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# Central Valley Real Estate Trends



December 2011

## HUD Raises FHA Loan Limits...

Department of Housing and Urban Development announced that the Federal Housing Authority (FHA) maximum loan limits are being returned to the previous levels effective November 18, 2011. Congress had extended the higher limits the past three (3) years, however it allowed the extensions to expire October 1, 2011. The changes for our local counties are:

County	New Limit	Old Limit	Increase
Stanislaus	\$423,750	\$276,000	\$147,750
San Joaquin	\$488,750	\$304,750	\$184,000
Merced	\$472,500	\$271,050	\$201,450

These are maximum loan amounts, and not purchase price limits. Add the minimum 3.5% down payment to the loan amounts to see the maximum purchase price with the minimum down payment. For example, Stanislaus County maximum purchase price with the 3.5% down payment would equate to \$438,581 versus the previous level of \$285,660. This will increase the number of qualified buyers for homes priced under \$438,581 in Stanislaus

## The Mortgage Debt Relief Act of 2007...

We have been receiving a number of questions regarding how much longer taxpayers will be able to exclude income from the discharge of debt on their principal residence. The Mortgage Forgiveness Debt Relief Act was enacted in December 2007 and generally provided exclusion of income realized as a result of modification of the terms of the mortgage, or foreclosure on a principal residence.

This provision applies to debt forgiven in calendar years 2007 through 2012. **As it now stands, this exemption is scheduled to expire December 31, 2012.** Without this exemption, debt cancellation as a result of a short sale or foreclosure could be considered as taxable income and the taxpayer would have to pay taxes on amount forgiven. This has significant implications for homeowners facing foreclosure next year. Please contact your tax

## "News That You Can Use" Email Alert...

As an added service to our clients, we have initiated a weekly email update that provides economic news, interest rate trends, and real estate facts and figures. If you are interested in receiving this weekly email update, please contact us and we will add your name to the list.

## To Our Friends...

Each year during the holiday season, we set aside this time to wish you and your family a joyous Holiday Season and the coming year to be overflowing with all good things in life. We would like to extend to you our sincere gratitude because it is good friends and satisfied clients like you that make our business possible. We are very fortunate that 90% of our business comes from past clients and referrals - we appreciate your continued support and recommendations to friends and family.



Best wishes from the Theis family for an enjoyable holiday and a prosperous New Year!

*Happy Holidays to All*

*Jim, Esther, & Matt      Marcus, Liz, & Betsy*

## 2012 Real Estate Forecast...

As we look forward to 2012, the crystal ball is still cloudy. In a recent meeting with Sean O'Toole, founder of Foreclosure Radar, he summarized his thoughts on the California real estate market for the upcoming year:

- No wave of foreclosures - banks will leave distressed properties on the books and will gradually release inventories of bank owned real estate.
- More short sales, but not a flood.
- Loan modifications will continue to struggle.
- No correlation on why banks foreclose on one property and not another - "random foreclosures."
- More "underwater" homeowners search for a way out of their situation - currently 2.4 million homes are in a negative equity position or 1 out of 3.
- Primary risk to California home values is not foreclosures, but rather changes in lending standards and "assistance" from the federal level.

With reduced inventories, prices will stabilize, however across the board appreciation of home values will probably not occur in 2012. Interest rates at all-time lows will not last forever and rates are projected to move upward in the second