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December 8, 2010

To: Clients and Friends

From: David F. Dulock

Subject: FHA Notice of 2011 Maximum Loan Limits

In the December 8, 2010 issue of the *Federal Register* (75 FR 76482), HUD published the following Notice regarding FHA single-family maximum loan limits for 2011:

“This notice announces that FHA has posted on its Web site the single-family maximum loan limits for 2011. The loan limit limits can be found at <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/>.

“The FHA maximum loan limits for 2011 apply to mortgages insured under the following sections of the National Housing Act: Sections 203(b) (FHA’s basic 1–4 family mortgage insurance program, including condominiums), 203(h) (mortgages for disaster victims), 203(k) (rehabilitation mortgage insurance) and 255 (Home Equity Conversion Mortgages). The loan limits apply to forward loans that were originated and received credit approval within the stated effective date for all programs herein except for Section 255 (HECM). The loan limits are applicable to all HECMs that have been assigned a FHA case number within the period January 1, 2011 through September 30, 2011.

“FHA’s regulations at 24 CFR 203.18b provide for requests to be made to FHA to change the established area loan limits. The regulations at 24 CFR 203.18b provide the procedures by which changes are to be requested and the procedures can also be found in FHA Mortgagee Letter 2007–01.

“Requests to [*sic*] changes to the maximum area loan limits should be made no later than the date specified in the mortgagee letter announcing the 2011 maximum loan limits. The 2007–01 Mortgagee Letter and, again, the Mortgagee Letter announcing 2011 maximum loan limits can be found at <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/>.”

The 2011 FHA maximum loan limits are set out in Mortgagee Letter 10-40, containing Attachments 1 and 2, dated December 1, 2010, which may be found on the above Web site. The list of areas where the loan limits are at the ceiling is in Attachment I. The list of areas where the loan limits are between the ceiling and the floor is in Attachment II. For any areas not listed in either Attachment I or II, the loan limits are at the national floor. For your convenience, Mortgagee Letter 10-40 is attached to this memorandum. However, due to their size, Attachments 1 and 2 are not attached to this memorandum, but you may access them on the above Web site.

This Memorandum is provided as general information in regard to the subject matter covered, but no representations or warranty of the accuracy or reliability of the content of this information are made or implied. Opinions expressed in this memorandum are those of the author alone. In publishing this information, neither the author nor the law firm of Black, Mann & Graham L.L.P. is engaged in rendering legal services. While this information concerns legal and regulatory matters, it is not legal advice and its use creates no attorney-client relationship or any other basis for reliance on the information. Readers should not place reliance on this information alone, but should seek independent legal advice regarding the law applicable to matters of interest or concern to them. The law firm of Black, Mann & Graham L.L.P. expressly disclaims any obligation to keep the content of this information current or free of errors.

Attachment: Mortgagee Letter 10-40 (without Attachments 1 and 2)



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: December 1, 2010
To: All Approved Mortgagees
Mortgagee Letter 10-40

Subject 2011 FHA Maximum Loan Limits

Purpose This Mortgagee Letter provides notice of the 2011 comprehensive update to the Federal Housing Administration's (FHA) single-family loan limits, issued under the authority of the Continuing Appropriations Act 2011, Public Law 111-242. These limits apply to mortgages insured under the following Sections of the National Housing Act: Sections 203(b) (FHA's basic 1-4 family mortgage insurance program, including condominiums), 203(h) (mortgages for disaster victims), 203(k) (rehabilitation mortgage insurance) and 255 (Home Equity Conversion Mortgages). For forward loans, the loan limits apply to such loans that were originated and received credit approval. For Home Equity Conversion Mortgages (HECMs), the loan limits are applicable to all such loans that have been assigned a FHA case number within the stated effective date.

Effective Date January 1, 2011 through September 30, 2011.

Affected Topics References to current loan limit amounts set forth in the FHA Single Family On-Line Handbooks shall refer to complete schedules at <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

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Mortgagee Letter 10-40, Continued

**Low Cost Area
“Floor”** Both the Economic Stimulus Act of 2008 (ESA) and the Housing and Economic Recovery Act of 2008 (HERA) set the FHA national loan-limit “floor” at 65 percent of the national conforming limit, which remains at \$417,000 for fiscal year 2011. The minimum FHA loan limits (the “floor”) by property size for this period are as follows:

One-Unit	\$271,050
Two-Unit	\$347,000
Three-Unit	\$419,400
Four-Unit	\$521,250

**High Cost Area
“Ceiling”** Any area where the loan limit may exceed the floor is known as a high cost area or “ceiling.” ESA and HERA used different percentages to establish the ceiling. ESA used 175 percent of the conforming loan limit of \$417,000. HERA used 150 percent of the conforming loan limit of \$417,000. FHA uses ESA’s calculation for establishing the ceiling for fiscal year 2011 loan limits. The ESA national ceiling is binding as a maximum value for 2011 loan limits. The maximum FHA loan limits (the ceiling) by property size for fiscal year 2011 are as follows:

One-Unit	\$ 729,750
Two-Unit	\$ 934,200
Three-Unit	\$ 1,129,250
Four-Unit	\$ 1,403,400

**Limits Between
Floor and
Ceiling** Many areas are eligible for loan limits between the national FHA floor and ceiling based on area median home prices. In such areas, the limits shall be at the higher of the ESA calculated loan limits for 2008 and the HERA calculated loan limits for the effective period stated herein.

