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Teaming to Win

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New Housing Bill Provisions: Time to Act Might Be Now

Although the passing of the Housing and Economic Recovery Act of 2008 (H.R. 3221) will help some current owners, it actually hurts new home buyers and those with high mortgage balances, especially in high-cost states like California.

Starting January 2009, H.R. 3221 reduces the new conforming-jumbo limit from \$729,750 to \$625,500. This effectively reduces a buyers purchase threshold from \$912,000 to \$782,000 when factoring in the objective to secure the lowest rates (20% down).

Today, any loan amount greater than \$729,750 will cost borrowers about \$136 per month more (per \$100K). After January 2009, any loan amount greater than \$625,500 could be upwards of \$246 per month (per \$100K) higher, assuming higher rates.

Even if home values continue to experience downward pressure, for those planning to purchase a home, this benefit will be neutralized by higher rates and lower loan limits after January 2009.

For example, Fannie Mae / Freddie Mac, which account for more than 50% of all existing mortgages recently increased their cost of borrowing. The cost is being passed onto the consumers through slightly higher rates.

In addition, inflation is rising at its highest pace in over 17 years. Continued inflationary pressures translate into higher rates for all consumer debt including mortgages.

H.R. 3221 has adversely impacted the Federal Housing Administration (FHA) loan program by increasing the minimum down payment from 3% to 3.5% starting January 2009.

It will also eliminate the down payment assistance (DPA) programs starting September 30th. The DPA allowed zero down through the use of a seller credit to the buyer.

With the knowledge of more lending restrictions, continued volatility, and potentially higher mortgage costs in the future, the following would be good actions steps to take:

- Keep the H.R. 3221 lending

changes and deadlines in mind in order to time your purchase or refi.

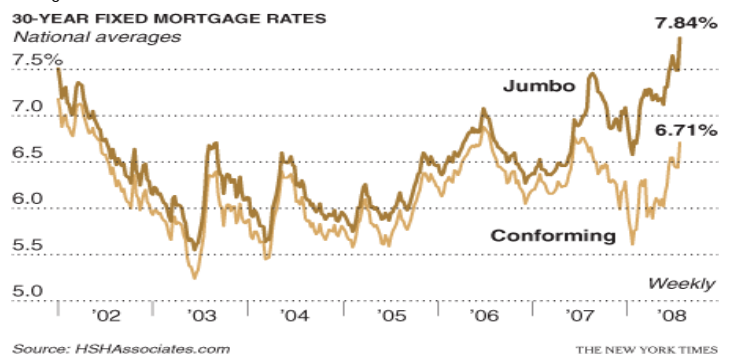
- **First time buyers**, looking for FHA loan, work closely with a Realtor/ Mortgage Broker to close before September 30th to qualify for zero down mortgage (with seller credits)
- **High-end buyers**, time your purchase to close before year-end to

take advantage of the extra \$104,250 in loan amount.

- **Current owners** with loans between \$625k and \$729K should seriously consider a refinance to close before year end.
- Lastly, get pre-qualified early and either reach out or stay tuned for critical mortgage updates.

Mortgage Rates Rising

Rates on conforming 30-year mortgages are at a 12-month high. Rates for jumbo loans were last this high in December 2000. A conforming loan is \$729,750 or less, depending on region, and can be sold to Fannie Mae or Freddie Mac.



Bay Area Real Estate Market Trends

Home sales were up 2.2% year-over-year as of July 2008 and median home values decreased 29.3%. Compared to June 2008, sales increased 5.7% while median values decreased 3.1%.

All homes	# Sold Jul-07	# Sold Jul-08	Percent Change	Median Jul-07	Median Jul-08	Percent Change
Alameda	1,577	1,428	-9.4%	\$605,000	\$440,000	-27.30%
Contra Costa	1,328	1,730	30.3%	\$599,000	\$350,000	-41.60%
Marin	306	277	-9.5%	\$887,500	\$770,000	-13.20%
Napa	85	125	47.1%	\$614,500	\$440,000	-28.40%
Santa Clara	1,910	1,660	-13.1%	\$700,000	\$585,500	-16.40%
San Francisco	564	609	8.0%	\$799,000	\$749,000	-6.3%
San Mateo	728	648	-11.0%	\$800,000	\$670,000	-16.30%
Solano	408	592	45.1%	\$415,000	\$275,000	-33.70%
Sonoma	517	517	0.0%	\$520,000	\$362,500	-30.30%
Bay Area	7,423	7,586	2.2%	\$665,000	\$470,000	-29.30%

Source: DataQuick Information Systems

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Tip Corner

Loan Mods

As foreclosures continue to mount, moving from subprime to ALT-A mortgages, and eventually to Prime borrowers, lenders are becoming more open to modifying the existing loan terms as an alternative to a short sale or foreclosure.

It's a law in California. Senate Bill 1137, which took affect July 8th, requires lenders to wait another 30 days after a homeowner misses the first payment before filing a default notice and use more "due diligence" to attempt a loan modification.

Even the FDIC is getting into the act. They announced a plan to systematically modify the loans of at least 25,000 homeowners with certain loans to as low as 3% fixed.

More importantly, Lenders are even open to helping those who aren't late on payments to modify terms. There will need to be a "hardship" change that must be documented like decreased income.

However, there is an important caveat. The modification process can require a lot of effort and headaches. To get best results, seek help from a professional rather than attempting to do this on your own.

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