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Laud boost in home-loan limits

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Now more than ever, recovery of the housing market is important. Over the last year, the link between a healthy housing market and a healthy economy has become abundantly clear. The recent market struggles elicited a strong and affirmative response from our political leaders. President Bush and Congress have acted.

Perhaps most important, the conforming-loan limit was increased. The conforming-loan limit is the maximum amount of a home loan guaranteed by the federal government. The government guarantee means a lower interest rate and, correspondingly, lower borrowing costs.

The current limit (\$417,000) is too low to help homebuyers in high-cost markets such as the Inland Empire. It's estimated that for half the home purchases in California, buyers are forced to use nonconforming ("jumbo") loans, which have higher borrowing costs.

On average, such loans are a full percentage point higher

than the rate of so-called conforming loans backed by Fannie Mae and Freddie Mac. One percentage point in interest on a median-priced home means about \$150,000 more in financing costs over the life of a 30-year loan.

Raising the loan limits to \$729,750 means lower-cost financing in California for previously priced-out borrowers and a boost for the economy. For the Inland Empire, the new limit will be \$500,000, meaning thousands of first-time buyers will be able to take advantage of lower-cost guaranteed loans to buy the home of their dreams.

The effect of good news for consumers is important, but more needs to be done. On the federal level, the new conforming-loan limits need to be made permanent and put in place immediately to allow borrowers to take advantage of the change.

On the state and local level, government should reject efforts to increase fees or bureaucratic red tape on housing. In this market,

adding costs to housing will make today's crisis an economic catastrophe.

Additionally, we should temporarily give homebuilders longer to begin building projects before their project approvals expire. Second, we should give the industry flexibility on when they pay their developer fees.

The first reform will allow projects to begin quickly once the market turns, and reducing financing costs could be the difference between builders remaining in business or closing their doors. After all, the purpose of these fees is to mitigate impacts that cannot be felt if there are no new homeowners.

Fortunately, we can see a new dawn ahead. The loan-limit increase is an important first step, but more needs to be done immediately to expand homeownership and rejuvenate our economy.

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