

# MORTGAGE NOTES from the Money Desk



Spring 2011

Brought to you by



**JAMES W. ARGO**  
MORTGAGE BROKER  
PROVEN PERFORMANCE

1902 Van Ness Avenue  
3rd Floor  
San Francisco, CA 94109  
415-292-1999  
Fax 415-921-7697  
jargo@refsweb.com  
NMLS#257031  
DRE#00869591  
www.JamesArgo.com



## Real Estate Financial Services

- ✓ 15-minute loan approval
- ✓ One-on-one service
- ✓ Competitive rates
- ✓ One simple application
- ✓ Strong team performance
- ✓ High-quality service
- ✓ Complete education about the mortgage loan process
- ✓ Credit repairs
- ✓ I place challenging loans

## URGENT!

I've always avoided any tendency to "cry wolf" or be an alarmist, so please, briefly, give this your attention:

I'm sending this message out to many of my clients and professional partners because "the winds" we rely on to navigate real estate lending are really shifting. If you have refinanced or made your purchase already, good for you!

If not, we had better have a conversation just to be certain you are clear of risk and 100 percent current on the latest trends.

### Big changes

So let's talk sooner rather than later, because that "shift in the wind" may need to be addressed immediately. The cost of borrowing is still historically low. So are you missing an opportunity to protect your future? Let's find out.

## No boredom in the mortgage industry for 2011!

Real estate lending rules are set to shift yet again. The good news is that rates are still low, but read along with me here and you will learn that new regulations are going to curtail your access to money to a much greater degree than within the deceptively simple and narrow discussion of comparing 4% or 5% fixed-rate mortgages.

If you see an opportunity or you have been sitting on the fence trying to decide whether to buy a new house or refinance a mortgage, you should act soon because loans in 2011 are simply going to cost more.

The mortgage market is facing pressures from new regulations, still-declining home prices, and the ongoing need for government-owned mortgage players to shore up their finances.

The silver lining is that the rate for a 30-year fixed loan is still around 5% for those with good credit. That is up from last year's lows but is still an attractive rate by historical standards, though it is expected to keep climbing as the economy improves. Home prices in some areas are bottoming

out or firming up in our areas.

**This part is very important:** At first glance, this may not appear to be the perfect time to buy a home—but better mortgage options today may be a worthy trade-off to the possibility of hoping for lower prices tomorrow.

Still not convinced? Consider the coming changes, specifically:

■ **New costs:** Fannie Mae and Freddie Mac, which provide liquidity to the mortgage market by buying mortgages and selling securities backed by them, added new fees on loans to people with the best credit and are raising existing loan fees.

Neither Fannie nor Freddie have been assessing fees on most loans for borrowers with credit scores above 720, even if the down payment was small. But citing a need to address "risk" and price out their services appropriately, they now assess a fee of 0.25% to 0.5% of the loan value on borrowers with credit scores of 720 or higher who put down less than 25% of the purchase amount. The

(continued on back page)

Information from your mortgage broker.



Here's your Mortgage Broker newsletter!

PRESORTED  
STANDARD  
U.S. POSTAGE PAID  
MAILED FROM ZIP CODE 17604  
PERMIT NO. 242

**JAMES W. ARGO**  
1902 Van Ness Avenue, 3rd Floor  
San Francisco, CA 94109

**RETURN SERVICE REQUESTED**

Please take a moment and visit my upgraded Web site. We have worked to provide you with valuable information, helpful links, and a secure electronic loan application to simplify the loan process. The overall feedback on this addition has been very positive.



**[www.JamesArgo.com](http://www.JamesArgo.com)**

© Copyright 2011. Newsletters, Ink. Corp. All rights reserved. Printed in the U.S.A. [www.NewslettersInk.com](http://www.NewslettersInk.com)

## No boredom in the mortgage industry for 2011! *(continued from front page)*

current fee for those with credit scores of 700 to 719 who put down less than 20% of the purchase price will double to one full percentage point of the loan value, up from one-half point.

Consequently, the higher fees will translate into slightly higher mortgage rates.

In addition, the Federal Housing Administration, saying it needs to bolster its capital reserves, is raising its required annual mortgage-insurance premium for FHA loans by 0.25% of the loan value. As a result, FHA loans—which are aimed at first-time home buyers and those with moderate incomes—will include an up-front mortgage insurance payment of 1% of the loan amount and an annual premium of 1.1% to 1.15% when the increase goes into effect on April 18.

For regular loans, private mortgage insurance (PMI)—which is required when you put down less than 20% of the home's value—is tougher to get than it once was. Generally, it is available only for buyers who make a down payment of at least 5% and have a credit score of 700 or higher.

■ **Dodd-Frank fallout:** The Consumer

Financial Protection Bureau, established by the Dodd-Frank financial overhaul, opens its doors for business in July and is expected to take a close look at how interest rates and closing costs are disclosed to borrowers. This creates new costs that lenders are sure to pass along to consumers. In addition, a Federal Reserve rule that takes effect April 1 changes how we mortgage brokers are paid, a move intended to curb practices such as "steering" home buyers to higher-cost loans.

Unfortunately, they are locking the barn doors long after the horses were stolen by the bad guys, and it appears that the federal government is setting up a solution through Dodd-Frank that will make it neither easier nor less costly for money to flow to the most deserving borrowers.

These new rules will raise mortgage costs and shrink the mortgage market, giving you fewer choices.

■ **More restrictions.** Earlier this month, the Obama administration proposed a wide-ranging overhaul of the mortgage market, including phasing out Fannie Mae and Freddie Mac, requiring a down payment of at least

10%, and reducing the share of FHA loans, which are almost 30% of the market now, up from a historical market share of 10% to 15%.

In addition, **and this is key for those in the SF Bay Area and other "high cost" areas, the administration recommended letting Fannie and Freddie loan limits for high-cost areas fall back down to \$625,500.** The limits were temporarily increased to \$729,750 in 2008 when the market for "jumbo" loans—those above the loan limits—all but disappeared, and that increase is now scheduled to expire Sept. 30. (The \$417,000 loan limit for homes in most other markets would remain the same.)

What those proposals mean depends on where you live. In parts of the SF Bay Area, where the average home price is still close to \$1 million, a drop in the loan limit means more buyers will need non-Fannie Mae/Freddie Mac jumbo mortgages. Those programs have rates that are about half a percentage point higher than conventional loans. So let's have a conversation sooner rather than later. It might save you or someone you know a substantial sum.