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FHFA Raises Conforming Loan Limit to \$453k

Loan limits were frozen in place at \$417,000 for 10 long years after the housing bust, but were finally raised on January 1 of this year. **Rapidly increasing home prices** have now allowed the Federal Housing Finance Agency (FHFA) to increase them again for 2018.

The maximum conforming loan limits for mortgages eligible to be acquired by Fannie Mae and Freddie Mac (the GSEs) in most of the U.S. starting on January 1 will be \$453,100, an increase from \$424,100 in 2017. The Veterans Administration and FHA are expected to follow suit, raising limits for their own loans.

The Housing and Economic Recovery Act (HERA) requires that the baseline conforming loan limit for the GSEs be **adjusted each year** to reflect the change in the average U.S. home price. FHFA published its third quarter House Price Index (HPI) earlier today showing the average U.S. home value has increased by 6.8 percent since the third quarter of 2016. Therefore, the baseline maximum conforming loan limit has been increased by 6.8 percent as well.

Not every borrower will be subject to the baseline limit. Where the local median home value is more than 115 percent of that limit, HERA allows **higher limits**, with a ceiling of 150 percent of the baseline limit. This will make the new ceiling in high-cost areas \$679,650, that is 150 percent of \$453,100. Some areas will have limits falling between those two numbers, as shown in the heat map below and in a complete county-by-county list of loan limits [here](#).

There are additional provisions allowing for different limits in Alaska, Hawaii, Guam, and the U.S. Virgin Islands. In these areas, the baseline loan limit will be \$679,650 for one-unit properties, but FHFA says some specific locations may have even higher limits.

Properties with **multiple units** will have baseline limits of \$580,150 for two-family properties, \$701,250 for three units, and \$871,450 for four units. High cost areas will have maximum limits of \$870,225, \$1,051,875, and \$1,307,175 respectively.

Second mortgage loan limits have been raised to \$225,550 with a limit of \$339,825 in Alaska, Guam, Hawaii and the Virgin Islands.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/22

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

Fannie Mae has advised its sellers that loans delivered through December 31 must ~~comply with the 2017 limits, but any loan~~ delivered on 1/1/2018 or later gets the new limits. Loans can be submitted (or resubmitted) through Fannie's Desktop Underwriter on or after the weekend of December 9, 2017. Even if loans were submitted before Dec 9th, Fannie says the new loan limits will still apply if the loan amount was the only reason the loan was deemed ineligible (assuming, of course, that the loan isn't delivered to Fannie before 1/1/2018).

Builder Confidence

Mar

51 +6.25%

Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

Contact me for more information. 702-303-0243 or TPayne@loandepot.com

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