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FINANCIAL PLANNING

Fannie, Freddie to Boost Home-Loan Limits 7.3%

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With interest rates at their lowest levels in decades, home shoppers are already getting a great deal on their mortgages. Soon, the deals should get even better.

Fannie Mae and **Freddie Mac**, the mortgage companies that help reduce the cost of homeownership, said that on Jan. 1 they will raise the size of home loans they help finance to \$322,700, an increase of 7.3% over the old loan limit of \$300,700. The net effect of that change will be to allow between 210,000 and 250,000 additional borrowers to qualify for loans financed with the help of Fannie Mae and Freddie Mac, the companies said. Such "conforming" loans, as they are known in the industry, typically carry interest rates that are one-quarter to one-half a percentage point lower than so-called jumbo loans, whose values remain above the Fannie Mae-Freddie Mac loan limit.

The loan-limit increase "is going to add more fuel to the fire," and encourage more people to buy homes, said Michael Menatian, president of Sanborn Corp., a West Hartford, Conn., lender. He said consumers who are taking out adjustable-rate mortgages might switch to fixed-rate loans.

Fannie Mae and Freddie Mac are government-chartered companies that buy loans from banks so that banks can have more money at their disposal to make home loans. Banks are then able to offer lower interest rates to consumers who qualify for the loans Fannie Mae or Freddie Mac will buy. Fannie Mae estimates that the difference in cost between conforming mortgages and jumbo loans averages about \$23,500 over the life of a \$322,700, 30-year fixed-rate loan.

TOOLS

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- [401\(k\) planner](#)
- [401\(k\) contribution calendar](#)

COMPANIES

Dow Jones, Reuters

Fannie Mae (FNM)

PRICE	63.56
CHANGE	1.56
U.S. dollars	11/27

Freddie Mac (FRE)

PRICE	58.50
CHANGE	1.50
U.S. dollars	11/27

* At Market Close

Fannie Mae and Freddie Mac generally adjust their loan limits yearly to keep up with changes in home prices. The changes are based on the latest results of a home-price index compiled by the Federal Housing Finance Board, a housing-related regulatory agency. The agency said the average price for a single-family home was \$235,700 in October, up 7.3% from \$219,600 in October 2001.

The loan increase, while substantial, won't be enough to keep up with home prices in areas like New York's Long Island, where home prices have shot up at double-digit rates in recent years. However, some lenders speculated that "jumbo" lenders might lower their rates somewhat as well in the near future, to compete more aggressively with Fannie Mae and Freddie Mac.

Though the changes won't officially take effect until next year, buyers can benefit now. Many lenders, like online lender Quicken Loans Inc., have begun providing lower rates to borrowers who meet the revised loan limit. Typically, these lenders simply wait to sell the loans to Fannie Mae and Freddie Mac next year, after the official loan-limit change has occurred.

The new limits apply to mortgage refinances, including cash-out refinances, through which borrowers extract equity from homes while refinancing an old mortgage. Mr. Menatian, the Connecticut lender, helped a customer take out an additional \$15,000 because the client could borrow more and remain under the new limit.

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