



Ann Arbor Mortgage

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2200 Green Road, Ann Arbor, MI 48105

August 2011

Low Rates Until at Least Mid-2013

That's what the Fed's Policy Statement proclaimed on August 9, 2011. Although the statement was rather downbeat on the economy and no hints of a QE3 on the horizon, they extended their current mantra of keeping lower rates for an "extended period" of time.

Because the Fed will keep the Fed Funds Rates at 0% for the next two years, home rates are not likely to shoot up either, but at the same time that doesn't mean that home loan rates are going to get much lower. Should the current rise in Core CPI continue, currently at 1.6% year over year...rates (including home loan rates) will have to gradually rise as well.

All in all, now is a great time to purchase or refinance a home with unprecedented low rates readily available.

Mortgage Bits

- As of October, 1, 2011, the maximum FHA mortgage amount in Washtenaw County will drop to \$271,050 from the current level of \$345,000. This is in conjunction with drops in many parts of the country due to declining home values. FHA currently has roughly 40% of the mortgage market nationwide. Their mandate is for 10% to 15% of the market so this may also be one way to reduce their market share.
- The rates being charged for private mortgage insurance (pmi) have dropped at several companies over the past month.
- FHA condo: Please make sure that the complex is on the approved FHA list (VA as well) before making or accepting an FHA (or VA) offer. Please contact us for the latest list as they can change daily.
- VA site condos: The VA considers a site condo the same as a regular condo and require that the entire complex be approved before they will loan on an individual site condo. There are only a few in Washtenaw and Livingston Counties that are approved at this time. Please contact us for the most up-to-date list.
- Credit inquires: All inquires made for establishing a mortgage, auto or student loan made within the same 45-day period only count as one inquiry. Inquiries only make up 10% of your total credit profile, so to have minimal impact.

Credit Corner

The chart below shows how credit may be affected for different credit issues. The higher the original score, the larger the point drop.

Credit Mistake	If the score started at 680	If the score Started at 780
Maxed-Out Card	Loss of 10 to 30 Points	Loss of 25 to 45 Points
30-Day Late Payment	Loss of 60 to 80 Points	Loss of 90 to 110 Points
Debt Settle for Less Than Full Balance	Loss of 45 to 65 Points	Loss of 105 to 125 Points
Foreclosure	Loss of 85 to 105 Points	Loss of 140 to 160 Points
Bankruptcy 13 or 7	Loss of 130 to 150 Points	Loss of 220 to 240 Points

How Long Might it Take to Save for the Down Payment?

Based on average income by profession, the following shows the time it would take to save up an average home's **20% down payment** or 10% down payment. Paints a pretty good picture using FHA financing with only 3.5% down payment required. (Source: Genworth Mortgage Insurance.)

Lawyer	Airline Pilot	Computer Programmer	Registered Nurse
7 years	8 years	11 years	12 years
4 years	5 years	7 years	7 years
Accountant	Elementary School Teacher	Police Officer	Firefighter
13 years	15 years	15 years	18 years
8 years	9 years	9 years	11 years
Social Worker	Residential Construction Worker	Army Staff Sergeant	Child-Care Worker
20 years	20 years	26 years	41 years
12 years	12 years	16 years	25 years

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