

# Mortgage Minute

## Not Out of the Woods Yet

How the entire mortgage industry is feeling the pinch

As you've probably read in the news, several months we experienced a subprime lending implosion. It was followed by a moment of calm and many thought we were safely on the other side of the crater left from the blast. However, with the changing taste of investors on Wall Street and a slowing housing market, the effects of the subprime fallout are being felt much higher up the food chain.

Many wholesale lenders I deal with have had to shrink the number of programs they offer so much that their rate sheets have gone from 8 pages to 2. Even a prominent lender in the mortgage and retail banking world has, as of today, lowered the maximum loan-to-value, LTV, that they will lend on with a 2<sup>nd</sup> mortgage to 90%, you can't even get a once popular 80/20 combo loan package to 100%, regardless of credit.

Lenders are still closing and loan program guidelines are stiffening daily. The automating underwriting system used by lenders to gauge a borrower's creditworthiness has recently undergone several changes. Possibly the largest being for borrowers seeking an interest-only loan, a program utilized by many in recent times to lower their payments to an affordable level. The AU system

previously used the interest-only payment to qualify, but will now use the full principle and interest payment.

It really is a story of the pendulum on its return swing. Honestly, we were living in a dreamland for a while where homes sold in a week and borrowers were being approved for almost any size mortgage payment. Eventually we will swing back to the middle, and probably be a more healthy industry as a result.

There is good news, however. Lenders are adjusting and highlighting programs that got lost in the shuffle for a while. LPMI, Lender Paid Mortgage Insurance programs are a great example. If the LTV of the purchase exceeds 80%, the lender, not you, can pay the mortgage insurance premium. These programs usually have a lower rate than the blended rate of a combo loan scenario, but not all lenders offer them and they are not as well known by the general public.

We live in a reality now of preparation. If you are shopping for a home, speak with a mortgage professional first. Get pre-approved so you know how much you can afford before spending your valuable time, and the time of your real estate professional, house hunting.

## Today's Rates at a Glance

30-year fixed  
90% ltv, no mi  
**6.500%**  
(APR 6.675%)

VA 30-year fixed  
100% ltv  
**6.250%**  
(APR 6.627%)

FHA 30-year fixed  
97% ltv  
**6.125%**  
(APR 6.646%)

Calculations based on a first-time homebuyer purchase, loan amount of \$150,000 and an 80% loan to value. Rates include a 1% origination fee and are as of 8-31-07 and are subject to change.

## Identity Theft Tip of the Month

*Have antivirus and firewall software installed on your computer. Make sure that the definitions in the antivirus software are current and up to date.*



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