



December 6, 2013

TO: All FHA-Approved Mortgagees

What's New

Federal Housing Administration (FHA) Announces New 2014 Loan Limits

FHA's Office of Single Family Housing published Mortgagee Letter 2013-43 today, which announces that on January 1, 2014, FHA will implement new Single Family loan limits for Title II Forward Mortgages as detailed in the Housing and Economic Recovery Act of 2008 (HERA). As a result, the calculation of FHA's maximum loan limits in high cost metropolitan areas of the country will be reduced and the current high "ceiling" of \$729,750 will be reduced to \$625,500.

The revisions will be effective for all FHA case numbers assigned on or after January 1, 2014 through December 31, 2014. We strongly urge Mortgagees to review today's Mortgagee Letter to understand the full scope of these changes, and to begin planning for implementation. It will be important for lenders to order case numbers on loans that exceed the new loan limits prior to the effective date of the new loan limits. Mortgagees may review Mortgagee Letter 2013-43 at www.hud.gov/lenders under "What's New."

To enable Mortgagees to easily identify areas with loan limit reductions and increases resulting from the new limit calculations, FHA has published separate lists of counties with loan limit increases and loan limit decreases. Mortgagees may also view these lists at www.hud.gov/lenders under "What's New."

Policy Change Highlights

- **Forward Mortgages:**

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).

The following table illustrates 2014 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

As in previous years, Alaska, Hawaii, Guam, and the Virgin Islands have higher loan limits than the rest of the country.

- Streamline Refinances:**
Streamline refinance mortgages without an appraisal are not subject to the limits established by Section 203(b)(2) of the National Housing Act. Therefore, borrowers with existing FHA-insured mortgages may continue to utilize FHA's Streamline refinance program regardless of their loan balance.
- Home Equity Conversion Mortgages (HECMs):**
The mortgage loan limit and maximum claim amount for FHA-insured Home Equity Conversion Mortgages remains unchanged at \$625,500.

Refer to Mortgagee Letter 2013-43 for complete loan limits information for Title II Forward Mortgages and HECMs.

FHA Loan Limit Determinations by Metropolitan Statistical Area (MSA)

FHA loan limits are determined by the county in which a property is located, except for properties located in MSAs as defined by the Office of Management and Budget (OMB). The limits in these areas are set using the county with the highest median price within the MSA.

- With more than 3,000 Counties and County-equivalents in the US and its territories, 2014 FHA loan limits increased over 2013 levels for 89 of these areas. See the chart of FHA loan limit increases at www.hud.gov/lenders.
- By contrast, 2014 FHA loan limits decreased from 2013 in approximately 651 US County or County-equivalents. See chart of FHA loan limit decreases at www.hud.gov/lenders.
- To determine if a particular county is located within one of the metropolitan (or micropolitan) statistical areas listed in the attachments to Mortgagee Letter 2013-43, refer to the [FHA mortgage limits page](#) before closing the mortgage at a revised limit.
- For a complete list of all metropolitan counties in the country by MSA, view [OMB Bulletin No. 13-01](#), which updated statistical area definitions and provides guidance on the use of these MSA delineations.

- Refer to the [CHUMS data files](#) for complete listings of all FHA county loan limits and underlying home prices. This website contains 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.

Learn More

- Review the new FHA loan limit data outlined in today's Mortgagee Letter posted www.hud.gov/lenders.
- Call the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342). TDD/TTY 1-877-TDD-2HUD (1-877-833-2483).
- Visit FHA's online knowledge base at www.hud.gov/answers.

