The **Glass** is Completely **Full**

CRESTMARK MORTGAGE

Owning a home has long been considered an integral part of "The American Dream." In spite of recent turntable reports flooding the media, the numerous advantages of owning a home still far out-weigh the risks. "The Dream" is not only viable, but when current restrictions are treated as safeguards, home ownership can be a safer investment in your future than ever before.

The benefits of owning a home are obvious. In addition to pride of ownership and avoiding pouring irretrievable monies down the drain in ever-growing rental prices, the obvious and longest lasting advantages are the same they always have been – The ability to deduct mortgage interest from taxes; the privacy and flexibility to customize your living space, and the potential for community and neighborhood involvement.

For those who have chosen Real Estate as an investment tool, the advantages remain the same also: diversification of financial portfolios and the home appreciation factor which builds equity while also earning rent income.

As always, the importance of choosing a reputable and experienced mortgage lender to guide you through the home buying process cannot be over-estimated, and indeed, that choice lies at the source of some of the wide-spread problems that many borrowers are experiencing today.

A qualified mortgage lender will provide a thorough analysis of your financial picture and the increased documentation now required, though cumbersome to compile, is beneficial in determining how much home you can afford. More importantly, a trustworthy lender can help you decide realistically, how much of a monthly mortgage payment you are comfortable with – even before you begin looking for a home. According to numerous industry sources, a qualified lender can quickly assess your budget position and determine the amount you can spend on a down payment, closing costs, monthly mortgage payment, taxes, insurance and other costs associated with buying a home.

The lender makes this determination based on your income-to-debt ratio plus an honest, straight-forward analysis of your long and short-term financial goals – ie., children approaching college age, number of years before anticipated retirement., etc..

Lifestyle priorities and patterns also create an impact. Do you like expensive cars or are you comfortable with older, less expensive models? Do you frequently make large purchases like new sound systems or expensive antiques for your home? Are big vacations your style, or had you rather skip the trips and save the money? Do you have three months of income tucked away in a quickly accessible place so that an emergency won't become a disaster? There is nothing wrong with any answer, but a reputable lender will help you realistically and honestly assess not only what you can spend, but habits and preferences that can affect your comfort zone in mortgage payment amount.

These factors that affect mortgage payments are relatively simple and certainly the same as in years past; and it has always been important to choose expert advice when making such a substantial decision..

So what is different. . . and why are Wall Street's threats of a crashing economy focusing blame on the mortgage industry? What is causing investors to tighten the financial perimeters and guidelines under which they will provide money for mortgage lending?

For a simple and authoritative answer to a complex question, we went to Marc Laird, Founder, President and CEO of Houston-based Cornerstone Mortgage Company. A Certified Public Accountant and 20+ year expert in the mortgage arena, Mr. Laird's premise was concise and to the point.

"Wall Street firms created Subprime and ALT-A loan programs that significantly expanded the traditional loan qualification requirements, enabling borrowers with "scratched" (or poor) credit to buy a home with little or no money down; and in many cases, without lender verification of income and assets. Many of these programs offered below-market "Teaser Rates," making it even easier for a borrower to afford a home during the first few years of the mortgage loan. The results of the increase in these types of non-traditional home loans over the last ten years were predictable." Laird continued, "Many borrowers could not make their payments because of job loss, unemployment and frequently increasing mortgage payments. This led to higher-than-forecasted early payment default rates, which in turn led to mortgage-backed securities being downgraded and Wall Street firms requiring the mortgage lender to buy back a defaulted loan. Due to lack of capital, this ultimately caused the closure of many sub-prime mortgage lenders – and indeed, caused a black eye for the entire mortgage industry."

What does this mean for the average buyer, and what should he expect when desiring to purchase a home?

Changes that a borrower might now experience include:

- **Stricter underwriting guidelines for qualification**
- **New disclosures at closing**
- **Down payment increase for borrowers having credit scores below new limits**
- **Required private mortgage insurance protection**
- **Increased documentation requirements to support and verify the statements made on a loan application.**

Your credit score will continue to play an important role in obtaining a loan, and now it will probably be the major determining factor in the rate you receive as well as the amount of the down payment you will be required to make.

We asked Marc Laird, who is a frequently sought-after national speaker on mortgage issues, to give us the bottom line. "Based on current market conditions, what should the average buyer look for when choosing a mortgage lender?" Again, his answer was quick and to the point.

"Choose a reputable, experienced mortgage lending company that is financially strong, has been in business for numerous years, and is currently financially positioned well – primarily, one that does not originate Subprime loan products or other loan products that are not generally beneficial to clients."

"Choose a mortgage lender who has a strong warehouse line of credit and a strong percentage of liquidity in tangible net worth."

"Choose a mortgage lender who provides in-house processing, underwriting, closing and funding functions – and thereby controls processes locally and expediently."

And finally, "choose a lender who has access to loan products and pricing of numerous national investor sources to make sure that every reliable loan program is available to clients."

Laird's parting comment was that a mortgage company should "help people purchase homes they can afford using loan programs that make sense for their specific financial situations. In essence," he calmly said, "choose one that does business 'the Right way for the Right reasons.'" Carefully considered, the fear of making a move can be not only completely overcome, but also can be done away with entirely. While nothing is failsafe, if you follow the simple guidance of a qualified mortgage lender, you are as safe as you can possibly be.