FHFA Conforming Loan Limits FAQs

(updated January 2021)
https://www.fhfa.gov/CLLs

Overview

1. What are the Conforming Loan Limits (CLLs)?

The maximum loan amount for mortgages that can be acquired by Fannie Mae or Freddie Mac. Mortgages above this limit are known as jumbo loans. The CLLs are set by the Federal Housing Finance Agency (FHFA) on an annual basis and vary geographically, using guidelines specified in the Housing and Economic Recovery Act of 2008 (HERA) and as modified in subsequent legislation. More information is provided on the FHFA CLLs webpage at https:/www.fhfa.gov/CLLs.

2. When do new CLLs become effective?

At the end of each November, FHFA updates the CLLs based on rules set forth in HERA. The CLLs take effect a month later on January 1st.

3. How are CLLs calculated?

Loan limit increases reflect the year-over-year percentage change in the FHFA House Price Index® (HPI) for the United States. The formula is based on the third quarter (Q3) and can be written:

(*current year Q3 FHFA HPI - prior year Q3 FHFA HPI) / (prior year Q3 FHFA HPI)*

which is converted to percentage terms. For example, the 2021 limits were computed as:

Percentage Change = (2020Q3 HPI – 2019Q3 HPI) / 2019Q3 HPI
= (276.84033089 – 257.72651365)/257.72651365
= 7.41631777 percent

HERA requires that the baseline loan limit be adjusted each year to reflect changes in the national average home price. In October 2015, FHFA published a Final Notice in the Federal Register specifying that limits would be adjusted using the seasonally adjusted, expanded-data (EXP) version of the FHFA House Price Index® (FHFA HPI®).

An important caveat is that the CLLs adjustment differs during or immediately following a housing market downturn. By statute, the baseline loan limit remains flat when the national average home price is not increasing. Further, after a period of declining home values, HERA requires that the prior declines be "made up" before the baseline limit can be increased. In such instances, any cumulative house price decline must be fully negated before a loan limit increase can take place. For this reason, the baseline loan limit did not change in 2007 and they remained at the same level until 2017.

4. Can the CLLs decrease?

No. By statute, because of HERA's specific adjustment rules, conforming loan limits do not decrease. When home values have declined according to the formula, HERA does not provide for decreases in the baseline loan limit. Loan limits remain the same as the prior year until house price declines have been "made up" and the current index level exceeds the prior FHFA HPI level before the decline started. The calculated increase is based on the gain compared to that prior level (not the third quarter from the earlier year). Such a scenario took place from 2007Q3 until 2016Q3 and the 2017 limits became the first increase in several years. More information on this "make-up" can be found on the CLLs webpage and in the news release about the increase in Maximum Conforming Loan Limits for Fannie Mae and Freddie Mac in 2017.

FHFA has implemented a "hold harmless" approach where county-level loan limits do not decrease. This applies to counties where the median home value decreased relative to the prior year's value. FHFA takes the same approach if a county were to drop out of a high-cost area and would suffer from a lower median value as a stand-alone county.

5. Why is the expanded-data FHFA HPI used?

The FHFA produces three main HPI flavors – a purchase-only index, an all-transactions index, and an expanded-data index. CLLs are adjusted using FHFA's national, seasonally adjusted, expanded-data index. The expanded-data FHFA HPI is based on an underlying sample of transactions that reflects the universe of what could be conforming loans, however, not all the loans have been purchased or securitized by Fannie Mae or Freddie Mac (the "Enterprises"). Data are combined between purchase-money mortgages from the Enterprises, FHA loans, and public records of sales transactions (with prices below the annual loan limit ceiling).

Prior to HERA, the Mortgage Interest Rate Survey had been used to adjust loan limits. After house prices fell in 2007, loan limits remained unchanged and FHFA began to consider alternative measures to the monthly survey. The expanded-data metric was created and input was gathered from the public. In 2015, FHFA addressed those comments and its plans to utilize the seasonally adjusted, expanded-data HPI for calculating changes to the CLLs. A "Notice of Establishment of Housing Price Index" is posted in the Federal Register at https://www.federalregister.gov/articles/2015/10/22/2015-26778/notice-of-establishment-of-housing-price-index.

A major consideration had been the existing and well-known purchase-only index already published by FHFA but that index only utilizes Enterprise data. The expanded-data HPI employs the same basic methodology as the Enterprise specific purchase-only HPI but also incorporates additional historical transactions data. Specifically, the expanded-data indexes include transaction prices for homes with FHA-endorsed loans and homes whose transactions have been recorded at various county recorder offices through the country.

