



March 5, 2018

**Rural Development**

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TO: State Directors  
Rural Development

ATTENTION: Program Directors  
Single Family Housing

FROM: Curtis M. Anderson /s/ *Curtis M. Anderson*  
Acting Administrator  
Rural Housing Service

SUBJECT: Establishing the Fiscal Year 2018 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) 2018 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.

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.

EXPIRATION DATE:  
January 31, 2019

FILING INSTRUCTIONS:  
Housing Programs

Rural Development has extended the pilot while a rulemaking change is pursued. The pilot states are California, Colorado, Delaware, Florida, Georgia, Hawaii, Indiana, 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 2018 Nationwide Forward Mortgage Limits which were effective on January 1, 2018, the updated FY 2018 area loan limits for the pilot states became effective on January 17, 2018, and can be found at: [www.rd.usda.gov/files/RD-SFHAreaLoanLimitMap.pdf](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, 2018, non-pilot states must email their area loan limit package to [SFHDIRECTPROGRAM@wdc.usda.gov](mailto: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 2017 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, Realtor.com, 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 2018 Marshall and Swift residential cost figures were emailed to the Program Directors on December 13, 2017, they will also be provided. **The updated area loan limits for the non-pilot states will be effective on March 30, 2018.**

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