



# Steve's Mortgage Notes

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## JUMBO loans and the conforming loan limit

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This happens every year. As home values rise, Fannie Mae and Freddie Mac adjust their loan limits. The current conforming loan limit is \$766,550. Fannie and Freddie are expected to increase that limit to \$802,650 officially in January. Most lenders will start offering the higher loan amounts on conventional loans beginning next month.

The current FHA loan limit is \$498,257. The FHA loan limit will also be adjusted higher in January.

The higher conforming loan limit means that Tucson buyers will be able to buy million dollar homes with 20% down and finance these purchases with conventional loans! The higher loan limits also mean that the vast majority of the homes for sale in our MLSSA can be purchased with FHA, VA or conventional financing.

For the more expensive homes on the market JUMBO financing is available. Jumbo loans can be a great option for the right borrower

**but there are some specific differences between conventional loans and JUMBO financing.**

**If you have a buyer that would require JUMBO financing be prepared for a slightly longer than normal escrow period. Many JUMBO loan programs require two separate home appraisals and almost all require a second level of underwriting. These things take time. The appraisals are often ordered at the same time but you should expect an extra two to four days in underwriting.**

**Mortgage interest rates for JUMBO loans are surprisingly low. In most cases JUMBO interest rates are only slightly higher than the interest rates for conventional loans and JUMBO rates are occasionally lower than conventional interest rates.**

**Buyers with high FICO scores (740 and higher) may qualify for a JUMBO loan with as little as 10% down. The best part about JUMBO financing with less than 20% down is that there is no mortgage insurance required.**

**FHA and VA loans are great home financing options. Conventional loans are tried and true. Don't panic if your next buyer has financing needs that don't fit into those boxes. JUMBO loans offer a safe and flexible alternative.**

## **Interest rate update**

**I was wrong. Five weeks ago the average 30 year fixed rate was 6.14% and I thought for sure that we would be at or near 6% by now. Instead, the average interest rate was 6.9% on Friday.**

**Mortgage interest rates will improve but it is going to take time. A year ago**



the average 30 year fixed rate was 7.91%. From that perspective, 6.9% looks a little better. Hang in there. Eventually the temperatures in Tucson will cool off and mortgage interest rates will decline.

Here is a look at [the average interest rates from Mortgage News Daily](#):

30 year fixed rate 6.9% (6.68% last week)

15 year fixed rate 6.37% (6.07% last week)

## Bits and Pieces

Have you heard about the "[October theory](#)"? Think of it like a New Year's resolution but with time to think it through and start implementing in advance. Take the last three months of the year to decide how you want 2025 to unfold.....We have had anecdotal evidence that home buyers are waiting until after the election. Now, Redfin has confirmed that [23% of first time buyers are waiting until after the election](#). Redfin doesn't mention the holidays. My guess is that we will get busy in January.....Student loan payments have been [deferred for an additional six months](#) for 8 million SAVE plan borrowers. The extra time will help these borrowers save for a down payment but mortgage lenders still have to include the payments in the debt-to-income ratios of these borrowers.....GoBankingRates.com points out [5 challenges sellers face](#) when trying to sell without a real estate agent. The average profit to a seller going the FSBO route is \$128,500. The average profit with a Realtor is \$207,500 according to a study by Clever.

In 2012 Warren Buffett said he would buy "[a couple hundred thousand single family homes](#)". The real estate market was still recovering from the 2008 housing bubble. The median price for such a home was \$180,00. Today, the median price is \$418,000.....You have to see the results of this survey of renters! Did you know that [pet policies are more important to renters](#) than proximity to work? Also, the number of build-to-rent homes is growing exponentially. Privacy remains the most important factor to renters.....The number one obstacle to buying a home isn't high interest rates. It's the down payment. Wages are up 15% since 2000. [Home prices are up 145%](#) over the same period. Meanwhile, the cost of everything else is

higher as well so saving is hard.....Sales of previously owned homes have [fallen to the lowest level in 14 years](#). That sounds bad but it is actually good news for both of us. Household formations are increasing so there are more people than ever that want to own homes but haven't purchased yet. Our services are needed.

## Quote of the Week

**"Be fearful when others are greedy. Be greedy when others are fearful."**

**-Warren Buffett**

CNN has a very good explanation for [why mortgage interest rates have not improved after the Federal Funds rate cut](#). Our federal government is out of money. To operate, our government is borrowing money. That is nothing new but the government is borrowing more than usual.

Increased government borrowing means less capital available for mortgage lending. Mortgage banks are then forced to offer better (higher) interest rates to investors to attract that capital.

It doesn't help that reported employment data from the Bureau of Labor and Statistics has exceeded forecasts. So far the Fed rate cut isn't helping first time buyers in Rita Ranch, Midvale, or Gladden Farms.

Mortgage interest rates will come down eventually. BLS employment data is routinely revised lower. The cost of rent has a significant "lag" and will soon be reflected in inflation metrics. Mortgage interest rates will come down eventually but we are unlikely to see anything in the "4's" any time soon because the federal government is competing with our home buyers for capital resources.

Thank you for reading. Have a great week!

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