

December 4, 2024

Just-Released 2025 FHA SF Loan Limits and IRS Purchase Price Limits

[IRS Rev. Proc. 2024-21](#), 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 0.878, and then applying the applicable 90% (for non-targeted area mortgage loans) or 110% (for targeted area mortgage loans) to such numbers.

On November 26, FHA released its loan limits for 2025 (see [HUD Mortgagee Letter 2024-21](#), effective Jan. 1, 2025), noting that loan limits again went up in most locales due to continuing robust increases in home purchase prices. The “minimum” or “base” FHA loan limit increased to \$524,225 (from \$498,257), resulting in a 2025 single family MRB 1-unit purchase price floor of \$597,067 (i.e., $\$524,225/0.878$), and a 2025 single family MRB 1-unit purchase price limit of \$1,377,847 (i.e., $\$1,209,750/0.878$), to which the 90/110 factor must be applied. As usual, an HFA should check the FHA loan limits to determine whether there are any areas which will have a different FHA loan limit for 2025.

What does this mean for HFAs?

HFAs are NOT, as of January 1, 2025, required to use the new 2025 FHA loan limits to determine average area purchase price limits. The present IRS limits that were published in Revenue Procedure 2024-21 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 2025. However, beginning January 1, 2025 (the effective date of the new FHA loan limits), an HFA has the option of calculating new purchase price limits using the 2025 FHA loan limits or continuing to use the purchase price limits published last year in Revenue Procedure 2024-21.

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Since the FHA base loan limit for 2025 has increased, the base IRS purchase price limit using the 2025 FHA base loan limits would usually also increase. Most areas will have increased FHA loan limits for 2025, 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 unlike 2024 often results in slightly lower purchase price limits than the previous divisor.)

Per Rev. Proc. 2024-21, 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 2024 purchase price numbers until new income numbers and the new nationwide average purchase price number are published in 2025.

If you have questions about any of the foregoing, please contact any of the attorneys listed on the left in Kutak Rock's [Housing Finance Agency Practice Group](#). We would be happy to discuss this with you. You may also visit us at www.KutakRock.com.

