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FHA Loan Limits Increased

The Federal Housing Administration (FHA) has now joined the Federal Housing Finance Agency in raising the dollar limits for loans that qualify for FHA guarantees. Last week FHFA raised limits for Fannie Mae and Freddie Mac loans to 424,100, a number which forms a **basis for some of the FHA changes**.

The new limits, which will be effective for loans with **case numbers assigned on or after January 1**, will constitute a slight increase in 2,948 U.S. counties; limits will **remain at 2016 levels in 286 counties**.

In so-called high cost areas, the national "**ceiling**" will increase to \$636,150 from \$625,000. The "**floor**" will increase to \$275,665 from \$271,050. The loan limit ceiling is 150 percent of the national conforming limit (\$424,100) while the floor is set at 65 percent. 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 areas where the loan limit exceeds the "floor" is considered a high cost area.

The maximum claim amount for FHA-insured Home Equity Conversion Mortgages (HECMs), or reverse mortgages, will increase to \$636,150. This amount is 150 percent of the national conforming limit.

Conforming loan limits had remained unchanged for ten years but FHA limits were adjusted several times over that period. According to Katie Jones, writing for the Congressional Research Service, when Congress enacted the Economic Stimulus Act of 2008 it temporarily increased the maximum mortgage amounts to **125% of area median home prices**, with a floor of \$271,050 and a high-cost area ceiling of \$729,750. This was done as both public and private lending standards tightened and fewer borrowers could qualify for loans without FHA insurance or other types of guarantees. The increased loan limits allowed more borrowers to qualify for FHA-insured mortgages. Those temporary limits were rolled back in 2013.

FHA calculates forward mortgage limits based on median house prices in accordance with the **National Housing Act**. FHA's Single Family mortgage limits are set by Metropolitan Statistical Area and county. Loan limits for reverse mortgages are also calculated but these do not vary by MSA or county; instead, a single limit applies to all mortgages in the regardless of where they are originated.

To find a complete list of FHA loan limits, areas at the FHA ceiling, areas between the floor and the ceiling, as well as a list of areas with loan limit

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/22

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

	Value	Change
Builder Confidence	Mar 51	+6.25%

Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its “Proposed Criteria for Evaluating Home Buyer Contract Forms” on Tuesday. The 15 criteria focus on the contracts’ form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document’s expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker’s compensation clearly stated and that the buyer broker can’t receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker’s commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

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