

Methodology for Calculating HTF Maximum Purchase Price or After-Rehab Value Limits – FY 2023

(revised May 2023)

Section 1338 (c)(7)(B)(ii) of the Housing and Economic Recovery Act of 2008 establishes the maximum purchase price a grantee may set for a Housing Trust Fund (HTF) assisted homeownership unit “is subject to the same resale restrictions established under section 215(b) of the Cranston-Gonzalez National Affordable Housing Act and applicable to the participating jurisdiction that is the State in which such housing is located.”

Section 215(b) of the Cranston-Gonzalez National Affordable Housing Act establishes the maximum purchase price a participating jurisdiction may set for a HOME assisted homeownership unit as “housing has an initial purchase price that does not exceed 95 percent of the median purchase price for the area, as determined by the Secretary with such adjustments for differences in structure, including whether the housing is single family or multifamily, and for new and old housing as the Secretary determines to be appropriate.”

The implementing HTF regulation at 24 CFR 93.305 (a)(1) states that:

“The housing must be modest housing as follows: The housing has a purchase price for the type of single-family housing that does not exceed 95 percent of the median purchase price for the area for newly constructed or standard housing. The grantee must use the HTF 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 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 these data. For States with no nonmetropolitan areas, the minimum purchase price is defined as the lesser of the State non-metropolitan or the United States non-metropolitan median.”

Grantees will continue to have the option of determining the actual 95 percent of area median value limit for their jurisdiction using the methodology in the HTF regulation at § 93.305 (a)(2).

AFFORDABLE EXISTING HOUSING

The FY 2023 existing HTF homeownership value limits are based on combining two data sources:

- 1) FHA data on the purchase price of existing homes insured by FHA from July 2017 through June 2022.
- 2) Federal Housing Finance Agency (FHFA) data on purchase mortgages securitized by Fannie Mae and Freddie Mac from July 2017 through June 2022. GSE purchase mortgages exceeding the FHA high-cost maximum loan limit of \$970,800 are excluded from the file.

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 (1-, 2-, or 3-year period) that aggregates 500 or more sales in the specific geography. If there were fewer than 500 sales over 36 months, then sales from the entire 5-year period are used, if there are more than 10 sales for that period. The result is the “Unadjusted Median Purchase Price”.

The HTF Interim Rule at § 93.305 (a)(1) states that there is, “a minimum limit based on 95 percent of the state-wide non-metropolitan area median purchase price.” There are two states and the District of Columbia that have no non-metropolitan areas. As such, HUD made a technical correction in 2013 to the HOME Rule that sets this minimum purchase prices as the lesser of the state non-metropolitan or the U.S. non-metropolitan median. HUD calculates for each state its non-metropolitan median purchase price, as well as the U.S. non-metropolitan median purchase price. This serves as the “state floor price” for maximum purchase price limits on existing homes.

The HTF 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 HTF limit than the amount calculated for the metropolitan area, the county HTF limit is used.

AFFORDABLE NEW HOUSING

The FY 2023 new HTF homeownership value limits are based only on FHA data on the purchase price of new homes insured by FHA from July 2017 through June 2022.

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 12 months, from July 2021 to June 2022, then the median for those 12 months is used. If there are fewer than 50 sales in the 12-month period, then the 24-month period ending in June 2022 of sales is used. If there are fewer than 50 sales over 24 months, then 36 months are used. If fewer than 50 sales over 3 years, then all records from 2017 forward are used to calculate the median purchase price. The result is the “Unadjusted Median Purchase Price – New Homes.”

The HTF Interim Rule at § 93.305 (a)(1) states that there is “a minimum limit based on 95 percent of the U.S. median purchase price for new construction for nonmetropolitan areas.” An alternate minimum limit was previously calculated by HUD using micro data on sales prices of new homes constructed in non-metropolitan areas from the Census Bureau’s Survey of Construction. However, the Survey of Construction ceased to include a metropolitan/non-metropolitan tag as of the 2017 data release. For

the past several years, HUD inflated the 2017 estimate to current dollar terms using the Census Bureau's Construction Price Index. However, such adjustments cannot continue indefinitely given the increasingly outdated data. This year, to smooth the transition to the new method of calculation, the greater of 1) the U.S. median purchase price for new construction in non-metropolitan areas from the full sample of FHA transaction data OR 2) last year's U.S. non-metropolitan median for new construction from the inflated Survey of Construction estimate will be used to calculate the minimum limit. For the 12 months ending in June 2022, the national median non-metropolitan purchase price for new homes was \$257,000, while the median from the FY 2022 HTF Limit was \$264,000. Therefore, \$264,000 continues to serve as the median sales price used to calculate the minimum limit for new construction.

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

- (1) Calculate the greater of the unadjusted median sales price for new homes or the 2022 national non-metropolitan median (\$264,000).
- (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 HTF limit than the amount calculated for the metropolitan area, the county HTF limit is used.