



This month I'd like to ensure that members are aware of an issue that will impact our industry. As you may know, unless Congress extends the expiration deadline, Federal Housing Administration (FHA) loan limits set in 2008 will drop significantly beginning October 1. Loan limits were temporar-

## PRESIDENT'S PERSPECTIVE

ily raised by Congress in an effort to breathe life into the home buying market in response to the housing crisis. FHA loans offer borrower-friendly rates and terms, and they only require a 3.5% down payment. Allowable debt ratios are higher than the typical debt-ratio limits imposed for conventional loans, and there are no income limit qualifications, so more people tend to can qualify for them.

If the loan limit drops on October 1, many California homebuyers will be negatively impacted by higher down payment requirements, higher mort-

gage rates, and tightened loan qualification requirements. Borrowers seeking larger mortgages will have to apply for conventional or jumbo loans, which may be subject to higher interest rates and down payments. C.A.R. has suggested four things we should know to help our clients: (1) the conforming loan limit determines the maximum mortgage amount that FHA, Fannie Mae and Freddie Mac can buy or guarantee. If your client wants to stay under the current loan limits, then encourage them to purchase now and close by September 30; (2) under the new FHA loan limits, some counties will see significant

drops in their loan limits. San Diego County will experience a \$151,250 drop, Sonoma County a \$141,550 reduction, while Orange and Los Angeles Counties will drop by \$104,250; (3) the current FHA loan limit is \$729,750. After October 1, that limit may drop to \$625,500. Mortgage loans higher than that amount will be considered non-conforming jumbo loans, which typically have rates that are 0.875% to 1.5% higher than conforming rates, depending on the loan product, and require higher down payments; and (4) FHA loan requirements may allow for lower credit scores. So an applicant with a lower FICO score can still qualify for an FHA loan, even if they can't for a conventional loan. Your clients may be able to obtain an FHA loan three years after defaulting or having a loan foreclosed.

Key statistics from August housing data indicate that sales of existing single-family properties in San Diego County were unchanged, compared to July, but showed an increase of 5 percent from August of last year. Attached home (condo) sales showed a healthy increase of 7.6 percent from the previous month, and 2.6 percent better than August of last year. Median prices for single-family homes and condos both lagged in August, compared to July. Turn to the center pages for a full breakdown of the August statistics.

I'll be checking in with you next month to keep you informed about the latest news from your association.

Sincerely,

Bob Kevane

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