

FHA Boosting Home Loan Limits in Lynchburg Area

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A federal mortgage insurer has raised the ceiling on the size of a home loan people can get in the Lynchburg area, but local real estate agents say the change is unlikely to move many homes off the market.

Effective Jan. 1, the Federal Housing Administration insures loans of up to \$292,100 for single-family homes in the Lynchburg area, a 7.8 percent increase. The change is based on FHA's annual update of median home prices.

That means people buying homes worth up to \$292,100 could qualify for FHA loans, which require lower down payments and accept lower credit ratings than some other loans on the market.

"Anytime the (FHA loan) ceiling changes, it includes more people," said Dee Meredith, president of the Lynchburg Association of Realtors. "That's always a good thing for the housing market."

Meredith said that the size of the increase, about \$21,000, is "not terribly significant" and won't make any sweeping change to the local market.

"I do think that it will allow more people to buy more house, but I don't think there's going to be a real significant change," she said. Usually, "people who use FHA are buying less expensive homes."

FHA provides mortgage insurance that decreases the amount of risk taken by lenders. Consequently, FHA loans require a down payment of 3.5 percent, compared to 10 or 20 percent on loans without mortgage insurance.

FHA also is available to people with some credit problems.

"FHA tends to be a really good vehicle for people who are in the \$120-to-\$145,000 price range and don't have a lot of cash in hand, and maybe don't have a sterling credit score," Meredith said. "FHA is a perfect vehicle for them."

People who can afford larger homes priced at the upper end of FHA's loan limits generally do not need FHA, but some may use it if they have credit problems or lack cash for a down payment.

Meredith, who has been a real estate agent in the Lynchburg area for about 21 years, said she has not seen a rise in FHA loan limits have significant changes on the local housing market in the past.

FHA also raised its loan limits for small multi-family properties about 7.7 percent. The limits are now \$373,950 for duplexes, \$452,000 for triplexes and \$561,700 for four-unit properties.