



Ann Arbor Mortgage

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November 2011

Happy Thanksgiving from all of us at Ann Arbor Mortgage!

"Budget Day" is Just Around the Corner

During November we have Veteran's Day and Thanksgiving, or "Turkey Day." This year we get an extra event. November 23 is the day that Congress is supposed to agree upon the numbers to cut future federal government deficits. Will they raise taxes? Will they cut entitlement programs? We don't know the answer to these questions. But we do know that this is Congress and that means that the negotiations are likely to go to the last minute and beyond and there will be public bickering involved. There is one wild card here. Apparently, the last agreement to extend the debt ceiling set this date for an agreement and if the agreement does not happen, significant automatic cuts will take place. This "hammer" might well help Congressional participants get serious a bit more quickly.

The economy continues to heal. For example, in the past week first time claims for unemployment dropped to a level not seen for seven months. This is the progress we need to see and the markets need to be focusing upon. This past week the headlines were all about Europe as now Italy is the focus of the debt crisis. The problems may also be spreading into France and Spain as well. This fiscal crisis is one of confidence. With the Holiday Shopping Season upon us we need the consumer to be confident. If the consumer is confident, businesses will be confident enough to hire and things might just get a bit better.

Mortgage Lenders to get More Insight into Borrowers' Past

Rental applications, child support payments to be factored into new credit reports

Source: *Inman News*

Mortgage lenders will soon have access to new details about a prospective borrower's past - such as past rental applications, inquiries to pay-day lenders, and missed child support payments - that will be factored in to a new credit score.

Real estate and mortgage data aggregator CoreLogic says it's signed an agreement to work with Fair Isaac Corp., the owner of the widely used FICO score, to develop new credit risk scores for the U.S. mortgage industry.

The Santa Ana-based company will generate a CoreScore Credit Report for lenders to alert them to bad debts that might previously have gone undiscovered. The reports may also help some consumers by identifying previous hidden credit history that reflects well on them, the company said. CoreScore consumer information will be "instantly merged" with traditional credit report data "in a single, integrated report only available from CoreLogic," the company said in announcing the new reports last week.

Top 6 Reasons Mortgage Applications are Rejected - Part One

Half of refinance applications are abandoned or rejected, as are 30% of purchase mortgage 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. **Income Issues.** Most failed applications falling into this category have income too low for the mortgage amount they are seeking; often a spouse's credit issues can create this problem, too, as the income the spouse plans to actually chip in toward the mortgage cannot be considered by a lender.

But increasingly, the recent quirks of the job market are also causing this issue, as people who have changed their line of work or have changed from salaried employee to free lancer over the last couple of years can also have their home loan application rejected based on income.

2. **Muddled Money Matters.** If the mortgage for which you're applying plus your monthly payment on credit card, car and student loan debt will comprise more than 45% of your total income, you could have problems qualifying for a home loan. You might also run into problems if you rely too heavily on bonuses, overtime, cash wages or rental income - all of these can be difficult or impossible to get a mortgage bank to consider, and if they do, they might not take all of it into account.
3. **Credit Issues.** Today, the mortgage-qualifying FICO score cutoff falls somewhere between 620 and 660, depending on which lender and which loan type you seek. More than one-third of Americans, by some numbers, have credit scores too low to qualify for a home loan. Even if your credit score is high enough to qualify, if you have any late mortgage payments, a short sale, a foreclosure or a bankruptcy in the last two years, loan qualifying could be difficult to impossible.

Part 2 will be featured in the December Newsletter.

Details of the New HARP Refinance Program

It is clear that Fannie Mae and Freddie Mac are now on the same page with the program and have aligned their eligibility and underwriting criteria to match. This is a big win. They are also stressing that lenders should not be adding their own credit overlays. The programs will allow many more people to refinance their high-loan-value mortgages to a lower rate. It is expected that both programs will become available shortly. Please contact us for more information.

Numbers Don't Lie

Home Sweet Home: The average size of a **new home** built in the USA in 2010 is 2,152 square feet, an increase of +35% since 1980. Bill Gates owned a home with 66,000 square feet. A football field (including the endzones) is 57,600 square feet. (Source: *Joint Center for Housing Studies of Harvard University.*)

Crazy Numbers: A child **born in 2011** that begins kindergarten in the fall of 2016 **would attend college** between the years of **2029 and 2033**. If that child attended an **average private 4-year college** and if the **annual price increases** for private colleges experienced **over the last 30 years** (+6.2% per year) continued into the future, the **aggregate 4-year cost** of the child's college education (including tuition, fees, room & board) would total \$501,000 or **\$125,000 per year**. (Source: *Collage Board.*)

Have a mortgage or finance question?

Please email us at questions@a2mc.com



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