

December 2, 2022

## Just-Released 2023 FHA SF Loan Limits and IRS Purchase Price Limits

[IRS Rev. Proc. 2022-21](#), which is the currently effective pronouncement on Single Family purchase price limits, in Section 3.03 provides that if FHA releases future updated loan limits, a Housing Finance Agency “may” use the newer FHA loan limits to compute new Single Family purchase price limits. This is done by dividing the applicable new FHA loan limit by 1.083 (and then applying the applicable 90% (for non-targeted area mortgage loans) or 110% (for targeted area mortgage loans) to such numbers).

On December 1, FHA released its loan limits for 2023 (see [HUD Mortgagee Letter 2022-20](#), effective Jan. 1, 2023), noting that loan limits again went up (and significantly) in most locales due to robust increases in home purchase prices. The “minimum” or “base” FHA loan limit increased to \$472,030 (from \$420,680), resulting in a 2023 average single family MRB 1-unit purchase price floor of \$435,854 (i.e., \$472,030/1.083), to which the 90/110 factor must be applied, with a \$1,089,300 FHA loan limit ceiling (formerly \$970,800). As a result, an HFA should check the FHA loan limits to determine whether there are any areas which will have a different FHA loan limit for 2023.

### What does this mean for HFAs?

HFAs are NOT, as of January 1, 2023, required to use the new 2023 FHA loan limits to determine average area purchase price limits. The present IRS limits that were published in Revenue Procedure 2022-21 are still in effect until the IRS issues a new Rev. Proc. superseding the existing limits. Typically that will occur in the first half of 2023. However, beginning January 1, 2023 (the effective date of the new FHA loan limits), an HFA has the option of calculating new purchase price limits using the 2023 FHA loan limits or continuing to use the purchase price limits published last year in Revenue Procedure 2022-21.

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Since the FHA base loan limit for 2023 has increased, the base IRS purchase price limit using the 2023 FHA base loan limits would also increase. Most areas will have increased FHA loan limits for 2023, and an HFA can use the new FHA loan limits to compute a higher purchase price limit for that area if the HFA so desires. (Warning – in most years, when the IRS issues its new purchase price Rev. Proc. (generally in March), the safe harbor numbers in the new Rev. Proc. are impacted by the new divisor that is applied to the FHA loan limit in order to determine the average area purchase price. That impact could be positive or negative, depending on whether the divisor is above or below 1, and often results in slightly lower purchase price limits than the previous divisor.)

Per Rev. Proc. 2022-21, the high housing cost calculation of Section 143(f)(5) does not permit an HFA to use the purchase price numbers from one year and income numbers or the nationwide average purchase price number from another year. For purposes of the high housing cost adjustment to income limits, an HFA must continue to use the 2022 purchase price numbers until new income numbers and the new nationwide average purchase price number are published in 2023.

If you have questions about any of the foregoing, please contact one of the attorneys in Kutak Rock's [Housing Finance Agency Practice Group](#). You may also visit us at [www.KutakRock.com](http://www.KutakRock.com).

