

Lender Letter LL-2015-07

November 25, 2015

To: All Fannie Mae Single-Family Sellers and Servicers

Confirmation of Conventional Loan Limits for 2016

The Federal Housing Finance Agency (FHFA) has issued the maximum loan limits that will apply to conventional loans to be acquired by Fannie Mae in 2016. The first mortgage loan limits are defined in terms of general loan limits and high-cost area loan limits. The maximum loan limits for 2016 remain unchanged from 2015; however, a number of high-cost area county limits have increased.

First Mortgage Loan Limits

The following chart contains the general loan limits for 2016:

Units	General Loan Limits	
	Contiguous States, District of Columbia, and Puerto Rico	Alaska, Guam, Hawaii, and U.S. Virgin Islands
One	\$417,000	\$625,500
Two	\$533,850	\$800,775
Three	\$645,300	\$967,950
Four	\$801,950	\$1,202,925

The high-cost area loan limits are established for each county (or equivalent) and are published on [Fannie Mae's website](#) and on [FHFA's website](#). The maximum limits for 2016 are:

Units	High-Cost Area Loan Limits ⁺	
	Contiguous States, District of Columbia, and Puerto Rico [*]	Alaska, Guam, Hawaii, and U.S. Virgin Islands
One	\$625,500	\$938,250
Two	\$800,775	\$1,201,150
Three	\$967,950	\$1,451,925
Four	\$1,202,925	\$1,804,375

⁺ These limits were determined under the provisions of the Housing and Economic Recovery Act of 2008.

^{*} Puerto Rico and a number of other states do not have any high-cost areas in 2016.

High-cost area loan limits are derived from median home prices estimated by the Federal Housing Administration (FHA) of the Department of Housing and Urban Development (HUD). FHA will permit a 30-day appeals period

during which requests for individual area median home price increases will be evaluated. FHFA will issue a subsequent announcement if any individual high-cost area loan limit is increased as a result of the appeals process. Updates resulting from subsequent FHFA announcements will be posted on Fannie Mae's website.

Second Mortgage Loan Limits

The loan limit for second mortgage loans remains unchanged for 2016 at \$208,500 (or \$312,750 in Alaska, Guam, Hawaii, and the Virgin Islands). As set forth in the *Selling Guide*, lenders must obtain approval from Fannie Mae to sell and service second mortgages. Fannie Mae is not currently acquiring second mortgages.

Application of the Limits Based on Original Loan Amount

All of the loan limits apply to the original loan amount of the mortgage loan, not to its balance at the time of purchase by Fannie Mae. Lenders are responsible for ensuring that the original loan amount of each mortgage loan does not exceed the applicable maximum loan limit for the specific area in which the property is located. To assist lenders in determining the applicable limits, Fannie Mae posts reference material on its website, including the [Loan Limit GeoCoder™](#), which lenders can use to look up loan limits based on a specific address (or batch of addresses). Lenders are reminded of the following additional requirements:

- A modified mortgage loan that had an original loan amount that exceeds the current loan limits is not eligible for purchase by Fannie Mae, even though the balance may have been paid down at the time of the modification to or below the current applicable loan limit.
- High-balance mortgage loans are subject to unique underwriting and delivery requirements. Refer to the *Selling Guide*, Chapter B5-1, High-Balance Mortgage Loans.

NOTE: *The updated high-cost area loan limits will be implemented in Desktop Underwriter® (DU®) on January 1, 2016. Loan casefiles submitted to DU on or after January 1, 2016 will be subject to the 2016 loan limits.*

Lenders who have questions about this Lender Letter should contact their Customer Account Team.

Carlos Perez
Senior Vice President and
Chief Credit Officer for Single-Family