



Economic Stimulus Package

By Tammy Cryer, Senior Loan Officer

The Economic Stimulus Package just passed on February 13, 2008 included a temporary increase in the conforming and FHA home loan limits for high cost areas. While the new loan limits have not yet been finalized, it looks likely that the Lamorinda area will receive the new maximum of \$729,750. The hope is that by making it possible for more people to get a conforming home loan rather than a jumbo loan, it will increase the purchasing power of some buyers and help some existing homeowners refinance into loans better suited for their situation. This long-awaited change is welcome and exciting, but has also created some confusion and questions. Here's an idea of how this change may benefit residents of Lamorinda. Why would it be beneficial to have a conforming rather than jumbo loan?

Usually the interest rates on conforming loans are lower and lower rates obviously mean lower payments. Using interest rates available today, the difference in the monthly payment on a \$650,000 loan is about \$500 per month. Exact savings will need to be determined once the interest rate models for the larger loans are available, but it could represent a significant savings for many.

Conforming loans may require less of a down payment for a purchase or less equity in the property to refinance their loans. Buyers may be able to purchase with a smaller down payment and current homeowners may be able to get a larger loan compared to the current value than you could with a jumbo loan.

In some cases, another benefit is more flexibility in qualifying for a new loan. For example, there are no minimum credit scores or cash reserves required for FHA loans and FHA offers even lower down payment or equity options than standard conforming loans.

When will we be able to get these new loans?

HUD has until March 13, 2008 to publish the new loan amounts for the high cost areas. In addition, the government and bank systems used to approve and manage home loans need to be updated to handle the new limits. We don't yet know how long the changes will take, but these organizations are motivated and working aggressively to make these loans available. As the bill is setup now these new higher loan amounts are available only through the end of 2008 so it's a short window of opportunity for homeowners to take advantage of this change. We hope these

changes may be extended into future years, but there is no information available at this time indicating that is under consideration.

What do I do next?

Details of the new legislation are still coming and it's crucial to work with your mortgage and real estate professionals who are committed, qualified, and equipped to give you timely information and expert advice every step of the way. They can help determine how these changes may benefit you whether you are purchasing a home or refinancing one you already own.



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