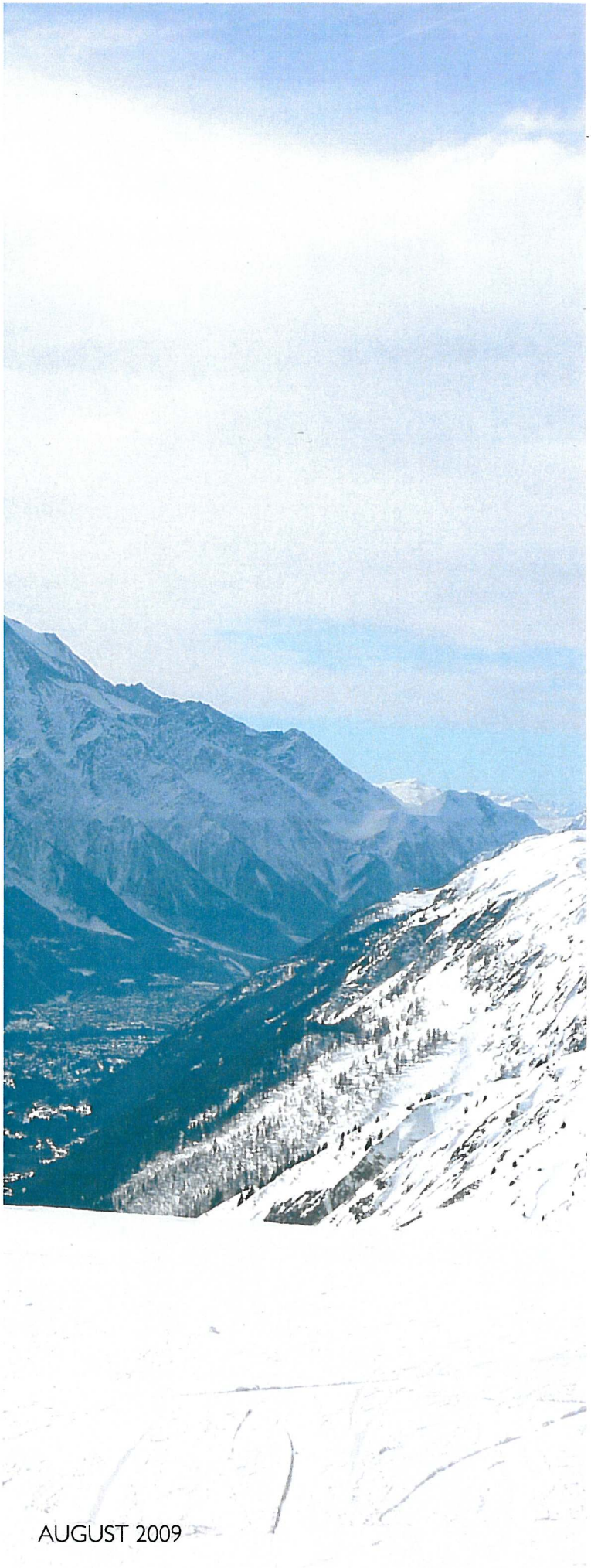


"The frozen jumbo market is beginning to thaw."



JUMBO LOANS ARE BACK

BY David Reed

If you're in the jumbo market, a mortgage loan amount above the $417,000 conforming loan limit, I have some good news: the frozen jumbo loan market is beginning to thaw.

Jumbo loans never really went away these past couple of years; it's just that with no conventional buyers of those loans there were few places mortgage lenders could sell to. Fannie and Freddie don't buy jumbo loans and the big jumbo buyers effectively went out of business in 2007.

Historically, jumbo rates could be found at out □ to 3/8 percent above the prevailing conforming rate. Certainly higher but not by much. When the mortgage crisis hit jumbo loans took a beating with rates being anywhere from one to two percent above a conforming loan. That is if you could get approved at all.

Slowly however, a few mortgage lenders are making their way back into the jumbo market and these lenders are major national banks with money to lend. Not every bank, mind you, but a few have certainly jumped back in feet first.

