



Have questions about the current lending environment?

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We thought we would spend a few minutes in the March newsletter to talk about the current lending environment. The funny thing is, by the time we write this article, it goes out via email and you read it, everything could change! Things are happening fast and furious, so it's really a challenge to not only keep up with it, but to relay the most accurate information to our clients.

During the past few weeks we've received all types of questions and correspondences from clients, both past and present. Here are a few questions we've received and our responses to those questions:

1. How is the "bailout" money helping homeowners? From what we can see, this money is being directed to servicing banks (the mortgage company you pay the mortgage to monthly) and is really geared towards helping homeowners that have or are facing hardships (layoffs and declining housing values). If you are faced with a hardship, in most cases we're telling our clients to start with their existing servicer and see where that takes you. We're happy to look at anything they provide whether it be a modification in rate, term or anything else. If there are any "strings" attached, we hope we can help sort through some of the difficult verbiage that comes along with the offer.

2. I'm getting a lot of mailers about lowering my rate to 2%? We very rarely suggest calling a company that is just simply mailing you. (A lot of these companies pull the records at the courthouse, which are public information, and send out mass mailers.) Of course, we hope you'll ask us for information, but in most cases we would direct you to your existing servicer in a hardship situation. Or, if you are just looking to refinance, we would hope we can help directly!

3. Are rates 3% and are they going to go to 3%?? Well, that's sort of the million dollar question these days. Rates are low now due to the fact that the Government has said it would (and is starting to) buy mortgage backed securities. This is why we have experienced the large rate drop starting in January and why rates have remained low so far. They have never been 3%, for sure. Will they go there--it's hard to image that they would. Once the government stops buying the securities and lets the open market retake control, rates will probably actually start to head back up. And then, of course, we have the overriding cloud of inflation that will more than likely come in the upcoming years. So, with all that said, there is no 100% guarantee what rates will do. Historically, we are at all time lows--so if a refinance makes sense at the current rates, it's hard to advise anyone to wait

for them to get better. Timing the market can be very hard in a stable market, let alone one that is seeing things it's never seen before! Remember, two years ago, the hottest thing in the country was to buy a condo in Florida pre-construction and try to "flip" it for profit. Now, those same condos have lost 50% of their value. Point is, don't get caught up in the hype.

4. Do you have to put down 20% and have an 800 credit score to get a loan? No, there are still a number of different down payment options available. FHA loans now require 3.5% down and a 620 score. Conventional loans (Fannie Mae and Freddie Mac) currently have a 5% down product; however, that is slowly going away and will probably be 10% down soon. They have a minimum of 680 in most cases, but rates get better at 700+ (740+ is the best bracket to be in to obtain the best interest rate).

5. Should I let my payment go late so that I can get a lower rate? Our answer to this would always be no; you should never let your payment go late if you don't have to. Besides the ethical side of things, there is no guarantee that the mortgage company will lower your rate if you go late or if they will help at all. It is not worth risking your credit score and history to try to get a lower rate by going into default. If you have exhausted all resources and you are still having trouble making your payment, before you go late call the existing servicer (of course, feel free to call Silverton). If they can work out something with you that doesn't affect your credit, it would be worth doing before going into default.

6. As a first time buyer, will I get a tax credit this year? Yes, this first time home buyer credit went into effect for 2009. We are not CPA's, but our understanding is that this is for first time buyers only and is an \$8,000 one-time tax credit and requires no payback. Please call your CPA (or if you'd like a recommendation, please don't hesitate to call us) and confirm if this tax credit would apply to you if you are considering buying a home this year.

We hope that these answers help a little, at least in unraveling the maze of mortgage information floating around. Don't hesitate to call if we can be of further assistance with any mortgage related (or even non-mortgage related :-)) questions or concerns.