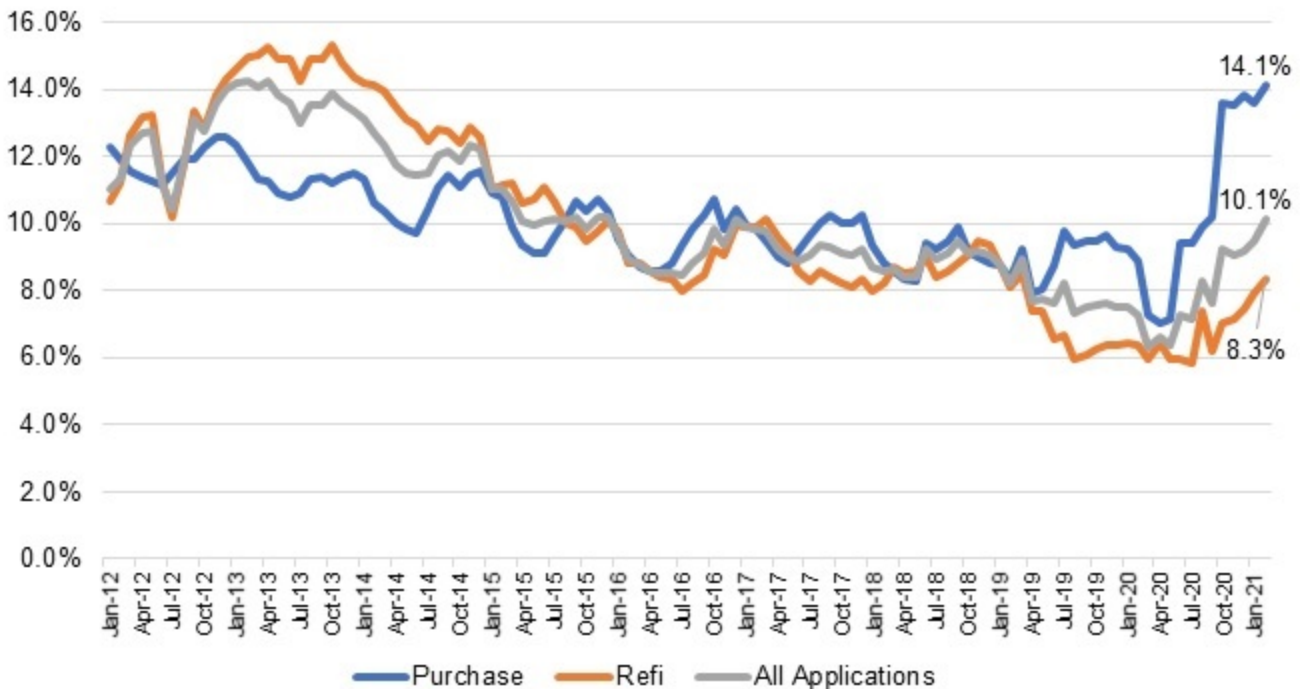


Chart of the Week - March 12, 2021
Share of Second Home and Investor Mortgages



Source: MBA Weekly Applications Survey

Fannie Mae and Freddie Mac, the two largest owners of mortgages in the US updated information on loans for second homes and investment properties. These two investors buy a large number of the mortgages originated by many lenders. It's likely they will own your loan, or if you are refinancing, already own your loan. On March 10, they limited the purchase of loans to 7% of their portfolio. The chart above from the Mortgage Bankers Association shows that the volume of loans was well above that 7% limit with a recent spike in the last year. Overall, since 2012, loans for these properties historically exceeded the new limit. With the spike in prices from purchases of investment properties as well as properties in more remote areas for work from home, upward pressure on home prices percolated in many areas of the country.

Requirements also include specific use of Desktop Underwriter (DU) for FNMA. This is the in-house automated underwriting system proprietary to FNMA. This means any lender who does manual underwriting likely will no longer even be able to sell any of these loans to FNMA. There are other restrictions which kick in. Is your lender advanced and using DU?

How could this affect you? If you are refinancing a second home or investment property, you may be forced to look elsewhere and accept a higher interest rate! Will this put a hiccup in the market for a period of time. It's too early to tell at this point. However, lenders will become more cognizant of this risk and may price or underwrite accordingly.