There are no variances from jumbo guidelines like you can find with conforming loan programs but you can still find adjustable rates as well as fixed rate loans.

Today for instance a 30 year conforming rate might be 5.125% with one point while a jumbo loan of $600,000 can be had for 5.875% and a point. Not earth shattering but certainly welcome news compared to a 7.875% rate or one with five points on it.

You can call the various banks yourself to find out who has the most aggressive jumbo rates or you can find a regional mortgage banker that has partnered with the big banks to market their jumbo loans for them. Most major banks no longer work with mortgage brokers but they

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counts as a business day for disclosures only.)

- The lender may not collect any up-front fees except to generate a credit report until the buyer has been issued his or her initial mortgage disclosure.

FannieMae

Freddie Mac

The homebuyer must be provided with a copy of the bank appraisal at least 3 business days prior to closing.

Homebuyers must be notified at least 3 business days before closing if the Annual Percentage Rate (APR) increases by more than .125% over the initial Truth In Lending disclosure. The APR is the true cost of the loan to the consumer.

According to lenders from HomeServices of America to Wells Fargo, there are a number of reasons the APR may differ from the original TIL disclosure which can cause delays in closing.

- Unlocked rate
- Change in loan amount
- Product change
- Rate re-lock due to market improvement
- Change in closing date
- Changes to fees, inclusive of settlement agent fees

The upshot for consumers is that loans may take closer to 45 days to close.

ADVICE FOR HOMEBUYERS

Lock in your interest rate and fees before you start shopping for a home. Extend your lock from 30 to 45 days. Allow ample time for the lending process in choosing a closing date.

ADVICE FOR SELLERS

Be patient with your buyer's lending delays, and prepare to be flexible with the closing date.

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erties, second homes, luxury homes or hard-to-compare rural properties are going to have a tough time finding financing. Self-employed buyers or buyers with multiple income streams are going to have a tougher time finding loans.

Many of the non-conforming loan products that served these buyers are gone, which means your pool of eligible buyers may be much smaller.

One way to enlarge your pool of buyers is to become their banker.

Owner or seller financing simply means that you allow the buyer to make a down payment, and monthly payments to you for a fixed term. You collect the principal and interest payments. If the buyer defaults, you can get the house back.



> "Seller financing is only for you if you're ready to be the banker and are comfortable negotiating the terms."

The solution isn't for everyone, but if you don't need the equity in your home as a lump sum at closing, owner financing allows you to earn a monthly income.

A good real estate attorney can help you structure the sale. You can service the note yourself, or you can turnkey the service over to a mortgage servicer that specializes in seller financing such as Noteworld.com. (Editor's note: Mortgage services do not create the notes.

Advantages are many for both sides. Buyers and sellers can come to terms, and buyers can pay about what they would in interest for a non-conforming loan. They can buy a home without expensive private mortgage insurance. They can refinance after an agreed term and get a lower rate through a lender.

Sellers can earn the interest payments as income, charging several points higher in interest rates, if they wish. By not selling in a lump sum, the seller can defer capital gains, or sidestep going into a higher tax bracket. Sellers can also sell the note, just like banks do.

To determine if owner financing is right for you, consider the following:

YOUR CURRENT MARKET

If your market is declining, consider seller financing. You'll make up in interest payments what you may lose on the sales price. Ask your REALTOR® for advice.

YOUR RESPONSIBILITIES AS THE BANKER/MORTGAGE SERVICER

Seller financing is only for you if you're ready to be the banker and are comfortable negotiating the terms, price, down payment, and how much of each monthly payment will go to principal and to interest.

As a mortgage servicer, you'll collect payments, report interest paid by the buyer to the IRS, and foreclose on the property, should the buyer stop payments.

YOUR BUYER

Only you know your own tolerance for risk. Your REALTOR® can help you structure the contract for owner financing. She or he can also help you with sources to qualify the buyer using credit scores, renter or owner history, and work history. Then you can assess whether the buyer is a good risk.