

Special Report



## Update: Time Running out on Agency Jumbo *by Mitch Kossar, Broker, CIG Realty*

Dear Friends, Colleagues and Clients:

Please note that temporary “agency jumbo” loan limit expires January 1<sup>st</sup>, 2008 which effectively means we have a couple more weeks to submit this type of program. After January 1<sup>st</sup>, the maximum loan amount lowers to \$625,000 but that new program will likely not be available for a few months. For those who have ARMs between \$625,000 and \$729,000, now is a time for deep thinking.

It has been a couple of months since the last “monthly” newsletter, and a lot has happened and it was tough to predict what will happen next. The election provides clarity, but not much. Lower interest rates will not create a bubble this time around, so we have real deflation risk, so short term rates should stay low for quite some time. However, with Obama in office and over night rates near zero, it’s likely we will see a New Deal-like fiscal stimulus next year, it may take as much as \$1 trillion, so we would not be surprised to see some serious INFLATION risk with the corresponding high interest rates in the 2011 to 2012 period. So for those of you with ARMS, you most likely have some time, but not forever.

From the perspective of Northern California Real Estate, it’s been an evolution not a revolution. As we mentioned many times before, “Good” properties in solid locations are holding value and “bad” properties are not. The dividing line between what is a “good” property and a “bad” property is continuing to elevate. So in 2005 it was the Central Valley that was being hurt, then in 2006 came East Bay, then in 2007 first time buyer properties and properties in marginal neighborhoods in San Francisco and the Peninsula. Two Unit TICs in San Francisco, marginal areas in nice towns like Burlingame, and towns like San Carlos are feeling pressure this fall. Now condos in the 800s range,

properties down by the SF ball park, and slightly better SF neighborhoods are being hit. Murmurs from our fellow Realtors down south paint a similar story. Note that the recession has not REALLY hit the Bay Area and the western part of LA yet, and when it does that line between “good” and “bad” property will rise.



We also would like to make a quick comment about loan modifications. We hear a lot about that lately. We have quite a bit of experience in loan modifications. These are quite doable, but it can be somewhat painful dealing with poorly equipped/staff lender loss mitigation departments. It is difficult, but not impossible, to get a modification if you are not late on your mortgage. If you are late, the key is to be in pain, but not too much pain. Your monthly expenses should approximately equal your monthly net income. Too high or too low, the lender will not look to modify your loan. The savings can be substantial, interest rates as low as 2% are not uncommon after a loan modification. If you have questions about this, please feel free to email Ken Hui, our loan modification expert at [ken-hui@cigcorp.net](mailto:ken-hui@cigcorp.net)

Happy Holidays

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