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Public Is Understandably Confused About Current Situation With Mortgages

I am so glad that I'm a Realtor and not a mortgage broker. The chaos and turbulence in the mortgage industry make it a full-time job just to keep up with developments, much less work with clients.

So I asked my favorite mortgage professional, **Shelley Ervin** of Clarion Mortgage Capital (303-722-7345) to help me paint a picture this week of the mortgage situation both nationally and here in Jefferson County.

There's a lot of buzz about the Treasury Department's proposal aimed at inducing lenders to issue 4.5% mortgages (for purchase only, not to refinance). The loans would be originated by lenders according to Fannie Mae/Freddie Mac guidelines, and then sold to the Federal Reserve, which would get the money by issuing Treasury

debt at 3.0%. This would be a multi-sided win/win, because not only would homeowners get affordable loans, which would boost real estate values, but the banks and real estate industry would make money, and the government itself would make money on the spread.

The concept is still being fleshed out, and may not be instituted before Barack Obama is sworn in, but it strikes me as an all-around good idea. The agencies must be excited about it, or why would they talk about it so prematurely?

Meanwhile, loans are definitely available, but only to those who can document adequate income, and who have good credit and a down payment. The FHA, famous for its 3% down payments (plus some fees), will be raising that requirement to 3.5% on January 1,

2009, posing a minor setback for some buyers, but still a bargain.

This week we're seeing 30-year fixed mortgages as low as 5.25%. One broker told me she secured a 5% loan last week. Combine low rates with the deals available in areas hard hit by foreclosures, and it's a great time to buy. Just this Monday I represented a buyer in the purchase of a great 2006 home in Commerce City for just \$117 per square foot, with a 30-year loan at a fixed rate of 5.25%. Amazing!

Everyone in the mortgage industry is being extra meticulous these days, especially appraisers and underwriters. Loan documentation has never been as rigorous, and lenders are not hesitating to order multiple reviews of appraisals.

The ranks of mortgage brokers are thinning dramatically now that they must be licensed, which requires 40 hours of training and a state exam. Make sure any mortgage broker you talk to is licensed by visiting www.dora.state.co.us.

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