



Increase in Mortgage Loan Limits a 'Booster Shot' For Lamorinda Housing Market

By Val Cook-Watkins

When President Bush signed the economic stimulus package into law last month, most of the attention focused on the tax rebates. However, a lesser-publicized provision in the measure could have the most impact on our Lamorinda housing market.

As part of the new law, the

Federal Housing and Urban Development department has released new conforming loan limits for FHA, Freddie Mac and Fannie Mae. The loan limits have increased in Contra Costa County to \$729,750 from \$417,000.

The higher limits are long overdue, particularly in more expensive housing markets like Lamorinda, where housing costs require far larger mortgages than previous conforming loan limits. The median price of an Orinda home last year was \$1.2 million, followed by \$1.06 million in Lafayette and \$910,000 in Moraga (\$1.15 million for single-family homes and \$570,000 for condos and townhouses).

The changes to the loan limits should result in greater availability of mortgage

money and lower interest rates for jumbo mortgages because loans backed by these federal agencies are

a few months ago.

If you wonder what the impact might be on a typical mortgage, consider this: A buyer with a \$700,000 mortgage previously was looking at a jumbo loan rate of about 7 percent, or \$4,657 per month for a 30-year

fixed-rate

loan. That same conforming loan rate at 5.5 percent would translate into \$3,974 in mortgage payments, or \$683 a month less!

As welcome as the news out of Washington is for homebuyers (and existing homeowners looking to refinance), there is a

catch: The changes in the guidelines are for this year only. Unfortunately, there is no guarantee that Congress will extend the higher loan limits beyond December 31.

So my advice is that if you have been thinking about buying a home or trading up, you shouldn't wait too long. We are in an unusual period when rates are low, prices have leveled off or even dipped a bit and there is a greater availability of homes. You may not see this window of opportunity last for long.



considered a safer investment and carry better rates.

No one knows for sure exactly what the impact of the higher conforming loan limits will be for areas like Lamorinda, but there's no doubt in my mind that it's a big step in the right direction.

Since this news came out, open houses in the Lamorinda area have been packed with potential buyers. We are once again seeing multiple offers on homes that are well priced, in good condition and are nicely staged. As a result of these changes, buyers are a bit more confident in purchasing a home than they were just



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