



Ann Arbor Mortgage

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2200 Green Road, Ann Arbor, MI 48105

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Ann Arbor Region - The Garden Spot of Michigan

We are in the best spot in the state and probably in the Midwest. The rest of the country complains that they have too much inventory and no buyers and we are just the opposite!

Think about it...too little inventory results in home prices going up - the law of supply and demand. Rising home prices can be buoyed, as well, by many people chasing the same products. We have seen appraisals coming in \$10,000 to \$15,000 over the purchase price. That hasn't happened in a couple of years, and additionally, we are hearing of multiple offers on homes, again, something that hasn't happened in quite awhile.

Interest rates have remained at all-time lows and underwriting has seemed to have stopped adding new guidelines on a daily basis. 5% down conventional loans have made a strong resurgence as PMI companies have relaxed their requirements. The VA (zero-down payment required) has lowered some of their fees making it more affordable for our Veterans. FHA continues to allow borrowers to put as little as 3.5% down and mortgage rates have dropped as well for jumbo loans.

There still is talk of mortgage rates remaining low through 2012. Southeast Michigan's and particularly Ann Arbor's economies seem to be improving.

All in all, it's a pretty good time to be here in the Garden Spot of Michigan.

From all of us at Ann Arbor Mortgage, we wish you safe and happy holidays!

Removing the First Barrier to Home Ownership

In a recent survey, 80% of potential home buyers thought a 20% down payment was necessary. One of our charges is to make sure that potential home buyers are aware that is just not true.

VA and USDA Rural Development Guaranteed Loans do not require any down payment. FHA allows as little as 3.5% down (all of which may be gifted from a family member) and Conventional loans require as little as 5% down payment.

Let's make sure that the buying public is aware of this! There sure are a lot of renters who may be able to take advantage of this great market and become homeowners. Spread the word!

Top 6 Reasons Mortgage Applications are Rejected - Part Two

Half of refinance applications are abandoned or rejected, as are 30% of purchase applications, according to the Mortgage Bankers Association. All told, the Federal Financial Institutions Examinations Council (FFIEC) says that well over 2 million mortgage applications were rejected last year.

Want to avoid falling into that number? It's tough - especially in light of the fact that mortgage lenders have become increasingly restrictive in terms of their lending guidelines since the housing market crash.

Here, as a cautionary tale and primer on what to expect, are the top 6 reasons mortgage lenders reject applications.

1. **Property Didn't Appraise.** Since the whole industry had its hand (among other things) smacked for allowing home values to skyrocket in a very short time, appraisal guidelines have tightened up - some would say, even more than overall mortgage guidelines. So, nationwide, it is increasingly common to have the property appraise for a price lower than the sale price negotiated between the buyer and seller.

This commonly occurs in a refinance, as well over a quarter of U.S. homes are now upside-down, meaning the mortgage balance owed is greater than the value of the home.

2. **Condition Problems.** With all the distressed properties on the market, and with most non-distressed sellers barely breaking even, more home-sale transactions that ever are falling apart due to condition problems with the property. Many lenders will not extend financing on homes where the appraiser points out problems like cracked or broken windows, missing kitchen appliances, electrical problems, or wood rot.

And in the world of condos and other units that belong to a homeowners association, if more than 25% of units are rented (rather than owner-occupied) or more than 15% are delinquent on their HOA dues, new applications for refinance or purchase mortgages on units in the development are likely to be rejected.

3. **Technical Difficulties with Application.** The days when lenders just took your word for it are long, long gone. Applications with incomplete or unverifiable information are doomed.

If any of these mortgage loan applications glitches arise in your home buying or refinancing process, it's critical that you connect with your mortgage lender to determine what course of action to take.

In some cases, it might be as simple as buying a stove you find on Craigslist and installing it before the loan closes; but with income issues your loan officer will need to help you determine whether it makes sense to pay some bills down, get a co-signer, or even wait six months so your income documentation will qualify.

The State of Credit

The second Annual State of Credit Map was recently published by Experian. The credit bureau and financial data company ranked more than 100 metropolitan areas in all 50 states in the order of their average resident's credit scores.

The average credit score nationwide for 2011 is 749. The city in Michigan with the highest average credit score is Traverse City at 756 (ranked #56) followed by Grand Rapids (753), Lansing (750), Flint (747) and Detroit (743). Ann Arbor was not included in the study. Credit scores range from 350 to 850.

Eight of the 10 American cities with the highest credit scores are in the Midwest (the outliers were San Francisco, CA and Sioux Falls, SD). A parallel pattern emerges on the other end of the credit score rankings. Eight of the 10 cities with the lowest credit scores are located in the South (rounding out the list: Bakersfield, CA and Las Vegas, Nevada.)

The report also found some regional patterns in debt levels consistent with the credit score rankings; six of the 10 American cities with the lowest levels of debt were in the Midwest, and eight of the 10 with the highest debt levels were in the South.

Short on Down Payment? Use Your IRA

First-time homebuyers who have IRAs may have more money available for a down payment than they realize. Ordinarily, the money in an IRA can't be withdrawn before age 59.5 without incurring a 10% income tax penalty.

However, there is a special exemption for first-time homebuyers. They can withdraw up to \$10,000 in IRA funds to purchase a first home without paying the penalty. A married couple can each withdraw \$10,000, giving a total of \$20,000.

Who is a first-time homebuyer?

For IRA purposes, you're a first-time homebuyer so long as you, or your spouse, did not own a principal residence at any time during the previous two years. The two years are measured from the time the new home is acquired. This is the date a binding sales contract is signed or building or rebuilding begins.

Please check with your financial advisor as there may be some differences between a traditional and a Roth IRA in terms of taxes that may be due upon withdrawal.

Numbers Don't Lie

Recessions: The US has survived 13 recessions during the **past 75 years**, an average of **1 every 5.8 years**. (Source: National Bureau of Economic Research)

Ben and the Gang: The 9th and **final scheduled meeting** of 2011 for the Federal Open Market Committee (FOMC) was held on 12/13/11. It was at the Fed's December 2008 meeting (held on 12/16/08) that the FOMC voted unanimously to **cut short-term interest rates to near zero** from its then current level of 1%. Since then, the FOMC has **met 24 times** and voted on every occasion to **leave rates unchanged**. (Source: Federal Open Market Committee)

As The Economy Goes, So Goes Babies: The greatest **number of births** in a single year in the history of the United States was 4.32 million in 2007, completing 5 consecutive years of increasing births in the country. Since 2007, the total has **fallen 3 straight years** to 4.00 million in 2010. (Source: Centers for Disease Control)

Happy Holidays from all of us at Ann Arbor Mortgage!

Have a mortgage or finance question?

Please email us at questions@a2mc.com



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