



Steve's Mortgage Notes

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Higher loan limits are here!

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Both the Federal Housing Finance Agency (FHFA) and FHA have announced new loan limits for 2025. Each are roughly 5.2% higher than they are in 2024.

FHFA, which is still overseeing Fannie Mae and Freddie Mac, has increased the conforming loan limit from \$766,550 to \$806,500. That means our buyers can buy a home for \$848,947 with as little as \$42,447 down. Buyers can use conventional financing for purchases up to \$1,008,125 if they have a 20% down payment. That covers the vast majority of the homes listed for sale here in Tucson. These new conventional loan limits are available now!

The FHA loan limit has been raised from \$498,257 to \$524,225. Our FHA buyers can choose a home for up to \$543,238 and still come to close with only 3.5% down (\$19,013). The catch with FHA's new loan limit is that it isn't available until January 1st.

Remember this when you are listing homes. Yes, a list price of \$550,000 may sound better to your clients than a list price of \$543,000 but the lower list price will open the door for buyers that need FHA financing. The increased buyer pool may help to sell the home more quickly.

Overall, the new loan limits for conventional and FHA loans are a positive. I'll take all of the good news I can get!

Interest rate update

The Federal Reserve's favorite inflation gauge was updated last week. The personal consumption expenditures index (PCE) now sits at 2.3%. That met expectations for October.



Shelter costs are down because the cost of rent is actually falling nationally. Housing costs have a significant lag effect so I expect PCE to come down over the next couple of months if everything else remains constant.

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

30 year fixed rate 6.88% (7.03% last week)

15 year fixed rate 6.09% (6.4% last week)

Bits and Pieces

Newsweek magazine suggests that [migration out of California will continue](#). Arizona is an obvious destination for Californians looking for more affordability. As more companies insist on returns to offices we may see a slower influx of Californians.....Thanksgiving dinner was a little less expensive this year. The cost of feeding 10 people for Thanksgiving has [gone from \\$64.05 in 2022 to \\$58.08 in 2024](#) according to American Farm Bureau. That's good news for inflation. Let's hope the Fed takes notes.....Check out this interactive map to see

Zillow's forecast for home values in 2025. [Values in Tucson are expected to go up by 1.6% next year](#). That is so much more sustainable than the growth in values we have seen in recent years..... The S&P Case Shiller Index confirms that [the pace of home value increases has slowed](#). September marked the sixth consecutive month of slowing annual appreciation. Maybe incomes will have a chance to catch up.

Housingwire.com has released a prediction for mortgage interest rates in 2025. I'm not thrilled with the forecast. Housingwire says [mortgage interest rates will spend 2025 between 5.75% and 7.25%](#). That is a broad range. Let's hope that actual interest rates are close to the bottom of Housingwire's range.....If your next clients are from Minnesota, they probably qualify. [Minnesota is home to the highest average credit score](#) in the country. Arizona didn't even make it into the top 20. Wisconsin and Washington were also in the top five..... People in South Florida are [preparing for the "silver tsunami"](#) that has already started in the state. If you have an investor that is considering an addition to their portfolio, I would suggest looking at Green Valley....House Digest suggests that the color of a home's front door makes a difference when it comes to selling a home. Orange, brown and pale green are bad. The [best colors are supposed to be red, black, and yellow](#). Is it worth a try? Painting a door is relatively inexpensive.

Quote of the Week

"Conformity is the jailer of freedom and the enemy of growth."

-John F. Kennedy

So, the Department of Justice has declared that [the new buyer broker compensation agreement may actually hurt home buyers](#). Obviously! When I read the headline I thought "Finally! Affordable areas of Tucson like Midvale Park or parts of Marana were expensive enough before buyers had to make sure their agents were paid. Could this possibly be reversed?"

Then I read the article. Ugh! The DOJ says the new compensation rules hurt home buyers because the buyer/broker agreements make it difficult for home buyers to choose the right real estate agent.....not because buyers may have to come up with more cash to close.

By now it seems like all of us have come to grips with the new compensation rules. Honestly, as a mortgage lender, it hasn't affected me at all. It seems like most sellers understand that compensation for the buyer's agent just opens the door for more buyers. Still, maybe the

DOJ's concerns about the buyer-broker compensation rules will bring some positive change.

Thank you for reading. Have a great week!

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