

# CJ Kerls: California FAIR Plan Increase Will Reduce Homebuyer Purchasing Power

*With mortgage rates near 7%, the Oct. 15 FAIR Plan increase adds another mortgage qualification pressure point for California homebuyers.*

SAN FRANCISCO, CA, UNITED STATES, September 22, 2026 / EINPresswire.com/ -- As California homebuyers focus on mortgage rates near 7%, another part of the monthly housing payment is also changing: homeowners insurance.

The [California FAIR Plan](#)'s approved average dwelling rate increase of 29.1% takes effect October 15, 2026, for new and renewing policies. Individual premium changes will vary, but for borrowers whose required insurance costs increase, the additional expense can reduce the mortgage amount they qualify for.



CJ Kerls, Branch Manager and SVP of Mortgage Lending at Rate, serving the San Francisco Bay Area and Sonoma County.

[CJ Kerls](#), Branch Manager and SVP of Mortgage Lending at Rate, says the issue has become increasingly important for buyers throughout the San Francisco Bay Area and Sonoma County.

"Buyers are understandably watching mortgage rates very closely right now," said Kerls. "But the rate is only one part of the qualifying payment. If the required insurance premium increases, that can reduce the mortgage amount a borrower qualifies for even though their income and credit have not changed."

Why Higher Insurance Costs Reduce Mortgage Purchasing Power

Mortgage lenders generally qualify borrowers using the total monthly housing expense,

including principal, interest, property taxes and required homeowners insurance.

For a borrower qualifying near a debt-to-income limit, a higher insurance premium leaves less of the qualifying payment available for principal and interest.

The exact effect depends on the interest rate, loan program, property taxes, other debts and the borrower's financial profile.

Kerls recently published a [detailed analysis on CJKerls.com](#) examining how higher insurance costs can affect mortgage purchasing power, including an illustrative Sonoma County home purchase.



Higher homeowners insurance costs can reduce mortgage purchasing power for California homebuyers, particularly in areas where FAIR Plan coverage is needed.

"The important number from the lending side is the total required monthly insurance premium,"

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*CJ Kerls, Branch Manager and  
SVP of Mortgage Lending at  
Rate*

Kerls said. "Once we have that number, we can determine what it does to the borrower's qualifying payment and purchasing power."

### Why the FAIR Plan Alone Is Not Enough to Obtain a Mortgage

For a financed home purchase, a California FAIR Plan policy by itself does not satisfy the full property-insurance requirements in the mortgage transactions Kerls handles.

Borrowers using the FAIR Plan must also obtain additional coverage that satisfies the lender's remaining insurance

requirements before the mortgage can close. That additional coverage can include protections not provided by the FAIR Plan policy, such as water damage and liability.

Kerls emphasizes that selecting insurance products and determining appropriate coverage is the role of a licensed insurance professional.

"My role isn't to tell a borrower what insurance policy or coverage they should buy," Kerls said.

"My job on the mortgage side is to make sure the insurance required by underwriting is in place and to account for the total premium when we determine what the borrower qualifies for."

For homebuyers, this means the FAIR Plan premium alone may not represent the total insurance

expense used in mortgage qualification.

## Why This Matters in Sonoma County

Required insurance costs can vary significantly from one Sonoma County property to another. Two homes with similar purchase prices can result in very different insurance premiums, meaning the same borrower could qualify for different mortgage amounts depending on the property.

Kerls says buyers should obtain a realistic property-specific insurance estimate early in the purchase process rather than waiting until the final stages of escrow.

"For buyers in Sonoma County, I want the actual insurance cost as early as possible," Kerls said. "If the required premium comes in materially higher than the number used for pre-approval, it can change the loan amount at exactly the wrong time."

With mortgage rates already putting pressure on affordability, a higher-than-expected insurance premium can create an additional constraint on purchasing power.

## Insurance Belongs in the Mortgage Pre-Approval Conversation

Mortgage pre-approvals often begin with estimated property taxes and homeowners insurance because a buyer has not yet selected a specific property.

In areas where insurance costs can vary substantially, Kerls says that estimate should be replaced with a property-specific premium as soon as one becomes available from the buyer's insurance professional.

"A pre-approval is only as accurate as the numbers going into it," Kerls said. "Once a buyer identifies a property, insurance needs to become part of the mortgage conversation early enough that we can adjust the qualification before it becomes a closing problem."

## About CJ Kerls

CJ Kerls is Branch Manager and SVP of Mortgage Lending at Rate, with 35+ years of mortgage lending experience. His practice focuses on the San Francisco Bay Area and Sonoma County, including jumbo financing, self-employed and complex-income borrowers, RSU income qualification, FHA and VA financing, physician mortgages, renovation and home-equity lending, and first-time homebuyers.

Kerls has been named to Mortgage Executive Magazine's Top 1% of Mortgage Originators in America for 13 consecutive years and to Scotsman Guide's Top Originators rankings for seven consecutive years. He has also been a member of Rate's President's Club for 12 consecutive years, from 2015 through 2026.

He is licensed in 29 states. NMLS #243438.

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