The addition of these two supplemental data sources to the Enterprise data provides for a better estimate of the overall change in the U.S. average home price than is available from the other indexes. General price changes and trends should be similar between all of the FHFA HPIs, however, the expanded-data HPI is best suited to capture movements for the segment of the housing market that has a price range such that sales transactions could be financed with conforming loans because they fall below annual loan limits.

6. What is the baseline loan limit value?

The baseline loan limit is the maximum loan amount for an acquisition in a particular year. This limit restricts the size of loan originations (but not the price of homes) across the nation except in a small amount of high-cost or statutory areas. The value varies across two dimensions, counties and the number of property units. Local loan limits are defined on a county-by-county basis with most counties (around 95 percent) assigned the baseline loan limit. The baseline limits, however, can increase for properties that have more than one (but less than five) units.

HERA also defines "high-cost" area loan limits that can be as much as 150 percent of the baseline value. Loan limits are allowed to exceed the baseline value in areas with more expensive housing markets. Specifically, they are set at 115 percent of the highest county median home price in the local area as long as that amount does not exceed the ceiling. Local areas follow the definitions of core-based statistical area (CBSA), which means they can be both metropolitan and micropolitan statistical areas.

As an example, loan limits for 2021 Enterprise acquisitions were established in 2020Q3 with the baseline loan limit being $548,250 for a one-unit property. According to data released by the U.S. Department of Housing and Urban Development, as of 2020Q3 the median home value in El Dorado County, California was $520,000. Multiplying this area median value by 115% yields a loan limit of $598,000, which is above the baseline limit but below the high-cost ceiling of $822,375. As a result, the loan limit for El Dorado County was set equal to $598,000.

Loan limits are also higher in certain statutorily-designated areas like Alaska, Hawaii, Guam, and the U.S. Virgin Islands. The limits in these statutorily-designated areas cannot exceed 150 percent of the high-cost ceiling value. Lookup tables are provided on the CLLs page at https:/www.fhfa.gov/CLLs.

7. How are loan limits set in high-cost areas?

HERA provisions set loan limits as a function of local-area median home values. The CLL is required to be increased in places where 115 percent of the median home value exceeds the baseline CLL, not to exceed an amount that is 150 percent of the baseline CLL. To perform calculations, counties are grouped by core-based statistical areas (CBSAs) as delineated by the Office of Management and Budget. FHFA coordinates with the U.S.

Department of Housing and Urban Development to calculate CBSA-wide median home values equal to the median price for the highest-cost component county in each CBSA. Each county in the CBSA receives the same value and a high-cost loan limit is assigned as described above if the multiple exceeds the baseline CLL.

For example, Sacramento-Roseville-Folsom, CA is delineated by four counties. As of 2020Q3, the highest county median home value was $520,000 which when multiplied by 115 percent gave a loan limit of $598,000 that was above the baseline loan limit. This value was applied similarly to all counties in that CBSA.

Some places are extremely expensive, but their loan limits are still capped. In 2020Q3, the nation's capital (Washington-Arlington-Alexandria, DC-VA-MD-WV) had a median home value of $823,000 which exceed the high-cost area ceiling of $822,375. In these instances, all counties within the CBSA receive the high-cost ceiling as their loan limit value.

Finally, not all CBSAs qualify as being high-cost areas. The capital of Florida, Tallahassee, is a CBSA with four counties but their highest county median home value was only $196,000, which means the local area is not expensive enough to receive an adjustment. As a result, the baseline loan limit applies to all counties in that local area.

8. How many counties are in high-cost areas?

The United States has over 3,000 counties or county-equivalent jurisdictions. In any given year, roughly 130 to 200 of them qualify for high-cost limits that exceed the baseline limit.

9. Why are high-cost area loan limits not exact multiples of median home values?

The individual values have been rounded down to the nearest $25.

10. What are the loan limits in Alaska, Hawaii, Guam and the U.S. Virgin Islands?

Alaska, Hawaii, Guam, and the U.S. Virgin Islands are granted loan limits that, at minimum, are 50 percent above the country's baseline limit. That is—the baseline loan limit for these prespecified select areas is 150 percent of the national baseline.

11. What limit applies to loan acquisitions that were originated in prior years?

Fannie Mae and Freddie Mac occasionally acquire seasoned loans originated in previous years. The loan limit for seasoned acquisitions depends on a loan's year of origination, physical location, and number of units. Under a series of previously enacted laws (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 apply to Fannie Mae and Freddie Mac acquisitions of certain seasoned mortgages in 2019. Loans acquired in 2019 that were originated between July 1, 2007, and Sept. 30, 2011, 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 United States.

