

GSE Loan Limits Extended for Another Year. FHA Appropriated \$20 Billion

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H.R. 3081: Making Continuing Appropriations for Fiscal Year 2011, and For Other Purposes, passed the House of Representatives this morning. Buried in that legislation was authorization to extend current loan limits for mortgages provided through Fannie Mae, Freddie Mac, and the Federal Housing Administration.

Passage of the legislation will ensure that current loan limits for single-family residential mortgages will remain in place until September 30, 2011 at 125 percent of local median home sales prices, up to a maximum of \$729,750 in high-cost areas. Outside of those high-cost areas, the ceiling for FHA is \$271,050 and the ceiling for Fannie Mae and Freddie Mac's conforming loan limits is \$417,000.

The bill also **appropriates \$20 billion so that FHA can continue making loan commitments through the end of 2010** from its General and Special Risk Insurance Funds.

The higher loan limits have been controversial in some corners with critics speculating they could fuel another housing bubble. However, **with private funding virtually non-existent, home sales in higher cost areas would be badly hurt and the housing recovery slowed if enterprise sponsored mortgages or FHA guarantees were not available as a substitute for jumbo mortgages.**

Immediately after House passage of the bill the Mortgage Bankers Association (MBA) commented on the action. In a press release the organization said that both extension of the limits and the additional funding were extremely important given the fragile nature of the housing market. "Extending the existing limits is essential to helping borrowers continue to have access to affordable long-term, fixed-rate mortgage credit in today's struggling economy, the release said. "The current limits have been a key component of keeping the mortgage market functioning, helping keep mortgage interest rates low for consumers who want to purchase a home or refinance an existing mortgage.

"Likewise, providing the FHA with additional multifamily commitment authority will help ensure funding for the continued development, renovation and mortgage refinancing necessary to preserve affordable rental housing in this country. This sector has been crucial during the recent housing downturn and credit crisis, and FHA needs the additional authority in order to ensure the market remains liquid."

President Obama is expected to sign the legislation into law before midnight tonight.

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