



# More Bad News... Mortgage Market In Trouble...fact Or Fiction?

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*Me* Molly Ellis

Associate Broker  
ABR, GRI, e-PRO, CRS  
Business: 360-692-6102  
Seattle: 206-282-5340  
Cell: 360-620-2690  
mollyells@windermere.com  
www.mollyells.com

**Y**ou've probably read the news. It's all over the internet, the nightly news, and is now under the spotlight of Federal investigators.

The news is saying that the subprime lending market is set to collapse.

New Century Financial Corp., the second biggest subprime lender in the country, cannot afford to pay its creditors. This is because too many of the people who signed up for loans through them cannot pay their bills and are headed into foreclosure.

A subprime mortgage is a mortgage given based on below average credit or income or in simpler terms they are riskier loans so they usually carry a much higher rate to begin with. For the past few years, this has been seen as a "good" thing because it supposedly has allowed a larger number of people to buy homes.

But at what cost?

ARM's (Adjustable Rate Mortgages) are the key product of the subprime industry, and consumers are usually horrified at how steeply their payments go up after a year or two. They literally cannot afford them and are eventually forced into desperately selling their home or declaring bankruptcy.

The truth is that if a mortgage sounds "too good to be true", then it probably is. This week, ABC's Nightline profiled an elderly woman who was promised by a sales rep that she would have no payments for five years on her refinance loan—only if she signed by 5pm that day. Guess what? He lied. Bills for \$2300 began to show up and she couldn't afford to pay them on her \$1000 a month Social Security income. Now in her 80's, she's losing her home and she has no place to go.

It's about time that this unscrupulous industry with its ridiculous promises is squarely under

the spotlight. Hopefully this debacle will force Federal regulation that will end such practices. Maybe now we can get back to lending money only to people who can afford it.

When lenders give money to people who can not afford it, it affects YOU! When your neighbor goes into foreclosure and has to desperately sell their home they often sell for a lot less than they could have had they not been so desperate. This will affect you later if you try to sell because it can devalue your neighborhood. Bad lending practices affect everyone not just the person with the loan that they can not afford.

Here are some tips to defend yourself against a loan rep who sounds "too good to be true":

- 1. Get good faith estimates from 3 lenders.** Don't trust just one. Talk to at least three. And tell them! Say "I'm talking to two other lenders and here's what they're offering." You'll be amazed at how they'll bend over backwards to match their competitor's offers. And ask these lenders for a good faith estimate, a truth in lending statement and a detailed breakdown of all the costs.
- 2. Get an attorney.** One hour to look over your mortgage is all you need. It's worth it to avoid the bigger nightmare of a desperate sale or foreclosure down the road.
- 3. Stay away from ARM's** unless you understand them. Just because a sales rep promises you that your adjustable rate won't go up doesn't mean that it won't. Go for fixed rates or an ARM that will still work for you when the rate adjusts...and the rate WILL adjust.
- 4. Work with me, your real estate agent.** As a real estate professional I have the opportunity to meet many excellent lenders. I can help guide you in finding the right lender for you and I can assist you in making sense of the products you are being offered. I look forward to helping you make the most of real estate experience.

  
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