



Hints For Home Buyers

Fewer People May Be Able To Get FHA Loans

(NAPSA)—For generations, the Federal Housing Administration's (FHA) single- and multifamily mortgage insurance programs have provided safe, affordable financing to millions of homeowners. Many first-time buyers rely on FHA-insured loans to purchase a home; in fact, one-third of recent buyers bought their houses with an FHA-insured mortgage. Currently, however, lawmakers are discussing changes to the FHA that could have a significant effect on home buyers and sellers, as well as the future of the real estate market.

Proposed changes to FHA include reducing current loan limits. Current limits range from \$271,050 to \$729,750, based on 125 percent of the local area median home price. These limits are set to expire on September 30 and revert to formulas based on 115 percent of an area's median home price, but some public policymakers have proposed allowing those limits to fall even further.

"Reducing the current loan limits means that fewer people would have access to mortgage loans, and the loans that would be available would be more expensive," said National Association of Realtors® (NAR) President Ron Phipps. "The FHA mortgage loan limits are critical to providing liquidity in today's housing market, especially since the private market has yet to return. These programs are vital to our housing recovery."



More than half of recent first-time buyers used FHA loans.

NAR estimates that reverting to lower loan limits will mean an average loan limit reduction of more than \$68,000 in many places. Home buyers aren't the only ones who would feel the effects of reduced loan limits. If FHA loan limits revert back, some owners could have a hard time selling their home because there would be fewer buyers who qualify to purchase homes.

"Many people think this is solely a high-cost area issue but the reality is the change in the formula going from 125 percent of local area median home price to 115 percent has a much greater impact across the country," said Phipps. "Even with the higher limits, borrowers are finding it more difficult to find affordable mortgage options. Making FHA loan limits permanent at levels appropriate in all parts of the country will provide homeowners and buyers with safe, affordable financing and help stabilize local housing markets."

Visit www.realtor.org/FHA for more information.