

Home buyers' hurdles

Despite drops in mortgage rates and area home prices, those seeking mortgages face tough times.

By Alan J. Heavens
INQUIRER REAL ESTATE WRITER

With fixed mortgage-interest rates at an all-time low, it might seem as if real estate offices should have house hunters lining up, ready to sign on the dotted line. On Thursday, Freddie Mac announced that the average 30-year rate had fallen to 4.27 percent.

At that rate, a \$200,000 mortgage — not including hazard insurance and taxes — would cost \$986.22 a month. Add to that the fact that single-family home prices in the eight-county Philadelphia region are down 7 percent from the housing boom's 2007 peak, and it seems like a combination that's hard to resist.

But banks are extra careful these days about whom they lend money to, with the result that many looking to buy houses are not able to qualify for the lowest interest rates — or for mortgages, period.

Area real estate agents and mortgage brokers say they are trying to work with individual buyers to clear obstacles to borrowing created by cautious lenders, who are mindful of a several-year-long track record that, in August alone, produced 245,000 new foreclosures, 3.2 million loans that were more than 60 days delinquent, and 101,000 sales of repossessed houses nationally.

In some cases, the agents and brokers say, such efforts might include providing lenders more income documentation and clearing up borrowers' credit issues.

The situation is complicating a tough

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sales environment already battered by persistent high unemployment and prospective buyers' expectations that prices will go down even more. Moreover, many would-be sellers, especially those who bought during the 2005-07 boom years, are dropping their prices only reluctantly. Some simply refuse, agents and brokers say.

To help buyers obtain mort-

gages, said Center City agent Jeff Block, of Prudential Fox & Roach, he has "had to work closely with lenders ... but almost exclusively because of issues on the lender's end, and not with the buyer's financials."

"Needless to say, this is much more common with Internet and non-local lenders, but I can almost always find a way through it," Block said.

Weichert Financial Service president Steve Madonna said two prospective buyers in 10 cannot qualify for mortgages. "I am seeing people who qualify easily and people who don't qualify at all," he said.

Lenders look for four "tradelines," such as a car loan or credit card, that are at least 12 months old.

"I am finding many young people who are not using any credit cards at all," Madonna said. "They use their debit card 45 times a month, but it is the same as paying cash."

Philadelphia mortgage and real estate broker Fred Glick said that tighter requirements have cut the number qualifying for home loans about 50 percent from a few years ago.

"If they have equity, good credit, full income documentation, and the underwriter isn't taking acid that day, it's not bad," Glick said. Mortgages insured by the FHA and VA are available if buyers do not have sufficient down payments, "but you will have the mortgage-insurance payment or funding fee" that will add to the cost.

Marshal Granor, principal in Granor Price Homes in Horsham, said a lack of cash

for closing costs also means some mortgage applicants will not make the cut.

And Jerome Scarpello, of Leo Mortgage in Ambler, said even qualified borrowers could be stymied by today's tighter lending rules — increased credit-score requirements, for example.

"If your score is under 700, some private mortgage insurers won't insure you," Scarpello said. "Under 620, you cannot get a competitive-rate loan."

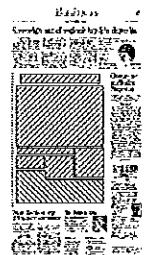
The pendulum has swung so far to the other side, he said, that "good, quality, make-sense people are being told, 'No.'"

Broker Peter Buchsbaum, of Abington Mortgage in Horsham, said 95 percent of the people who contact him can qualify for the lowest interest rate and "the other 5 percent are capable of getting the rate, but maybe not for as much a loan as they are requesting."

He added, however, that the mortgage market is constricting each day, with some underwriting rules making sense and some not.

"My frustration is that the feds keep pushing interest rates as the answer to the real estate puzzle," Buchsbaum said. "Until prices stabilize and the public doesn't waste time trying to get loans from large banks, we'll stay in this rut."

To Narberth Realtor John Duffy, it's looking like a return to the days when buyers needed stable employment, decent credit, and equity for a down payment.



"In the long run, that will help everyone," he said.

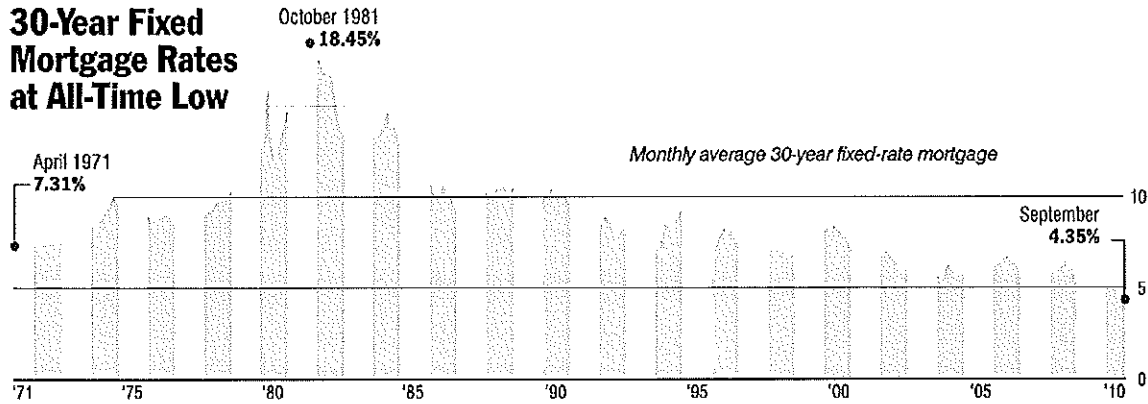
Contact real estate writer Alan J. Heavens at 215-854-2472 or aheavens@phillynews.com.



MATTHEW STAVER / Bloomberg News

A previously owned home in Denver. Because banks are being extra careful, many seeking loans cannot qualify.

30-Year Fixed Mortgage Rates at All-Time Low



SOURCE: Freddie Mac

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ELIZABETH ROBERTSON / Staff Photographer
Fred Glick, a Center City mortgage broker, said tighter requirements had cut the number qualifying for home loans.