



## Changes to Come: Effective January 1, 2017

### Loan Limits Increase for 2017

Both Fannie Mae and Freddie Mac announced that effective January 1, 2017 the maximum loan limits are to increase for the first time since 2006. Below are the loan limits for 1-4 units for standard and Agency Jumbo loans.

Maximum Original Principal Balance for 2017

Units	Contiguous States, District of Columbia, and Puerto Rico	Alaska, Guam, Hawaii, and US Virgin Islands
1	\$424,100	\$636,150
2	\$543,000	\$814,500
3	\$656,350	\$984,525
4	\$815,650	\$1,223,475

Maximum Loan Limits for High-Cost Areas for Mortgages Acquired in Calendar Year 2017

Units	Contiguous States, District of Columbia +	Alaska, Guam, Hawaii, and US Virgin Islands
1	\$636,150	\$954,225
2	\$814,500	\$1,221,750
3	\$984,525	\$1,476,775
4	\$1,223,475	\$1,835,200

The new SLO County high balance loan limit will rise to \$586,500, and Santa Barbara County will remain at \$625,500.

### PIW Fee to be Waived in 2017

Fannie Mae will no longer charge a fee to exercise a Property Inspection Waiver (PIW) due to customer feedback. This change will become effective January 1, 2017, the process for a Property Inspection Waiver will not change, but the \$75 fee will no longer apply.

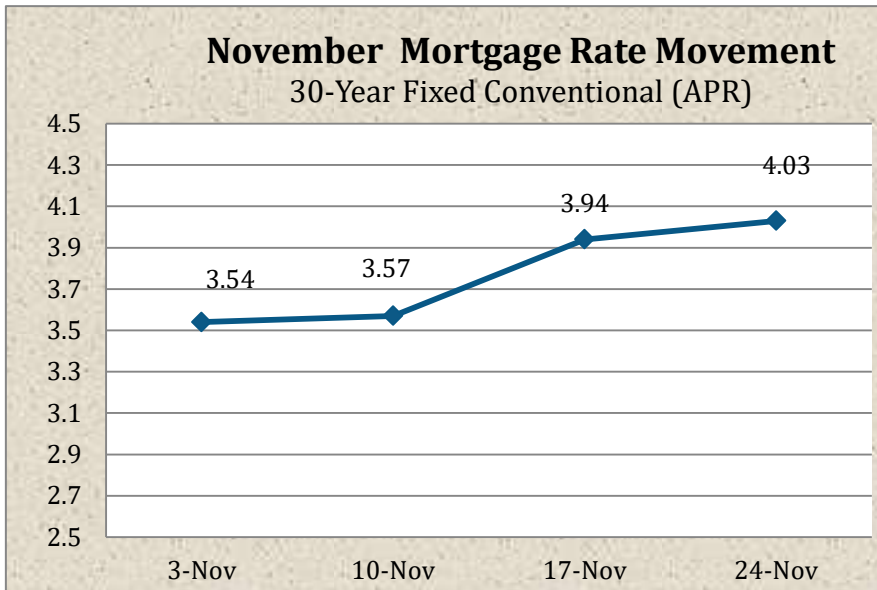
A Property Inspection Waiver is an offer to waive the appraisal necessary for most loans, for certain refinance transactions. A PIW is issued through Desktop Underwriter (DU) using Fannie Mae's database of more than 20 million appraisal reports in combination with proprietary analytics from Collateral Underwriter (CU); these factors determine the minimum level of property valuation required for loans.

When a Desktop Underwriter loan casefile receives a PIW offer, Fannie Mae accepts the value estimate submitted by the lender as the market value for the subject property; waiving the need for an appraisal. If, however, the lender has reason to believe the property's current market value should be confirmed, they must order an appraisal. For example, a property located in an area impacted by a recent disaster should always order an appraisal. Purchase transactions and the majority of refinance transactions will NOT receive a PIW offer, which means they will require an appraisal by a qualified residential appraiser to determine the market value.

For a PIW to be considered a prior appraisal must be found for the subject property in Fannie Mae's Collateral Underwriter data; that appraisal must be associated with at least one of the borrowers on the loan casefile. In some cases, the prior appraisal, though the property address match is found in CU and the borrowers on the casefile match, may not be acceptable. For example, if a CU "Overvaluation Flag" was issued on the prior appraisal, or the appraisal could not be scored, the prior appraisal will not be used and a PIW will NOT be offered on the new loan case file.

## Mortgage Rates

Mortgage rates this month surged in the last two weeks of the month. From November 10<sup>th</sup> to November 17<sup>th</sup> rates jumped nearly 40 basis points for the largest jump since June of 2013. November 24<sup>th</sup>'s rate of 4.03% marks the first time since 2015 that mortgage rates have risen above the 4 percent mark. Refinancing activity in the week of November 25<sup>th</sup> fell 16 percent from the week prior. This is due to the recent sharp increases in interest rates following the presidential election. The forecast of a candidate focused on defense and infrastructure spending, plus tax cuts, could increase government bond sales. A market flooded with bonds is bad for mortgage rates as they are directly tied to the value of mortgage backed securities, a type of government bond. As supply goes up value goes down. Falling MBS values equal higher rates.



## News Briefs

### GDP

The third quarter GDP's second revised estimate got an upgrade; up 3 tenths higher than the first estimate at a plus 3.2 percent annualized rate. This increase in GDP includes an upgrade for consumer spending and a downgrade in inventory growth; both positives. Personal consumption expenditures rose at a 2.8 percent pace in the quarter, this is up 7 tenths from the initial estimate.

### Construction Spending

Construction spending rose a solid 0.5 percent in October with the prior two months both revised sharply higher. Spending was up 4 tenths from the initial estimate for September, October now stands at a level of 0.5 percent. These revisions point to an upward revision for third quarter GDP. The residential sector is the strong suit in the October report with both single and multi-family homes up 2.8 percent in the month. These gains offset a contraction in home improvements. Private nonresidential fell 2.1 percent in the month though public spending shows solid gains led by the Federal government.

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