12. Where can I find more information on conforming loan limits?

The CLLs webpage, available at https:/www.fhfa.gov/CLLs, provides information about loan limits and links to helpful documents and tools.

13. Where can I find the loan limits for prior years?

Annual loan limits for every county are provided online at https:/www.fhfa.gov/CLLs in spreadsheet (XLS) and document (PDF) formats. These files provide county limits based on the number of units (1 to 4) in a property and reflect HERA provisions.

Coverage

14. What is the geographic level where loan limits are set?

CLLs are based on the county where a property is located. Some properties, however, may benefit from belonging to a core-based statistical area (CBSA) where other counties have higher median home values. In such cases, the limits are set using the county with the highest median price and they are the same for every county in the CBSA.

15. What is a Core-Based Statistical Area (CBSA)?

A CBSA refers to either a *metro*politan statistical area or a *micro*politan statistical area. CBSAs comprise the central county or counties containing a large population core, plus adjacent outlying counties having a high degree of social and economic integration with the core. This forms the statutory definition of “local areas”.

For more information see *2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas* here: https://www.govinfo.gov/content/pkg/FR-2010-06-28/pdf/2010-15605.pdf.

16. Which version of CBSA delineations is *currently* used by FHFA?

FHFA uses the revised Metropolitan and Micropolitan Statistical Areas and Divisions as defined by the Office of Management and Budget (OMB) in March 2020 which can be viewed at https://www.whitehouse.gov/wp-content/uploads/2020/03/Bulletin-20-01.pdf .

17. How does FHFA handle *previous* versions of CBSA definitions?

FHFA uses the most current CBSA definitions and does not assign properties into prior delineations that might have been utilized during an earlier transaction year. As an example, a recent set of delineation changes is outlined in the 2018Q4 FHFA HPI report where a Technical Note explains the transition to new definitions which impacted multiple metropolitan statistical areas. The latest delineation bulletin only added a single micropolitan statistical area which is now incorporated into the CLLs process.

18. If I have additional or more specific questions, who can I contact?

For additional questions, please contact LoanLimitQuestions@fhfa.gov.

U.S. Department of Veterans Affairs (VA) Loan Limits

19. Are VA loan limits the same as FHFA CLLs?

Yes. VA home loan limits are the same as the Federal Housing Finance Agency (FHFA) limits. With the passage of the *Blue Water Navy Vietnam Veterans Act of 2019,* veterans are no longer limited to the FHFA CLLs.

20. What is the Blue Water Navy Vietnam Veterans Act of 2019?

The *Blue Water Navy Vietnam Veterans Act of 2019*, Public Law 116-23, was signed into law on June 25, 2019. The law took effect January 1, 2020 and states that VA-guaranteed home loans will no longer be limited to the Federal Housing Finance Agency (FHFA) Conforming Loan Limits. Veterans will be able to obtain no-down payment VA-backed home loans in all areas, regardless of loan amount.

For more information on the Act, see https://benefits.va.gov/homeloans/bwnact.asp.

21. How do I get more information on VA home loans?

Contacting VA directly is the best course of action to get answers about guaranty questions, the lending process or other matters related to the VA. Their webpage has information at https://www.va.gov/housing-assistance/home-loans/loan-limits/. To speak with a VA Loan Specialist or find the nearest VA Regional Loan Center call (877)-827-3702.

The Federal Housing Administration (FHA) Loan Limits

22. Are FHA loans limited by the FHFA CLLs?

FHA loans are not limited by the baseline FHFA CLLs but they are based on the values. FHA calculates forward mortgage limits based on the median house prices in accordance with the National Housing Act. These limits are set at or between the low-cost area and high-cost area limits based on the median house prices for the area.

Low-cost area mortgage limits are set at 65 percent of the national conforming limit.

High-cost area mortgage limits are set at 150 percent of the national conforming limit.

For more information on these limits, please see the applicable Mortgagee Letter, here: https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee.

23. Do FHA loan limits include maximum claim amounts for home equity conversion mortgages (HECM)?

FHA publishes a separate Mortgagee Letter to cover maximum claim amounts for home equity conversion mortgages (HECM).

For more information on these claim amounts, please see the applicable Mortgagee Letter, here: https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee.

24. Where can I find FHA mortgage limits?

For more information on current FHA loan limits, see https://entp.hud.gov/idapp/html/hicostlook.cfm.

For more information on historic FHA mortgage limits, see https://apps.hud.gov/pub/chums/file_layouts.html.