

# How The New Loan Limits Affect Mortgage Rates

By: Matthew Graham | Tue, Nov 24 2020, 4:42 PM

If you follow the MBS Commentary channel on this site, you will have already seen most of the following, but it's relevant for consumers as well. As far as mortgage rates are concerned, the increase in conforming loan limits doesn't have a direct impact, but it does change rate availability for those seeking certain loan amounts. There's a link below where you can see exactly what the new loan limit is for any given county.

If you'd like to read the official FHFA press release, [here you go](#), but here's the skinny on the new conforming loan limit of \$548,250 for 2021, up from \$510,400 in 2020.

## Which loans does this apply to?

Conventional, conforming loans (those sold to or securitized by Fannie Mae and Freddie Mac, which is a vast majority of the market), both refinances and purchases

## Does this apply to FHAVA/USDA loans?

[🌐 See Rates from Lenders in Your Area](#)

Not immediately, and not equally. FHA will use the new number to announce its own loan limit increases in a week or two. When that happens, you can always use [this page](#) to determine your county's limit. VA is a bit different depending on how much entitlement you have ([read more on the VA site](#)).

## What's the benefit of having a conforming loan amount?

Conforming loans have the lowest effective rates (FHA rates may be lower, but they carry mortgage insurance). They also have different qualification standards (typically "easier") than loans for higher amounts, but this can depend on the lender and your scenario.

## Do I have to wait until 2021 to take advantage of a higher conforming loan amount?

No! The limit change applies to the date that Fannie and Freddie sign off on the new loan (either via "delivery" or "securitization"). For all but the speediest of lenders, any loan originated today would be hard-pressed to be delivered in 2020. Therefore, it's up to lender discretion as to when they'll begin to offer the new loan amounts. Some will do so in a matter of days.

## Does this affect my current loan?

No. This only applies to new loans and, in some cases, on loans already in the pipeline. For instance, if you just recently submitted an application for a loan that is now UNDER the loan limit, you should check with your lender to see if your situation will change. BUT FIRST, check [this page](#) to make sure your county's loan limit is indeed higher than your loan amount: [https://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/FullCountyLoanLimitList2021\\_HERA-BASED\\_FINAL\\_FLAT.pdf](https://www.fhfa.gov/DataTools/Downloads/Documents/Conforming-Loan-Limits/FullCountyLoanLimitList2021_HERA-BASED_FINAL_FLAT.pdf)

## Does this affect high cost areas?

See [the link above](#) for specifics.

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