FEDERAL HOUSING FINANCE AGENCY

NEWS RELEASE

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Maximum Conforming Loan Limits for Fannie Mae and Freddie Mac to Remain Unchanged in 2013

Washington, DC – The Federal Housing Finance Agency (FHFA) today announced that the maximum conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac in 2013 will remain at existing levels. In most of the country, the loan limit will be $417,000 for one-unit properties. The loan limits are established under the terms of the Housing and Economic Recovery Act of 2008 (HERA), and are calculated each year.

The law sets loan limits as a function of median home values in local areas. While some counties saw increases in home prices in 2012, no loan limit increases were evident after other HERA terms such as the statutory ceiling and floor were taken into account.

A list of the 2013 maximum conforming loan limits for all counties and county-equivalent areas in the country can be found here. The maximum conforming loan limits for one-unit properties, which generally have applied to loans originated since October 1, 2011, are $417,000 in most locations, but are as high as $625,500 in certain high-cost areas in the contiguous United States. For loans originated prior to October 2011, the maximum loan limit was as high as $729,750 in the contiguous U.S. That higher "ceiling" limit was permitted under legislation that is not applicable to loans originated in 2013.

A detailed description of how the 2013 loan limits were determined can be found in the attached addendum. Questions regarding loan limits can be sent to LoanLimitQuestions@fhfa.gov.

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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 $5.7 trillion in funding for the U.S. mortgage markets and financial institutions.

Addendum

Baseline National Conforming Loan Limit

In determining 2013 loan limits under the terms of the Housing and Economic Recovery Act, or HERA, FHFA did not change the baseline maximum conforming loan limit for the United States. The baseline limit, $417,000 for one-unit properties in the contiguous U.S., was left unchanged based on historical index values for FHFA's monthly and quarterly House Price Index (HPI).

HERA requires that the baseline loan limit be adjusted each year to reflect changes in the national average home price. After a period of declining home prices, however, HERA requires that prior price declines be fully offset before a loan limit increase can occur. During the recent housing bust, the average U.S. home price declined substantially. While estimates vary, the FHFA monthly and quarterly HPI declined by more than 19 percent through mid 2011. Although FHFA's monthly and quarterly HPI both evidenced price increases over the latest year, the magnitude of those increases was relatively small—only in the range of 4.0-4.4 percent. Because the latest year's price increase did not fully offset the cumulative decline in prior years, the national loan limit is left unchanged pursuant to the terms of HERA.

In making this determination, the FHFA HPI has been used. The same result would apply, however, if any of several other commonly-cited house price metrics were used.

FHFA has evaluated a number of methodologies for tracking changes in the national average house price.[1] With last year's release of loan limits, FHFA indicated that it planned to publish a Federal Register Notice proffering a specific methodology that might be used. In the year since, FHFA has re-evaluated that plan and has decided to postpone publication of the Notice. Given that the baseline national loan limit can only increase again after a significant (and likely prolonged) period of price increases, there is limited urgency to selecting a specific methodology. When coupled with the fact that new data sources are becoming available that may enable new and better approaches to tracking home prices, the absence of an immediate need has motivated FHFA to continue researching various options.

Loan Limits in High-Cost Areas

HERA provisions set loan limits as a function of local-area median home values. Where 115 percent of the local median home value exceeds the baseline loan limit ($417,000 in the most of the country), the local loan limit is set at 115 percent of the median home value. The local limit cannot, however, be more than 50 percent above the baseline limit. In the District of Columbia and all U.S. states except Alaska and Hawaii, the highest-possible local area loan limit for one-unit properties is $625,500 (150 percent of $417,000).

Consistent with FHFA's prior practice, in determining the 2013 HERA limits, FHFA used median home values estimated by the Federal Housing Administration (FHA) of the Department of Housing and Urban Development (HUD). FHA has calculated those median values for the purpose of determining its own lending limits. Once the FHA loan limits are announced, FHA will allow a 30-day appeals period for appellants to submit data suggesting a

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[1] See, for example, Leventis, Andrew, "An Approach for Calculating Reliable State and National House Price Statistics," FHFA Research Paper, September 2010. Paper is available at http://www.fhfa.gov/webfiles/17435/Median_Prices_RP_9_30_2010.pdf.

potentially higher median home value for a given area. If FHA changes its median price estimates as a result of any appeals, and if those changes would impact the FHFA conforming loan limits, FHFA may adjust the conforming loan limits and announce the resulting changes.

In determining the 2013 HERA loan limits in high-cost areas, FHFA continued its policy of not permitting declines relative to the prior HERA limits. While HERA did not explicitly prohibit declines in high-cost area loan limits, that approach is consistent with the statutory procedure for responding to changes in prices on a national basis. Subject to this policy, the 2013 HERA limits reflect the higher of the limits directly calculated for 2013 and HERA loan limits determined for 2009, 2010, 2011, and 2012.

As noted in the news release, 2013 loan limits do not differ from 2012 HERA limits in any counties. The fact that loan limits did not change is a function of a number of factors, including the prohibition on HERA loan limit declines in high-cost areas. Also important is the $417,000 floor on loan limits; in most areas of the country, 115 percent of the local median home price is far below $417,000. In many areas, even significant increases in median home values would not produce loan limits that exceed the $417,000 floor.

Loan Limits for Multi-Unit Properties

Because loan limits for one-unit properties have been left unchanged and loan limits for multi-unit properties are simply multiples of the one-unit limits, loan limits for multi-unit properties have been left unchanged throughout the country. Alongside the limits for one-unit properties, the downloadable conforming loan limits file shows the 2013 maximum conforming loan limits for two-, three-, and four-unit properties.

For most areas outside of Alaska, Hawaii, Guam, and the U.S. Virginia Islands, loan limits are $533,850, $645,300, and $801,950 for two-, three- and four-unit homes respectively.

Alaska, Hawaii, Guam and the U.S. Virgin Islands

As with the rest of the country, maximum conforming loan limits in Alaska, Hawaii, Guam and the U.S. Virgin Islands will remain at 2012 HERA levels in 2013. The baseline loan limit in these areas is statutorily set at 50 percent above the baseline limit for the contiguous U.S.

Acquisitions of Loans Originated in Certain Prior Years

Under a series of laws enacted over the past several years, including the Economic Stimulus Act of 2008, the American Recovery and Reinvestment Act of 2009, Public Law 111-88, and Public Law 111-242, higher conforming loan limits will apply to Fannie Mae and Freddie Mac acquisitions of certain seasoned mortgages in 2013. Loans originated between July 1, 2007 and Sept. 30, 2011 and acquired in 2013 will be subject to previously-announced limits determined under those laws. The applicable loan limits for such seasoned loans are as high as $729,750 for one-unit properties in the contiguous U.S.