

The Mortgage Mentor: Enhance Your Finance IQ

Home Lenders of America, Inc.

Yes! Home Loans Still Available

You can't pick up a newspaper, turn on the news, or go on the internet without hearing about the turmoil that has disrupted the credit market.

This brief newsletter summarizes the most important changes to date in the loan world. The good news is - contrary to what headlines would have you believe - most people CAN obtain financing.

Yes, the more risky loan programs have disappeared. Borrowers need good credit, a reliable income, and usually some funds for down payment in order to get a loan.

Fortunately for us, this was always our business lending model.

Credit scores now have much more impact on your financial health. Do everything you can to maintain an excellent



Don't believe everything you read—Home Loans Still Available.

credit profile and history. Ideally you want a 740-plus score.

The mortgage industry uses a system of risk based pricing to determine interest rates. Borrowers are evaluated for risk factors in their mortgage application *and* their credit reports.

This year, credit-score risk assessments were revised. The lower your credit score, combined with the higher your loan to value the more risky you become, then the more you will pay for an interest rate.

You can get a free annual copy of your credit score by visiting:

annualcreditreport.com.

Less than 20% Down? Say Hello to PMI.

Loan programs that allowed borrowers to avoid paying private mortgage insurance have disappeared. IF you don't have 20% down, you will pay private mortgage insur-

ance (PMI). There are several options though, for those who will need to pay PMI, including lender paid PMI (in which the borrower chooses a higher interest rate and then has

the lender pay a lump sum PMI at closing), as well as one-time borrower paid PMI. Visit this website, www.mgic.com, and use the rate finder to compare various PMI options.

Volume 4, Issue 1
Spring 2008

Special Points of Interest:

- Self-employed borrowers will find their loan options greatly reduced IF they can't produce full documentation such as tax forms to substantiate income listed on their loan applications.
- Ignore the word "Rural" when investigating Rural Housing (RHA) loans. These are available with 0% down payment and no monthly PMI. There are geographic and income restrictions but many communities we consider suburban fall under the RHA umbrella. We offer these loans.

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Your Friendly Local Lender



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Here at Home Lenders we continue to thrive in these unusual financial times.

Yes, we're a smaller company; not much larger than we were in 1994 when we started off (at the end of the last housing crisis). But just like then, times like these separate those of us who are committed to ethical lending from those who are simply out to make a buck

While we are not entirely immune from the current credit turmoil,

we're still helping people buy new homes and refinance their current homes.

Our strengths continue to be flexibility in underwriting, control of the loan process, lack of red tape and the ability to deliver a clean commitment quickly.

We are large enough to offer competitive rates and almost any product, yet small enough to work closely with customers.

Branch Manager Diane Wilder is a 17-year Haverford Township resident,

former Director of Development at Haverford College, and a current member of the South Ardmore Neighborhood Association (SABA).

More than 80% of Home Lender's business is in Delaware County and she is happy to share customer references with potential borrowers.

Have a loan question? Call Diane!



DIANE WILDER
BRANCH MANAGER

FHA Loans/New Agency Jumbos



Government Loans

Borrowers with limited savings for a home purchase should investigate FHA loans. They are a terrific resource especially for first-time buyers, requiring as little as 3% down (which can be a gift), and up to 3% in seller's assists.

With the recent FHA mortgage limit increases, more homes on the market are accessible to FHA borrowers. However,

with the increased rush of borrowers to FHA, anticipate longer underwriting and turnaround times for these mortgages to close.

The Economic Stimulus Plan of 2008 (HR5140) spawned the Agency Jumbo Loans. At the beginning of April, Fannie Mae and Freddie Mac began purchasing these new loans (between \$417,000 and \$729,750). The market hopes that jumbo rates will

reset to no more than 1/2 an interest point higher than conforming loan rates. As of early May, there is still a substantial gap between the two markets.

Will this change? I don't know. Maybe it will take a few months for the market to become more comfortable with these loans.