

Commentary by Chris Derrow

RISMEDIA, Sept. 17, 2008-With all of the mortgage industry's recent changes, especially those related to high loan-to-value loans, credit score-based pricing, and increased scrutiny around appraisals, **we are recommending that agents counsel customers accordingly:**

**1. Liquidity is tightening, and a lot of mortgage companies are struggling to fund their loans.** Correspondent lenders' credit lines are shrinking, and brokers have less "wiggle" room with their wholesale lenders, scared by their new re-purchase agreements. Borrowers should be encouraged to work with well-capitalized lenders, ensuring their funds will be there when needed-at the closing.

**2. Borrowers should always work with a lender** that can accommodate all types of loans, including FHA, VA, Conforming and Non-Conforming loans. With the recent price increases with PMI (private mortgage insurance), FHA has become much more attractive than in years past. With recent MIP (FHA's mortgage insurance premium) changes, higher credit score FHA buyers, even those with 10% down or more, may benefit by comparing an FHA loan with a similar conforming loan.

**3. Buyers should always get preapproved, as opposed to prequalified.** With no assurances of what future mortgage industry changes will look like, buyers' agents should ensure that their time investments are going to pay off in the future. In order to do this, agents should insist on a fully underwritten preapproval (subject to appraisal) before house hunting and presenting an offer. Likewise, sellers should always demand, before tying up their property for 30 days or more, that a "preapproved" offer is being presented. Nobody benefits when a listing is "tied-up" to find out later that a "prequalified" borrower's underwriting terms have changed and, as a result, no longer qualify for a loan.

**4. Sellers, if mortgaging their next transaction, should also get preapproved prior to listing their current home.** With recent mortgage changes, some sellers may not qualify for a new home loan after they sell their current residence. None of us needs the humbling experience of explaining to a recent home seller that they have to lease rather than buy, after the fact.

**5. And lastly, recent documentation changes have slowed the processing time for many loan types.** Agents should recommend to their clients that they should work with a lender that will give them an "on-time" closing guarantee. A responsible lender will "put their money where their mouth is" if they are confident of their service offering, motivating them to hit that important closing date.

None of the above will ensure that the process will go smoothly for all borrowers, but in today's turbulent environment, eliminating as much uncertainty as possible should provide a more pleasurable experience for all concerned. RE

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