

FHA loan limits jump to \$275,200 in Chicago area

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WASHINGTON — The limit on federally insured mortgages in nine Chicago-area counties is now \$275,200.

The increase, from \$239,875, took effect Jan. 1, when the ceiling on loans that can be purchased by mortgage giants Fannie Mae and Freddie Mac rose to \$359,650.

The Federal Housing Administration insures lenders against default on low-down-payment mortgages made to borrowers whose credit profiles don't measure up to the standards set by Fannie and Freddie, the two secondary-market institutions created

by Congress to bring liquidity to housing finance.

Lenders consider FHA loans to be somewhat riskier than so-called conventional ones, a fact borne out by the most recent delinquency statistics published by the Mortgage Bankers Association.

In the third quarter, the association said, 12.2 percent of FHA borrowers were at least one month behind on their payments while just 2.3 percent of conventional borrowers were late.

Also, while the year-over-year foreclosure rate declined for conventional loans in the third quarter, it was up for FHA loans.

Because of the greater risk, lenders charge slightly more for FHA-insured loans than conventional low-down-payment mortgages backed by private

insurers. According to HSH Associates, a financial publisher in Pompton Plains, N.J., the current difference is about 0.10 percentage point.

However, fees on FHA loans also are somewhat higher, including insurance premiums, which must be paid at closing rather than on a monthly basis, as private insurers allow.

HUD sets the FHA limit based on the National Housing Act, which says the maximum should be 95 percent of the median house price for a given area. However, the law also says the FHA loan limit cannot exceed 87 percent of the Freddie Mac ceiling, or \$312,895, nor can it be lower than 48 percent of the

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Freddie maximum, or \$172,632.

The Chicago area falls between the low and high, so the FHA loan limit here is 95 percent of the median price of a house.

The new Chicago-area maximum of \$275,200 covers Cook, DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, Will and Lake Counties.

The new FHA limits cover not only the government's basic one- to four-family loan program but also several other key initiatives, including mortgages for disaster victims, rehabilitation loans, loans on properties in declining areas, condominium mortgages and home-equity conversion mortgages.