

\$417,000 buys a home without a jumbo loan

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OAKLAND -- Dannice Fuller is a realistic real estate agent. Seeing that her client wanted a quick sale, she asked her to drop the price to \$417,000, or the conforming loan limit for federally sponsored loans, and open up the East Oakland property to nearly every buyer on the market.

"A lot of people can't get approved for a jumbo loan," said Fuller, an agent with ATM Real Estate in Richmond. "So now the house is competitively priced."

Loans of \$417,000 and less are purchased by the Federal Home Loan Mortgage Corp. or Federal National Mortgage Association, two agencies, that, with the government's help, provide a lower interest rate to home buyers. Loans of more than the conforming loan limit of \$417,000 are called jumbo loans and usually have higher interest to absorb lenders' perceived loan risk.

"Maximum conforming limit loans are where the money is," said Jay Damato, a mortgage broker and owner of Elite Financial in Walnut Creek. "That's where you can still do a zero-down -- 80 percent first, 20 percent second."

Damato said he wasn't surprised agents are telling sellers to hit around the loan limit.

"Jumbo loans are more expensive and harder to qualify for," he said.

In August, a cash crisis hit the lending industry, creating a huge chasm between those who could qualify for a conforming loan and those who could qualify for a jumbo loan. Because of the higher risk, some lenders increased jumbo interest rates more than 2 percent.

"The conventional mortgage market is the only thing that's functioning well," said Christopher Thornberg, an economist and principal with Beacon Economics in both Los Angeles and San Rafael. "Of course, people are going to try and stay within the loan limit."

Thornberg said that the act of agents pricing homes near the conforming loan limit is just another marketing tactic in a tough market. "They're trying to find any hole they can to generate

business," he said.

It was precisely these tactics that caused the market to tank in the first place, he said.

"They say in places where prices are collapsing, 'Oh, no, not at this price point,' or 'I think things have bottomed out,' whatever it takes to make a commission," Thornberg said.

Pete Ogilvie, president of the California Association of Mortgage Brokers, said that a conforming loan saves the consumer more than \$73,000 in a 30-year fixed loan, or about \$205 per month.

Although he said that 100 percent financing is still available for those with decent credit, he doesn't recommend it. "If you have 10 percent down and an average credit score, you can get a decent loan," he said.

Ogilvie said the housing market is still driven mostly by price.

"In this market, if you lower your price, you will sell your house," he said.

Bryce Ellsworth, a real estate broker with Windermere Ellsworth & Associates in Brentwood, said that pricing homes within the conforming loan limit does help, but it still has to be a good house.

"It also has to be nice, and buyers need to feel they are getting a good price and very good home for that price," he said. "It also makes a huge difference if you can use a conforming loan."

But right now, about 1,050 homes are listed at less than \$417,000 in Oakley, Brentwood and Antioch, he said, so there's some stiff competition.

A house he recently sold in Brentwood went for \$420,000; he had two offers right around \$417,000. "But it was 2,900 square feet and in good condition ... with a pool," he said. "But we would like to see the limit raised to reflect the region."

The Office of Federal Housing Enterprise Oversight reported Nov. 29 that the loan limit would stay at \$417,000. The limit cannot be raised without an act of Congress.

Ogilvie said that his industry urged the federal government to raise the loan limit to around Contra Costa County's October 2007 median of \$530,500 but said the latest bill may not make its way to the floor of the Senate.

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