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Mortgage Lending Gets More Challenging All the Time; Here's the Latest

REAL ESTATE TODAY

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I don't envy mortgage brokers their work. No wonder so many of them have left the business! As a real estate broker, I only have to deal with rule changes and new forms every year or two. The poor mortgage broker has new rules, guidelines and rates coming at him or her every hour of every day!

There are FHA, conventional, CHFA, HUD, VA and other loans and new underwriting guidelines for each of them which can change at any time, with or without notice. If the loan officer or underwriter fails to follow each guideline or rule precisely, not only will the loan not be funded, but if the mistake is caught in a post-closing review, Fannie Mae or Freddie Mac could make the mortgage company which wrote the loan buy it back. This can put a mortgage company out of business very quickly, because mortgage companies must sell their loans to Fannie, Freddie or someone else so that they will have the cash to fund future loans. If several loans have to be bought back because of underwriting errors, the mortgage company quickly runs out of working capital and close up shop. This has happened too often.

One of our trusted lenders, Bruce Gustafson of Crestline Mortgage (303-596-0780), spent an hour this week going over some recent mortgage lending developments at our weekly meeting. There's only room to share some of what he taught us.

1) Denver has renewed funding for its Mortgage Credit Certificate (MCC) program which allows buyers with income under $93,360 to get 30% of their mortgage interest refunded to them on their tax returns (up to $2,000 per year) for the life of their mortgage loan. It's expected that the statewide MCC program will be funded again by the end of March.

2) Starting April 1st, buyers with deferred student debt will have their debt-to-income ratios — so important in qualifying for a mortgage — recalculated to include 1% of their loan balance each month, which can make them unable to purchase a home. If you have student debt and can qualify for a conventional loan instead of FHA, get under contract and apply for your loan before April 2nd. With FHA, a similar rule goes into effect in June. Ask your loan officer for details.

3) The Colorado Housing Finance Authority (CHFA) has long offered buyers the ability to put down only $1,000 to buy a house by writing a second mortgage to go along with an FHA or conventional loan, but starting Feb. 2nd, they will change that second mortgage to an outright grant that does not have to be repaid! Again, ask Bruce or another CHFA-certified lender for details.

This just skims the surface of what Bruce shared this week, so perhaps you can see why being a loan officer can't be second or part-time job! I'm glad I'm a Realtor, not a loan officer!

2015 Property Taxes Will Jump Because of 2014's Value Surge

Last June, I reminded readers that real estate property taxes are based on what each property would have sold for on June 30 of each even-numbered year. Since home prices were surging last spring, it looked like values for June 30, 2014, would be dramatically higher than they were for June 30, 2012, so you could expect that this year's valuation — which you'll receive on May 1st — will be higher, resulting in a higher property tax bill in spring 2016 and 2017.

Last week it was reported by Colorado's Division of Property Taxation that residential values had jumped 14.3 percent statewide over that 2-year period, and that commercial property values had jumped 9.4 percent.

While the tax rate (known as the mill levy) can only be raised by a vote of the people, the valuation of your home against which the mill levy is applied can and does change based on the sale of comparable properties. The state constitution mandates that each county assessor determine the actual full value of each property as of June 30th of each even numbered year based on the sale of comparable properties. In May you'll get a letter from the assessor saying what the new valuation of your home is, and you'll be given the opportunity to appeal that valuation in a somewhat complicated process which I will explain in a column I'll publish in May.

Senior Property Tax Exemption Explained

I learned something new recently about the pro-rating of property taxes when the seller of a home is a qualified senior benefiting from the senior property tax exemption.

Here's a scenario I experienced recently:

My seller was qualified for the senior property tax exemption because he was over 65 on January 1st of 2014 and had lived in the home he was selling for the previous 10 years — and he had applied for the tax exemption with the county assessor. (It's not automatic; you have to fill out an application.)

Here it was, late 2014, and he was selling his home to a young couple. (It wouldn't have mattered if the couple were over 65, because they won't qualify for the tax exemption until they have lived in the house for 10 years.) Come April, this young couple will have to pay the 2014 property taxes, but how should the 2014 property taxes be pro-rated?

The title company and we real estate agents were under the impression that come April, when property taxes are due, the new owner would not benefit from the senior property tax exemption — but my seller did his research and proved us wrong, saving himself several hundred dollars in pro-ration.

It turns out that the law says that if the person who owned the home on January 1st was a qualified senior, then whoever owns the property later that year still gets to enjoy the senior property tax exemption for the whole year.

A problem arises when a home sells early in the year, such as January, because the Legislature sets the amount of the tax exemption each year based on budgetary constraints. Therefore, the parties can't know at a January closing whether the property tax which the buyer will owe in April 2016 will be the same, lower or higher than the property taxes that will be owed for 2014, until the Legislature sets the exemption amount later this year.

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