NAR Issue Summaries

Conventional Residential Lending / Mortgage Loan Limits

NAR Committee:

Conventional Financing and Policy Committee

What is the fundamental issue?

The mortgage loan limits for the GSEs (Freddie Mac and Fannie Mae) and for FHA and VA are critical to providing liquidity in today's housing market. Today, those limits are set at 115% of local area median home price, up to a cap of $1,209,750 in high cost areas. The lowest limit for the GSEs is $806,500 and for FHA is $524,225.

I am a real estate professional. What does this mean for my business?

With the tight constraints on mortgage availability, lowering the FHA/Fannie/Freddie loan limits would only further restrict liquidity. Even with the higher limits, borrowers are finding it more and more difficult to find affordable mortgage options. Making the limits permanent at levels appropriate in all parts of the country will provide homeowners and homebuyers with safe, affordable financing and help stabilize local housing markets.

NAR Policy:

NAR supports reliable loan limits to provide security and consistency to the marketplace.

Providing access to credit for all communities during all economic times is a hallmark of our federal housing policy. Appropriate loan limits for FHA, Freddie Mac and Fannie Mae (GSEs) are, and will continue to be, a critical factor in ensuring access to safe and affordable mortgage financing in all areas and all markets. Reducing limits will constrict liquidity to housing markets, and homebuyers.

Opposition Arguments:

Opponents of NAR policy believe the mortgage loan limits are far too high and would like to reduce them relative to current housing prices. They believe the limits should be routinely adjusted – both up and down – to conform to housing price levels. Further, they believe that higher limits only continue to shut out private return to the mortgage marketplace.

Legislative/Regulatory Status/Outlook

For 2025, the Federal Housing Finance Agency (FHFA) changed loan limits for Fannie Mae and Freddie Mac. GSE loan limits now sit at $806,500 (in high cost areas, $1,209,750). The loan limits are established under the terms of the Housing and Economic Recovery Act of 2008 (HERA) and are calculated each year.

The Federal Housing Administration (FHA) announced increases to the FHA Single Family loan limits for

2021. In high-cost areas of the country, FHA's loan limit ceiling will increase to $1,209,750. FHA will also increase its floor to $524,225. These limits went into effect on Jan 1, 2025.

For a current listing of the FHA limits, visit https://entp.hud.gov/idapp/html/hicostlook.cfm.

For a current listing of the Fannie Mae and Freddie Mac conforming loan limits, visit https://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx.

There had been speculation that the new administration may lower or freeze the current loan limits. However, FHFA Director Bill Pulte has stated to the press that they have no such plans.

Current Legislation/Regulation (bill number or regulation)

None at this time.

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