C.A.R. Mortgage Update

For mortgages, 620 is the new magic number
Near historic low mortgage rates, favorable home prices, and the federal tax credit for first-time home buyers have contributed to home purchases in the past year. However, the onset of the credit crisis, new regulations for home appraisals, and more stringent guidelines for purchases and refinances have resulted in confusion for some potential home buyers.

While using a mortgage broker to find the best loan may work for some buyers, it may not always be the best route. In the past, mortgage brokers could "shop" a loan to multiple lenders to help find the best deal. However, new practices and procedures under the Home Valuation Code of Conduct (HVCC) have hampered mortgage brokers' abilities, namely that lenders may no longer accept home appraisals commissioned by brokers. As a result, consumers may have to pay for new appraisals with each lender, which costs time and money. However, consumers who are very busy or need guidance may find that working with a mortgage broker is the easiest solution.

Qualifying for a mortgage under current lender standards is more difficult nowadays than in years past. Beginning Nov. 1 or Dec. 12, depending on the type of loan, Fannie Mae is tightening its lending standards to the 620 credit score benchmark—including loans backed by the Federal Housing Administration and Veterans Affairs. Borrowers with credit scores of less than 620 will find it very difficult to qualify for a mortgage. However, to qualify for the best rates, consumers generally need credit scores of 720 and must have verifiable, steady income.

As for loan type, most real estate professionals agree that a fixed-rate mortgage is the best choice for buyers and refinancers.

To read the full story, please click here:
http://www.chicagotribune.com/business/yourmoney/chi-tc-biz-ym-spending-1011oct11,0,4102570.story

To view additional articles, about new home loans, loan modifications, or mortgage refinances, please visit the following:

Long-term Obama loan modifications prove elusive
To read the full story, please click here:
http://money.cnn.com/2009/10/16/news/economy/Obama_modification_program/index.htm?postversion=2009101611

Mortgage applications drop again as rates climb
To read the full story, please click here:
http://www.usatoday.com/money/economy/housing/2009-10-21-mortgage-applications_N.htm

U.S. mortgage rates rise for second consecutive week
To read the full story, please click here:
http://www.bloomberg.com/apps/news?pid=20603037&sid=aBKZcSzJePVo

The Wall Street Journal

Should you buy that condo?
Purchasing a condo often is the first step in the homeownership process, and can be a good opportunity for first-time buyers. However, as more homeowners living in community developments with homeowner associations find themselves in trouble, many are not paying their dues. As a result, residents who do pay their HOA dues are seeing increases in their monthly bills or unexpected special assessments. This is especially true for communities that do not have enough funds in reserves to pay for property maintenance and repairs. Buyers considering the purchase of homes in community developments with HOAs are advised to closely monitor the homeowner association's financial health.

KEEP THIS IN MIND

- Buyers are advised to request all financial documents relating to the homeowners' association during the home inspection period. In most cases, buyers receive these documents one to two days before closing, or find they are incomplete. Financial advisors recommend that buyers work with their REALTOR® to ensure the documents are received in a timely manner—preferably with at least three days to review.

- When reviewing the financial documents, buyers should note that two-thirds of the association's budget should be operating expenses such as water, lights, elevator maintenance, and landscaping; the rest should be set aside in a reserve fund for long-term maintenance and repairs.

- If the expenses exceed revenues due to foreclosures, unpaid dues, or other reasons, buyers should ask the association's manager or board of directors what its plans are to make up for the shortfall, and whether the association expects an assessment or higher dues. It also is important to note if the financial deficit will be made up with shorter pool hours, or a reduction in landscaping and other community amenities, as these could affect not only the comfort of the community, but also the future marketability of the property.

- While the financial health of a homeowners' association is an important factor in the purchasing decision, it shouldn't deter home buyers from purchasing condos. Many first-time buyers purchase condos to enable them to become homeowners. Typically, condos are more affordable than single-family homes, offer community amenities, and may allow a buyer to purchase a home in a highly desirable area where they otherwise could not afford.

- Although not required, it is becoming more common for associations to hire outside firms to look at all long-term anticipated repairs and replacements within communities over a period of 30 years, add up the costs, and create a payment and maintenance schedule. The monthly dues charged to each owner should reflect the amount of money needed to pay for the necessities.

- Associations ideally should save enough money over time to pay for every contingency, such as roof leaks, pipe bursts, sidewalk cracks, and the like. However, most associations often deplete reserve funds to pay for operating costs and other expenses. Although the percentage of funding necessary varies by the age and size of a community, in general, buyers should be concerned if funding is below 40 percent, as it could result in a special assessment in the future.

To read the full story, please click here:
http://online.wsj.com/article/SB10001424052748704322004574475640874117808.html

In Other News…

The Mercury News

Broader home buyers' credit considered: higher income, no first-timer rule
Lawmakers are trying to extend and expand an $8,000 federal tax credit for first-time home buyers, a stimulus-package tax break that many regard as a significant prop for the still-tottering economy.

To read the full story, please click here:
http://www.mercurynews.com/realestatenews/ci_13568327

San Francisco Chronicle

Fewer short sales are coming up short
Real estate professionals and banks say the logjam of short sales is starting to ease, with decisions coming more quickly, more short sales trading hands, and the prospect of a new Treasury plan that will further lubricate the process.

To read the full story, please click here:
http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/10/20/BUOG1A5M2P.DTL

Los Angeles Times

Feared flood of foreclosures in California may be averted
Signs are emerging that a much-feared escalation of California home foreclosures may not happen, as banks respond to government pressure and scale back their repossessions of troubled properties.

To read the full story, please click here:
http://www.latimes.com/business/la-fi-foreclosures21-2009oct21,0,5605171.story

San Francisco Chronicle

Reduced limits could affect credit scores
As lenders cancel or cut limits on credit cards and home equity lines of credit, many consumers are wondering how this affects their credit score.

To read the full story, please click here:
http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/10/18/BULF1A6MPN.DTL&type=business

What you should know about the market

- Homeowners not wanting to refinance into a new 30-year loan, and intending to pay off their mortgage loan early, should consider making biweekly payments rather than monthly mortgage payments. Sending in half the monthly payment every two weeks instead of once a month will cancel out years of mortgage payments later on because it speeds up paying off the principal. A homeowner who makes biweekly payments on a $500,000, 30-year, fixed-rate loan with a 6.5 percent interest rate would shorten the loan by five years and pay $150,000 less in interest over the life of the loan.

- Beginning Jan. 1, 2010, anyone who deliberately makes any misrepresentation or omission during the mortgage-lending process with the intent of influencing that process will be guilty of mortgage fraud under California law. A violation of this law is a crime punishable by one-year imprisonment. Under existing federal law, loan fraud against a federally-insured lender is a crime punishable by a $1 million fine, plus one-year imprisonment.