

Methodology for Calculating HOME Homeownership Value Limits – FY 2017

(revised January 23, 2017)

The HOME Rule establishes the maximum purchase price a grantee may set for a HOME subsidized homeownership unit as follows:

“If a participating jurisdiction intends to use HOME funds for homebuyer assistance or for the rehabilitation of owner-occupied single family properties, the participating jurisdiction must use the HOME affordable homeownership limits provided by HUD for newly constructed housing and for existing housing. HUD will provide limits for affordable newly constructed housing based on 95 percent of the median purchase price for the area using Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing, with a minimum limit based on 95 percent of the U.S. median purchase price for new construction for nonmetropolitan areas. HUD will provide limits for affordable existing housing based on 95 percent of the median purchase price for the area using Federal FHA single family mortgage program data for existing housing data and other appropriate data that are available nationwide for sales of existing housing, with a minimum limit based on 95 percent of the state-wide nonmetropolitan area median purchase price using this data.”

PJs continue to have the option to determine the actual 95 percent of area median value limit for their jurisdiction using the methodology in the regulation [at §92.254(a)(2)(iii)].

AFFORDABLE EXISTING HOUSING

The FY 2017 existing HOME homeownership value limits are based on combining two data sources:

- 1) FHA data on the purchase price of existing homes insured by FHA from October 2011 through June 2016.
- 2) Federal Housing Finance Agency (FHFA) data on purchase mortgages securitized by Fannie Mae and Freddie Mac between October 2011 through June 2016. GSE purchase mortgages exceeding the FHA high cost maximum loan limit of \$650,000 are excluded from the file.

For each geographic area (metropolitan area, county within a metropolitan area, or nonmetropolitan county), a median purchase price is calculated. The median purchase price is based on the most recent data that aggregates to 500 or more sales in the specific geography. If there have been 500 or more sales in the most recent 12 months (July 2015 to June 2016), then the median for those 12 months are used. If fewer than 500 sales occurred over 12 months but more than 500 over the more recent 24 months, then 24 months of sales are used. If fewer than 500 sales over 24 months, then 36 months are used if there were more than 500 sales over that period. If there were fewer than 500 sales over 36 months, then sales from the entire 5-year period are used, as long as there are more than 10 sales for that period. The result is the “Unadjusted Median Purchase Price.”

The Rule states that there is, “a minimum limit based on 95 percent of the state-wide nonmetropolitan area median purchase price.” There are two states and the District of Columbia that have no nonmetropolitan areas. As such, HUD made a technical correction in 2013 to the Rule that sets this

minimum purchase price as - the lesser of the state nonmetropolitan or the U.S. nonmetropolitan median. HUD calculates for each state its nonmetropolitan median purchase price as well as the U.S. nonmetropolitan median purchase price. This serves as the “state floor price” for maximum purchase price limits on existing homes.

The HOME homeownership value limits for EXISTING housing are set as follows:

- (1) Calculate the greater of the unadjusted median sales price or the “state floor price.”
- (2) This is multiplied times 0.95 and rounded to the nearest thousand to create the 1-unit purchase price limit.
- (3) The 2-unit, 3-unit, and 4-unit limits are a function of the 1-unit limit. Based on FHA standard practice, the following multipliers are used for 2-, 3-, and 4-unit properties: 1.28, 1.55, and 1.92 times the 1-unit limit, respectively.
- (4) If a county within a metropolitan area has a higher calculated HOME limit than the amount calculated for the metropolitan area, the county HOME limit is used.

AFFORDABLE NEW HOUSING

The FY 2017 new HOME homeownership value limits are based only on FHA data on the purchase price of new homes insured by FHA from October 2011 through June 2016.

For each geographic area (metropolitan area, county within a metropolitan area, or non-metropolitan county), a median purchase price is calculated. The median purchase price is based on the most recent data that aggregates to 50 or more sales in the specific geography. If there have been 50 or more sales in the most recent 12 months, then the median for those 12 months are used. If fewer than 50 in the most recent year but over 50 during the past two years, then 24 months of sales are used. If fewer than 50 sales over 24 months, then 36 months are used if more than 50 sales occurred during that time period. If fewer than 50 sales over 3 years, then all records from 2011 forward are used to calculate the median purchase price. The result is the “Unadjusted Median Purchase Price.”

The Rule states that there is “a minimum limit based on 95 percent of the U.S. median purchase price for new construction for nonmetropolitan areas.” This minimum limit was calculated by HUD using micro data from the Census Bureau data collected on sales price for new homes constructed in 2015 in nonmetropolitan areas. In 2015, HUD calculated the nonmetropolitan purchase price for a new home in the U.S. as \$235,000. Micro data is available at the Census website:

<https://www.census.gov/construction/chars/microdata.html>.

The HOME homeownership value limits for NEW housing are set as follows:

- (1) Calculate the greater of the unadjusted median sales price or the 2015 national nonmetropolitan median (\$235,000).
- (2) If the existing home median for the area exceeds the new home median, the new home median is raised to the existing home median.
- (3) This is multiplied times 0.95 to create the 1-unit purchase price limit.

- (4) The 2-unit, 3-unit, and 4-unit limits are a function of the 1-unit limit. Based on FHA standard practice, the following multipliers are used for 2-, 3-, and 4-unit properties: 1.28, 1.55, and 1.92 times the 1-unit limit, respectively.
- (5) If a county within a metropolitan area has a higher calculated HOME limit than the amount calculated for the metropolitan area, the county HOME limit is used.