



Announcement 16-45

Date: December 2, 2016

Topic: 2017 Conventional Loan Limit Increase

The Housing and Economic Recovery Act of 2008 (HERA) established the baseline loan limit of \$417,000 and requires this limit to be adjusted each year to reflect the changes in the national average home price. FHFA published its third quarter 2016 House Price Index (HPI), which shows average home prices have increased approximately 1.7% since the third quarter of 2007. Due to the increase, conforming loan limits are also being increased by the same percentage.

Effective with commitments issued on or after December 5, 2016, PennyMac is aligning with the conforming loan limit increases for standard and high balance loans, as announced by Fannie Mae and Freddie Mac. In most areas, the 1-unit standard balance limit is increasing from \$417,000 to \$424,100, and the 1-unit high balance limit is increasing from \$625,500 to \$636,150. Loan amounts vary by area and unit, with complete details located at:

<http://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limits.aspx>

PennyMac will accept DU or LPA Approve/Ineligible decisions, when the “ineligible” result is solely due to the loan amount being in excess of the 2016 limits, but is within the 2017 limits.

DU will be updated the weekend of December 10 with the new general loan limits and January 1 for the high-cost area limits. LPA will be updated December 2 for both general and high-cost area loan limits.

In addition, the minimum loan amount for Jumbo Loans is being increased to \$1 above the standard balance loan limit, or \$424,101.

Topic: Changes to VA and USDA Rural Housing High Balance Products

Effective with commitments issued on or after December 5, 2016, PennyMac will utilize the base loan amount (that is, the loan amount prior to any financed VA funding fee, or financed USDA guarantee fee) to determine whether a loan is considered high balance. Base loan amounts that exceed the limits published by Ginnie Mae in the MBS Guide 5503.3 Rev. 1 Section 9-2, or any future guidance, will be considered high balance. After this change, all government programs (FHA, VA, and USDA) will utilize the base loan amount for the purpose of determining whether a loan is high balance. There are no changes to Rate Sheets as a result of this change.

Accordingly, Clients must provide the base loan amount on all FHA, VA, and USDA loans at the time of bid or lock. Clients are also reminded to provide the base LTV and total LTV on all government bulk bid requests to ensure accurate pricing and guideline evaluation.

Please contact your Sales Representative with any questions.