FEDERAL HOUSING FINANCE AGENCY

NEWS RELEASE

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FHFA Announces Fannie Mae and Freddie Mac Conforming Loan Limits for 2014

Washington, D.C. – The Federal Housing Finance Agency (FHFA) today announced that the 2014 maximum conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac will remain at $417,000 for one-unit properties in most areas of the country.

The Housing and Economic Recovery Act of 2008 (HERA) establishes the *maximum* conforming loan limit that Fannie Mae and Freddie Mac are permitted to set for mortgage acquisitions. HERA also requires annual adjustments to these limits to reflect changes in the national average home price.

A description of the methodology used in determining the loan limits can be found in the attached addendum. Questions concerning the conforming loan limits can be addressed to LoanLimitQuestions@FHFA.gov.

Further information on potential future changes in the maximum size of loans that Fannie Mae and Freddie Mac guarantee will be forthcoming.

Link to maximum conforming loan limits for 2014

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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 $5.5 trillion in funding for the U.S. mortgage markets and financial institutions.

Addendum

Calculation of 2014 Maximum Loan Limits under HERA

Baseline National Conforming Loan Limit

In determining 2014 loan limits under the terms of the Housing and Economic Recovery Act (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 crisis, the average U.S. home price declined substantially. While estimates vary, the FHFA monthly and quarterly HPI declined by close to 20 percent through 2011. Although FHFA's monthly and quarterly HPI have evidenced price increases in periods since, the increases have not been sufficient to offset the losses. As such, pursuant to the terms of HERA, the baseline maximum loan limit has been left unchanged. In making this determination, as in the past, 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 continues to evaluate a number of methodologies for tracking changes in the national average house price.[1]

Loan Limits in High-Cost Areas

HERA provisions require that FHFA 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 most of the U.S.), 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 a one-unit property is $625,500 (150 percent of $417,000).

Consistent with FHFA's prior practice in determining the 2014 HERA limits, FHFA used median home values estimated by the Federal Housing Administration (FHA) of the U.S. Department of Housing and Urban Development (HUD). FHA has calculated those median values for the purpose of determining its own lending limits. After the FHA loan limits are announced, FHA allows a 30-day appeals period for appellants to submit data suggesting a 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 2014 HERA loan limits in high-cost areas, FHFA continued its policy of not permitting declines relative to 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 2014 HERA

[1] See, for example, Andrew Leventis, "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.

limits reflect the higher of the limits directly calculated for 2014 and HERA loan limits determined for years 2009 through 2013.

The 2014 loan limits are higher than 2013 HERA limits in several counties. Those increases were, in some cases, a function of rising median home values. The latest year showed strong home price gains throughout the country and, in some locations, those gains were sufficiently large to elevate loan limits above levels in prior years. In some cases, the increases in loan limits resulted from new metropolitan area boundaries established by the Office of Management and Budget (OMB).[2] Under the new boundaries, some counties joined pre-existing metropolitan or micropolitan areas where HUD's median home values were significantly higher. Because HUD's methodology for determining median home values assigns the highest-cost county's median home value to all counties in the metropolitan or micropolitan area, the added county benefitted from the new affiliation (i.e., obtained a higher median home value and thus a higher loan limit). For the same reason, the new boundaries have resulted in lower limits in certain areas.

Loan Limits for Multi-Unit Properties

As in the past, the HERA maximum conforming loan limit for two-, three-, and four-unit properties were simply multiples of the one-unit limits. The downloadable 2014 HERA conforming loan limits file shows the 2014 maximum conforming loan limits for two-, three-, and four-unit properties.

For most areas outside of Alaska, Hawaii, Guam, and the U.S. Virgin 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 most of the rest of the country, maximum conforming loan limits in Alaska, Hawaii, Guam and the U.S. Virgin Islands will generally remained at 2013 HERA levels in 2014.[3] 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 2014. Loans originated between July 1, 2007 and Sept. 30, 2011 and acquired in 2014 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.

[2] See OMB Bulletin 13-01 for details.
[3] As a result of HUD adjustments to historical median values for Kalawao County, Hawaii, loan limits increased somewhat in that county and in Maui County.