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 mortgage limits are between the ceiling and the floor is provided in Attachment II. For any areas not listed in either Attachment I or II, the FHA mortgage limits are at the national floor.

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Mortgagee Letter 10-40, Continued

**Special
Exceptions for
Alaska, Hawaii,
Guam, and
Virgin Islands**

Loan limits for the special exception areas of Alaska (AK), Hawaii (HI), Guam (GU) and the Virgin Islands (VI) are adjusted up to 150 percent of the FHA ceiling to account for higher costs of construction. These four special exception areas have a potentially higher ceiling in fiscal year 2011 as follows:

One-Unit	\$1,094,625
Two-Unit	\$1,401,300
Three-Unit	\$1,693,875
Four-Unit	\$2,105,100

These areas and limits are also identified in Attachment I.

**Home Equity
Conversion
Mortgages
(HECM)**

Under provisions of the recent Continuing Resolution (CR), the national FHA loan limit for HECM in 2011 remains at \$625,500 (150 percent of the national conforming limit of \$417,000). In the special exception areas (AK/HI/GU/VI), the maximum claim amount on HECM mortgages is also \$625,500. The loan limit shall be effective for all HECMs that have been assigned a FHA case number on or after January 1, 2011 through September 30, 2011.

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Mortgagee Letter 10-40, Continued

Posting of FHA Loan Limits

Complete schedules of FHA loan limits, including forward loans and HECM mortgages, are available through the internet at <https://entp.hud.gov/idapp/html/hicostlook.cfm>. In addition, downloadable files, with complete listings of all counties and their loan limits, are available at http://www.hud.gov/pub/chums/file_layouts.html. The website has loan limit files for FHA forward loans, FHA HECM, and Fannie Mae and Freddie Mac mortgages, with individual records at the county level.

County Designation

The loan limits are determined by the county in which the property is located. Properties located in metropolitan statistical areas (MSA) or micropolitan areas, as determined by the Office of Management and Budget (OMB), are set based on the county with the highest median price within the metropolitan or micropolitan 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 internet site before closing the mortgage. For a complete list of all metropolitan and micropolitan counties in the country by MSA, view the most recent bulletin updating statistical areas of definitions and guidance at <http://www.whitehouse.gov/omb/bulletins/index.html>. HUD does not have authority to change county or MSA boundaries or definitions.

Sub-Area Loan Limits

The CR continues to give the Department the discretionary authority to determine FHA loan limits for any geographic area that is smaller than a county, also known as "sub-areas." At this time, the Department has no plans to implement the FHA loan limits for geographic areas smaller than a county.

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Mortgage Letter 10-40, Continued

Requests for Changes to Established Mortgage Limits

To ensure that loan limits are in place and effective for all areas commencing January 1, 2011, any requests to change area loan limits determined by HUD are to be submitted to HUD no later than by December 20, 2010. The procedures set forth in Mortgage Letter 2007-01 (<http://portal.hud.gov/fha/reference/ml2007/07-01ml.doc>) to change established loan limits are once again suspended.

Each request to change loan limits must contain sufficient housing sales price data, listing one-family properties sold in an area within the look-back period, January through August 2010. Requests should differentiate between single-family residential properties and condominiums or cooperative housing units. Ideally, data provided should also distinguish distress sales. Requests for a change will only be considered for counties for which HUD does not already have home-sale transaction data for the calculation of loan limits. All requests will be handled exclusively by FHA's Santa Ana Homeownership Center. That address is:

U.S. Department of Housing and Urban Development
Santa Ana Homeownership Center
Santa Ana Federal Building
34 Civic Center Plaza, Room 7015
Santa Ana, CA 92701-4003
Attn: Program Support/Loan Limits

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Mortgagee Letter 10-40, Continued

**Information
Collection
Requirements**

The information collection requirements contained in this Mortgagee 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.

Questions

If you have questions regarding this Mortgagee Letter, please call FHA's Resource Center at 1-800-CALLFHA (1-800-225-5342).

Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Signature

David H. Stevens
Assistant Secretary for Housing-Federal Housing Commissioner
