

Lenders Crack Down on New Mortgages

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Olga Bates has been busy settling into her townhome at Lakepointe after securing a new mortgage. She found the process to be relatively easy. She presented her documentation, completed the requisite paperwork and moved into her house.

But Bates is the exception to the rule. Home ownership is bending under the weight of a meticulous approval process that's left potential buyers in a state of apprehension.

The current economy has forced many people back to the financial drawing board. Basic necessities, such as food and clothing, are becoming harder to afford with job loss at a record high. Consumers aren't the only ones cutting back and taking fewer risks.

So are financial institutions. Mortgage rates may be at all-time lows, but it's much harder to qualify. Since the recession, loan requirements have become as rigid as they were a decade ago. Alternative Documentation loans (or Alt- Doc loans), which do not require the classic income and asset verification, and had been an available option in better economic times, are no longer a possibility. Instead, lenders are utilizing a carefully-structured procedure for determining a buyer's candidacy.

"The minimum credit score has gone up approximately 40 points, from 580 to the current requirement of 620 and higher," says Brandon Beswick of C&F Mortgage Corporation. "We base approval on four key points: how much a buyer earns per month, how much they have saved, how they handle their monthly bills and the value of the home they want to purchase."

The last decade saw numerous opportunities for those interested in buying a home. Provisions were more relaxed, and mortgages became a reality for many people who would otherwise never be able to own property. But the laxity proved disastrous, as a number of homeowners defaulted on their mortgages and ended up in worse financial shape.

Greg Cuenin, area manager for MetLife Home Loans, noted the change in the industry. "We've gone back to basics," he says. "The rules are stricter than they were from 2003 to 2006, but they're the same now as they were 10 to 15 years ago."

Cuenin also adds that an approval depends mostly on the individual's loan file. "More validation is required, on everything from your home address to your social security number," says Cuenin.

Buyers accustomed to less protocol have found themselves unprepared for the crackdown, lowering the approval rate on loan applications from nine out of every 10 to half that amount. The change has served as a deterrent for aspiring homeowners, many of whom are deciding to abandon their plans rather than endure the shame of being turned down.



Brandon Beswick of C&F Mortgage Corporation talks with a customer at his office on Alverser Drive.
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While keeping organized records is an essential piece of the puzzle, there are many programs in place to help with planning and strategy. Bank of America Home Loans has created an online guide aimed at educating buyers about the process. There are tools for budgeting and determining affordability, as well as information on choosing the right kind of loan. The guide, which covers every step of the loan process, can be found at www.bankofamerica.com/myhome.

Additionally, consumers worried about credit problems can access www.FannieMae.com, a government-sponsored enterprise that helps secure funding “to make home ownership and rental housing more available and affordable,” and www.FreddieMac.com, another company dedicated to the concept of stability in the housing market.

The most important thing to remember is to keep all paperwork well-organized and filed correctly. Talking face-to-face with a loan officer can also prove invaluable, as many solutions are available for both new loans and refinancing.