
FEDERAL HOUSING FINANCE AGENCY



NEWS RELEASE

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CONFORMING LOAN LIMIT FOR U.S. TO REMAIN \$417,000 IN 2009; DIFFERENT LIMITS IN SOME AREAS

WASHINGTON, DC – The Federal Housing Finance Agency (FHFA) today announced the conforming loan limit will remain \$417,000 for 2009 for most areas in the U.S. but specified higher limits in certain cities and counties. The conforming loan limit is the maximum size of loans that Fannie Mae and Freddie Mac can purchase in 2009.

According to provisions of the Housing and Economic Recovery Act of 2008 (HERA), the national loan limit is set based on changes in average home prices over the previous year, but cannot decline from year to year. Loan limits for two-, three-, and four-unit properties in 2009 will remain at 2008 levels as well: \$533,850, \$645,300, and \$801,950 respectively, for homes in the continental U.S.

The national limit was left unchanged at \$417,000 based on declines in FHFA's monthly and quarterly house price indexes over the past year. The monthly purchase-only index declined 5.9 percent over the 12 months ending August 2008, and the quarterly all-transactions index dropped 1.7 percent from second quarter 2007 to second quarter 2008. Virtually every other measure of house prices has also fallen, with many showing even larger declines. FHFA has not yet determined whether it will continue to use a currently existing FHFA price index to gauge price movements in future years. For this year, however, all reliable metrics point to lower prices, and a price decline of any size is sufficient to determine that the national limit will not change.

Following the provisions of HERA, FHFA has set loan limits for "high-cost" areas in 2009. These limits are set equal to 115 percent of local median house prices and cannot exceed 150 percent of the standard limit, which is \$625,500 for one-unit homes in the continental U.S. The new limits affect loans purchased by an Enterprise in 2009, unless the loans were

made permanently eligible for purchase under the Economic Stimulus Act enacted earlier in 2008 and has generally higher limits.

Under rules set forth in the Stimulus Act, loans originated in 2008 and the second half of 2007 are subject to limits of 125 percent of local price medians up to a maximum of \$729,750. As a result of the difference in the formula for determining high-cost area limits, many of the high-cost area loan limits are different for 2009 than they were for 2008. They are generally lower because of the lower median price multiplier in HERA (i.e., loan limits are 115 percent rather than 125 percent of median prices) and the lower ceiling (\$625,500 rather than \$729,570). For loans originated during the period covered by the Stimulus Act, the higher of those limits and the 2009 limits will apply.

In calculating loan limits, FHFA used median house price estimates calculated by the Federal Housing Administration (FHA) of the Department of Housing and Urban Development (HUD). Those values have been estimated in a manner consistent with requirements of the National Housing Act, which requires that median prices for all counties in metropolitan statistical areas (MSAs) be set equal to the median price for the highest-cost county. FHA has estimated median house prices for the purpose of setting its own loan limits and has used data from a number of sources, including aggregated county recorder data (supplied by Radar Logic), the American Community Survey, and the National Association of Realtors.

HUD will allow a 30-day appeals period for those wishing to contest its median price estimates. Appeals are to be based upon data suggesting a potentially higher price median for a given area. Details concerning the appeals process will be released today in an FHA mortgagee letter. To the extent that appeals are deemed valid and HUD's median price estimates change in response to the one-time appeals process, the FHFA loan limits will be changed to reflect the updated data.

While FHFA has used median house prices estimated by FHA for 2009 loan limits, it may choose alternative methods in future years. FHFA will be seeking public comment on a forthcoming proposal concerning the best approach to measuring price medians for this application.

As in previous years, the 2009 maximum conforming limits are higher in Alaska, Hawaii, Guam, and the U.S. Virgin Islands than in the contiguous U.S. In those areas, as delineated in the attached list, loan limits vary from \$625,500 to \$721,050 for one-unit properties.

In addition to a table containing a list of all conforming loan limits for all U.S. counties and statistically equivalent areas, also attached is a list showing only those areas where 2009 loan limits are set by the high-cost area provisions in HERA. These areas have loan limits above \$417,000 for one-unit properties in the continental U.S. and above \$625,500 for properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands.

[Link to 2009 High-Cost Area Loan Limits](#) (PDF)

[Link to 2009 Loan Limits for All Counties](#) (XLS format)

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$6.2 trillion in funding for the U.S. mortgage markets and financial institutions.