

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER
Governor

Department of Alcoholic Beverage Control
Department of Corporations
Department of Financial Institutions
California Highway Patrol
California Housing Finance Agency
Department of Housing & Community Development
Department of Managed Health Care



DALE E. BONNER
Secretary

Department of Motor Vehicles
Office of the Patient Advocate
Department of Real Estate
Office of Real Estate Appraisers
Office of Traffic Safety
Department of Transportation

BUSINESS, TRANSPORTATION AND HOUSING AGENCY

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CONTACT:

Mike Bowman/Steve Gallagher
(916) 323-5416

Schwarzenegger Administration Officials Visit Sacramento County to Highlight Raising of Federal Home Loan Caps *State Officials Urge Quick Passage of Federal Economic Stimulus Package*

SACRAMENTO – Two top Schwarzenegger Administration officials joined with local realtor leaders in Sacramento today to urge federal action on the housing provisions of the recently proposed economic stimulus plan that was worked out last week in Washington.

At a press conference held at the Sacramento Association of Realtors, Business, Transportation and Housing Agency Secretary Dale E. Bonner and State and Consumer Services Agency Secretary Rosario Marin called for the easing of lending requirements on federally backed mortgages by raising the cap on the loans issued by Freddie Mac, Fannie Mae and the Federal Housing Administration (FHA). The action would provide cheaper loans and payments for many Californians buying or refinancing homes.

"The recent federal proposal is good news for California and consistent with what we have been urging the federal government to pass," said Secretary Bonner. "Quick action will infuse money into the state's slumping housing market, provide more access to those looking to buy or refinance homes and help boost our economy."

The \$150 billion economic stimulus plan being considered by congressional leaders, addresses the rising number of foreclosures by allowing government-chartered mortgage companies Fannie Mae and Freddie Mac to buy home loans of as much as \$729,750, up from the current limit of \$417,000. Likewise, the package would raise the limits for FHA loans up to \$729,750 in high-cost areas, up from the current \$362,000.

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“Increasing the loan limit will have a positive impact on expanding financial options for those Californians hoping to obtain a piece of the American Dream,” said Secretary Marin. “The change to the mortgage loan limits could also save local home buyers hundreds of dollars on their monthly payments.”

There are 19 metropolitan areas where the economic stimulus package's changes to the conforming loan limits would likely have an impact, according to an analysis from the Stanford Group Company, a Washington, D.C.-based financial services company. Seven of those areas, including Sacramento, are in California.

If the loan cap is raised, many more homeowners and home purchasers here would qualify for "conforming" loans at lower interest rates. For buyers, the change could mean a cut in monthly mortgage payments. For sellers, it could ease pressure to lower prices to attract buyers.

In California, the median price of a home far exceeds the current loan limit and many Californians find themselves priced out of the very help these loans are intended to provide. This lack of access to government loan programs has magnified the foreclosure crisis in California. Seven of the top sixteen metropolitan areas with highest foreclosure rates in nation are in California.

Increasing these loan limits would give more California homebuyers access to safer mortgages, especially important to first-time homebuyers or owners with subprime mortgages in need of refinancing. It will also benefit veterans, teachers, firefighters and police officers by expanding access to FHA and Veterans Affairs (VA) mortgages, as both agencies' loan limit are tied to the \$417,000 limit.

Governor Schwarzenegger recently applauded the federal bipartisan agreement on the economic stimulus package. The Governor has continued to lobby Congress to raise federal loan limits so that more California families can take advantage of these secure products, rather than relying on subprime loans. Just last week, the Governor sent a [letter](#) to Congressional leaders asking them to raise limits on federal loan programs, with a similar [letter](#) being sent last fall.

Also, the Governor recently outlined a number of [steps](#) to stimulate the state's economy and instructed agency directors and department heads to immediately work with the legislature to speed the release of \$29 billion in unallocated funds from the 2006 infrastructure bonds, so more Californians can get back to work.

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