



Rural Development

February 3, 2017

Richard A. Davis
Acting Administrator

Rural Housing Service
1400 Independence Ave, SW
Room 5014-S
Washington, D.C. 20250

Telephone: (202) 692-0268

TO: State Directors
Rural Development

ATTENTION: Program Directors
Single Family Housing

FROM: Richard A. Davis /s/ **Richard A. Davis**
Acting Administrator
Rural Housing Service

SUBJECT: Establishing the Fiscal Year 2017 Area Loan Limits for the Single Family Housing Direct Programs and the Continuation of the Pilot Program Using the Alternative Method

PURPOSE:

The purpose of this memorandum is to provide guidance on the Fiscal Year (FY) 2017 review of the area loan limits and to continue the pilot program that uses the alternative method to establish the limits.

BACKGROUND:

Since FY 2003, the area loan limits have been determined using one of the following two methods.

Option 1: The cost to construct a modest home as provided by a nationally recognized residential cost provider, plus the market value of an improved lot based on recent sales data.

Option 2: The State Housing Authority (SHA) limits as long as this limit is within ten percent of the cost data plus the market value of an improved lot.

Regardless of the option used, the area loan limit may not exceed the applicable local Federal Housing Administration (FHA) Forward One-Family mortgage limit. The FHA mortgage limit is referred to as the HUD 203(b) limit in 7 CFR 3550.63 (a)(1), which outlines the requirements for this annual process.

EXPIRATION DATE:
February 28, 2018

FILING INSTRUCTIONS:
Housing Programs

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If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

Beginning in FY 2015, a third method was implemented under a pilot program. The third method determines the area loan limits using 80 percent of the FHA Forward One-Family mortgage limits.

While originally slated to run in FY 2015 and FY 2016, Rural Development has extended the pilot while a rulemaking change is pursued. The pilot states are California, Colorado, Delaware, Florida, Hawaii, Georgia (added this FY), Indiana (added this FY), Iowa, Maryland, Minnesota, Mississippi, Missouri, Montana, Nevada, North Carolina, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, West Virginia, Wisconsin, and Wyoming.

Following the posting of FHA's 2017 Nationwide Forward Mortgage Limits which were effective on January 1, 2017, the updated FY 2017 area loan limits for the pilot states became effective on January 6, 2017, and can be found at:

<http://www.rd.usda.gov/files/RD-SFHAreaLoanLimitMap.pdf>

IMPLEMENTATION RESPONSIBILITIES FOR NON-PILOT STATES:

For the non-pilot states, which are Arkansas, Arizona, Alabama, Alaska, Connecticut, Idaho, Illinois, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Nebraska, New Jersey, New Mexico, New Hampshire, New York, Ohio, Rhode Island, Pennsylvania, Puerto Rico, South Carolina, Tennessee, Texas, Vermont, Virgin Islands, Virginia, and the Western Pacific, **the process remains unchanged (i.e. you can consider Option 1 or Option 2 discussed in the background).**

By February 28, 2017, non-pilot states must email their area loan limit package to SFHDIRECTPROGRAM@wdc.usda.gov. The package must include:

1. Form RD 2006-3, Instruction and Form Justification*.
2. The state supplement establishing which option was selected. The supplement must include the proposed area loan limit for each county. States may elect to keep their FY 2016 limits provided the limits were based on the residential cost figures plus the market value of an improved site and the limits still accurately reflect market conditions.
3. If changes to the area loan limits are being proposed:
 - The completed residential cost submission spreadsheet*.
 - A written explanation as to how the typical market value of an improved site was derived. Resources such as Zillow, Redfin, Trulia, MLS data, RD Form 1922-12, and other appropriate methods for analyzing values can be utilized.
 - Verification of the SHA's non-targeted limits (if Option 2 was selected).
 - The completed Excel formatted UniFi upload spreadsheet* for updated limits only.

* Items marked with an asterisk will be emailed to the Program Directors shortly after issuance of this memorandum. Though the FY 2017 Marshall and Swift residential cost figures were emailed to the Program Directors on December 14, 2016, they will also be provided.

The updated area loan limits for the non-pilot states will be effective on March 31, 2017.

Questions regarding this memorandum may be directed to Jeremy Anderson, Finance and Loan Analyst, at 202-690-3971.