



**United States Department of Agriculture  
Rural Development**

April 1, 2011

Colorado AN No. 2005 (HB-1-3550)

**SUBJECT: Section 502 Direct SFH Area Loan Limits  
Fiscal Year 2011**

**TO: USDA/Rural Development Staff  
Single Family Housing Program  
Colorado**

**PURPOSE / INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to advise the field staff of the Single Family Housing **Direct** Area Loan Limits for Colorado, **effective April 15, 2011.**

**COMPARISON WITH PREVIOUS AN:**

This AN replaces Colorado AN 2001 (HB-1-3550), dated April 28, 2010.

**IMPLEMENTATION RESPONSIBILITIES**

Area Offices are responsible for ensuring that direct loans approved on or after May 1, 2011 comply with these limits. The Housing Programs Director was responsible for coordination and oversight of the process used to develop these limits.

As allowed by 2011 national instruction, Colorado is carrying forward 2010 limits without revision for 50 of its 63 counties. These limits were established in 2009 so will have actually been carried forward for two years without revision. This is consistent with both Federal Home Loan Bank research showing that Colorado's homes in nonmetropolitan areas are retaining value, as well as HUD loan limit trends showing increases in Colorado to 2009 and then retained limits since then. Colorado has revised the limits in 13 counties based on the results of our analysis.

States have two options available for determining revised limits. Colorado continues to use Option 1, as that option results in lower loan limits. Each option and its implementation in FY '11 are described in the following paragraphs.

**EXPIRATION DATE:**  
April 30, 2012

**FILING INSTRUCTIONS:**  
HB-1-3550, Appendix 10

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Option 1 – Area Loan Limits (Marshall & Swift cost figures + the Market Value of an Improved Site) will be utilized in Colorado in FY '11.

In determining the revised limits, State Office SFH staff reviewed and confirmed that the Market Value of Improved Sites for the 13 counties continued to reflect current market conditions. Site values were added to the Marshall & Swift cost figures for FY '11.

Process and Determinations: National Office FY '11 guidance allowed states to carry forward 2010 loan limits, or revise limits if indicated. Additionally, states were required to justify decisions made to retain or increase loan limits in high cost areas. High cost areas for CY '11 are defined by HUD as those areas where the HUD FHA Forward limits exceed \$625,500. In Colorado, 6 of our 63 counties fall into the high cost category.

This year's loan limit review involved all Area Offices, who used their loan origination experience and loan documentation from 2010 to provide feedback on which limits were appropriate to retain and which should be considered for revision. State and Area Office contacts were used to obtain additional data about actual land values and site development costs for the 13 counties with changed limits (including one high cost county) and 5 high cost counties with retained limits. These included realtors, appraisers, county assessors, nonprofit developers, and housing authorities. Internet search tools also provided the information used to confirm the ongoing availability of housing in a variety of market areas throughout the 2 counties where limits were reduced.

Based on our market experience, while metropolitan areas have experienced some continued market stagnation during FY 2010, this has only recently begun to affect the rural areas we serve in two counties – Weld and Larimer. In previous years for these counties (and ongoing in other counties) this decline was mainly limited to the ineligible area surrounding the Metropolitan Statistical Areas. In 2009, loan limits remained unchanged in Weld and Larimer counties in order to serve applicants in the more rural areas of these counties that were not as severely impacted by foreclosures in ineligible areas and the immediately surrounding areas. In 2010, the area loan limits in both Weld and Larimer counties have been reduced to reflect the results of our recent market experience (and confirmed through research) that home values throughout these counties have decreased.

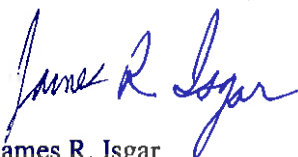
The review results also supported raising the loan limits in 11 counties. In all cases, increases were due to stable land costs but increased construction costs. Only one of these increases involved a high cost county. Increases primarily occurred in remote regions with few contractors, where supplies had to be brought in over mountainous routes and construction seasons are limited. Taps and other land development costs in these regions remain high for similar reasons, and the land feasible and available for affordable housing development in these counties is limited.

Option 2 – State Housing Agency limits (Non-Targeted Limits Only) were not used. The State Housing Agency in Colorado is CHFA (Colorado Housing & Finance Authority). In all counties, the CHFA limits exceed those developed and proposed by Colorado using Option 1.

Following are the Area Loan Limits (by county) retained from 2010 or revised during 2011 that Colorado will follow beginning April 15, 2011. These values represent an average increase of .1%, or \$305, an average 61.1% of HUD's FHA Forward limits, and an average of 61.5% of CHFA's limits. (By comparison, during the same period, HUD's limits remained stable, without change.):

<u>County</u>	<u>Area Loan Limit &amp; Purchase Price Limit</u>	<u>County</u>	<u>Area Loan Limit &amp; Purchase Price Limit</u>
Adams	\$251,600	La Plata	\$226,200
Alamosa	\$173,900	Lake	\$216,700
Arapahoe	\$240,100	Larimer	\$225,000
Archuleta	\$224,500	Las Animas	\$174,800
Baca	\$158,000	Lincoln	\$177,500
Bent	\$158,500	Logan	\$165,300
Boulder	\$269,500	Mesa	\$212,300
Chaffee	\$217,900	Mineral	\$180,900
Cheyenne	\$159,400	Moffat	\$176,300
Clear Creek	\$229,100	Montezuma	\$167,100
Conejos	\$173,900	Montrose	\$230,000
Costilla	\$173,900	Morgan	\$177,200
Crowley	\$160,600	Otero	\$160,600
Custer	\$197,400	Ouray	\$279,000
Delta	\$222,700	Park	\$236,700
Denver	\$229,000	Phillips	\$165,500
Dolores	\$168,600	Pitkin	\$350,000
Douglas	\$293,100	Prowers	\$159,800
Eagle	\$342,900	Pueblo	\$176,000
El Paso	\$244,000	Rio Blanco	\$211,100
Elbert	\$237,400	Rio Grande	\$180,900
Fremont	\$180,900	Routt	\$274,800
Garfield	\$304,600	Saguache	\$173,900
Gilpin	\$240,400	San Juan	\$259,800
Grand	\$237,700	San Miguel	\$238,900
Gunnison	\$281,700	Sedgwick	\$165,500
Hinsdale	\$251,200	Summit	\$339,800
Huerfano	\$161,300	Teller	\$203,200
Jackson	\$164,400	Washington	\$159,000
Jefferson	\$259,200	Weld	\$205,000
Kiowa	\$158,300	Yuma	\$167,700
Kit Carson	\$160,300		

NOTE: HB-1-3550, Chapter 6, 6.7 allows the Loan Approval Official to exceed the above Area Loan Limit by the Agency-approved appraisal fee, the tax service fee, and the initial contribution to the escrow account.



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State Director  
Colorado