Getting a mortgage still feasible

By Leslie Mann | Special to the Tribune
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True, mortgage foreclosures are rising and many home buyers with subprime loans are in trouble. But, "the sky is not falling in," says **Bill McNamee, president of the Illinois Association of Mortgage Brokers.**

There are still plenty of reputable lenders and mortgage products out there And there is no shortage of new and existing homes for sale. The industry is fast-changing, says McNamee. So your new mortgage will not only be unlike your dad's; it will be unlike your older brother's, too.

McNamee is president of Pinnacle Home Mortgage in Lombard.:

Q. Is the situation in the mortgage industry as bad as might be assumed from things that we read?

A. No. Foreclosures are up, home prices have leveled and builders are reducing their inventories. But Midwestern builders don't have the over-supply that they have on the coasts. And, while existing-home sales are slower than normal, they are steady.

I'm seeing inflated foreclosure numbers that make them sound larger than they really are. If they were as high as some reports, you'd see boarded-up houses up and down your street.

And, there seems to be an agenda to blame the foreclosures on brokers. According to the U.S. Department of Housing and Urban Development, the top reasons for foreclosures are unexpected increases in expenses and unexpected decreases in income. The major contributing factors are death, divorce, job loss and illness. Unfortunately, these things do happen, but they are not caused by brokers.

Q. How will the number of foreclosures affect borrowers?

A. Lenders are tightening their restrictions. So it will be harder to obtain a mortgage for high-risk people such as those with bruised credit or a poor job history, the self-employed and those without down payments.

Some of the people who got subprime loans a few years ago will have to sit tight for awhile until some of the restrictions are lifted.

Q. If you haven't acquired a mortgage for 10 or 20 years, what will surprise you?

A. Be prepared for more paperwork, lot of it, because of lots more rules and required disclosures. It is more complicated.

But despite all the negative press, there are good deals. And those who lived through 18 percent interest rates in the 1970s know that today's mortgage interest rates are pretty good.

There are so many types of mortgages now, depending on your needs.

If you are not going to own your house long-term, consider an interest-only loan. The interest is deductible.

The lower payment enables you to pay off other debts and be in better shape to buy your next house.

If you plan to be in the house for at least seven years, don't be afraid to look at a mortgage with points (up-front payments). A 7-year ARM mortgage with one point can have a far better interest rate than a 30-year-fixed with zero points, and the point is tax-deductible.

Q. Now that this has become a tougher business, are you seeing some mortgage brokers changing careers?

A. Absolutely, and this is healthy for the industry. The people who are leaving are those who saw it as a get-rich-quick scheme and were not in it for the long run.

Q. What will the next five years bring to the mortgage industry?

A. We'll see more reverse mortgages for elderly people with limited incomes but with a lot of home equity. Many are afraid of these mortgages because they hear they'll lose their houses, but they can use the money from the reverse mortgages to pay their expenses and stay in their houses, too.

Their kids, the Baby Boomers, are retiring and inheriting money. They spend their money, so they aren't just buying second homes; some are buying third or fourth homes.

Q. How can a borrower avoid becoming a foreclosure statistic?

A. Pay your bills on time -- that's number one -- so you have good credit. A bad credit score is a bigger red flag for me than a history of changing jobs. In some professions, changing employers is routine. But the bad credit tells me you don't pay your bills or you max out your credit cards.

Avoid Jonesing. That is, enjoy the things in life that money can't buy instead of buying houses you can't afford.