



FHA Loan Limits to Decrease October 1st, 2011

On May 26th, the U.S Department of Housing and Urban Development (HUD) announced, [barring congressional action](#), on October 1st, 2011 the FHA loan limits will revert back to the original limits determined under the Housing and Economic Recovery Act. As a reminder, in 2008, Congress temporarily increased the FHA loan limits to help alleviate the effects of the economic downturn. This brought the Maricopa County, Arizona FHA loan limit to \$346,250 and set a buyer's maximum price point at \$358,500.

How will this impact real estate market? Loan limits are likely to decrease for 669 of the 3,334 nationwide counties eligible for FHA Loan insurance. Most importantly, **ALL Arizona counties will be affected**. Arizona counties (with the exception of Coconino County) will revert back to a loan limit of **\$271,050**. ***If the new Arizona FHA Loan limit of \$271,050 takes effect October 1st the price point for a 3.50% down payment will be \$280,880.***

There's no doubt the reduction of the FHA mortgage limit will impact some buyers in our market, but not as many as you may think. ARMLS reports 8,574 sales with FHA loans from 1/1/2011 – 5/31/2011 and only 416 of them had a purchase price greater than \$280,880 (new max purchase price with the \$271,050 loan limit) ~ that's less than 5% of all FHA purchases.

While October 1st is 3 ½ months away, it's really just around the corner! Time seems to fly by, so be sure to communicate this information with your FHA buyers. Especially those interested in short sales; we all know how quickly those move.

Above you'll notice I underlined IF and "barring congressional action". Change seems to be the norm so stand by for future information on this and other items relating to the mortgage lending industry that congress is considering. Most notably they are contemplating changing how FHA loan limits would be established going forward as well as reducing the **conventional loan limit** and they're throwing around the idea of **increasing FHA's down payment requirement from 3.50% to 5%**. Lots going on up there!!!!

I'll be sure to keep you posted as I hear more on these Arizona Mortgage topics. In the mean time, please don't hesitate to contact me should you have any questions!

The heat is on and summer has officially arrived! Pull out the sunscreen!!!

~Kelly

Quote of the Week: Both tears and sweat are salty, but they render a different result. Tears will get you sympathy; sweat will get you change. ~ Reverend Jesse Jackson

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