HOME final rule also permits a PJ to determine its own 95 percent of area median purchase price using a prescribed methodology.

Because HERA establishes limits that exceed those limits permissible under the HOME statute, PJs are not permitted to use the new Section 203(b) mortgage limits as the 95 percent of median value limits for the HOME Program.

As discussed in the March 2008 HOMEfires Vol. 9 No. 3., HUD plans to issue a new regulation to limit the maximum purchase price or after-rehabilitation value of HOME-assisted homeownership units to the actual 95 percent of median sales price for the area. Pending the revisions to the HOME rule, the following interim policy remains in effect.

Interim Policy

In early February 2008, FHA issued Section 203(b) mortgage limits based upon the methodology that existed before the Economic Stimulus Act and HERA became law. PJs may continue to use these February 2008 Section 203(b) mortgage limits as the purchase price or after-rehabilitation value limit for their HOME homeownership activities, or may adopt the actual 95 percent of median sales price for their area. HUD has prepared an updated spreadsheet containing these February 2008 Section 203(b) limits for each county in the U.S., as well as the updated actual 95 percent of median sales price for each county. This spreadsheet is posted on HUD's HOME webpage at:
www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/maxprice.cfm

Any future changes to this spreadsheet will be posted on HUD's HOME webpage. PJs can also contact their local HUD Office of Community Planning and Development to obtain the latest limits.
During this interim period, PJs whose actual 95 percent of area median sales price is below the February 2008 Section 203(b) limit may choose to continue to use the higher February 2008 limit. PJs whose actual 95 percent of area median sales price is higher than the February 2008 Section 203(b) limit may choose to use the higher 95 percent of area median sales price. PJs that obtain HUD Field Office approval of a PJ-determined 95 percent of median value limit using the methodology described in the HOME regulations at 24 CFR 92.254(a)(2)(iii) may continue to update and use these locally-determined limits.