

# *WestMichiganMortgageHelp.com*

## **THE MORTGAGE MESS AND ME**

Written By: Harry Gribnitz

*In my monthly letter, I normally do not address mortgage or Real Estate issues. My letter from the heart is intended to be a diversion focusing on human interest stories or even a little humor. However for the last several months, I had had numerous calls and e-mails asking about the 'mortgage mess' and how will it effect me. I am going to attempt a simple explanation of a very complicated subject with an emphasis on how it impacts you.*

*For years lenders, Realtors, investors and homeowners made the assumption that the market value of a house would go up every year. For some lenders and borrowers the standard fixed rate mortgage was to "dull". The market climate lend to the invention of a range of much more exotic mortgages; ARMS (adjustable rate mortgages), Interest Only (you only pay interest therefore, you never pay down your mortgage balance) and Option payments (you can actually pay less than the interest on the mortgage, therefore your mortgage balance actual goes up!). These programs were "sold" very hard by the lenders advertising on the radio, television and internet. The goal of the advertising was to state the lowest possible monthly payment without regard for the consequences to the future payment or the borrower.*

*When I hear these ads on the radio, I have an overwhelming urge to reach through the radio and grab the lender's spokesperson by the throat. I am not saying these programs are never appropriate. Under specific circumstances, these programs can be the best choice for a knowledgeable borrower who has considered, with the help of a Home Loan Specialist for Life, the specific strengths and consequences of a particular program. However, all too often the programs were "sold" to the first time buyer, single parent or retired individual without regards to the eventual consequences. (Yes, I am angry how some in our industry have acted. The argument that the lender didn't do anything actually illegal and the borrower signed the documents holds no weight with me.)*

*As a part of the normal historical cycle, the economy, particularly in Michigan, began to slow down. The housing industry and housing sales responded to the economic issues. Unemployment or underemployment started to impact foreclosures. Housing values slumped with home prices remaining stable or actually declining. The new factor to the economy was the large number of "exotic" mortgages financing homes. Interest rates started to adjust upward. Home payments suddenly increased by 20, 30%, or more. You would be amazed the number of people we talk with who never fully understood the impact of adjustable rates. The rising payments pushed more homeowners into financial stress. Since many homes had been 100% financed or refinanced and often with interest only or lower payments, the home is now impossible to sell and difficult to refinance. The borrower owes more than the property is worth in the current market. Short sales and foreclosures became the only options. You have seen the headlines regarding the impact on the lenders as numerous non-conforming lenders have gone under or are in serious financial trouble. Many of these lenders were forced to layoff employees.*

*I have no sympathy for the lenders who invented and profited from the risky programs. They "bet" on a higher return or profit from these programs, but have suffered the consequences of the risk. They should have known better! However, I have sympathy for the employees suffering layoffs. The innocent victims, the unsuspecting or unknowing borrowers, deserve all our sympathy and help.*

*What does all of this mean to you? If you have a fixed rate mortgage (7.0% or less) and you don't plan to sell your home in the next few years, sit back, relax and watch some football this fall. (Don't forget the Priority Mortgage Football Challenge.) If you know someone struggling with their current mortgage payment or just confused by their current mortgage, please refer them to us for help. We promise to help them understand the various options that might help their situation. We will not take advantage of them by "selling" them a short term fix that doesn't make sense for them. If you have further questions about the "Mortgage Mess" or just want to review your situation, please give me a call.*

Thank you,

Harry Gribnitz

Your Home Loan Specialist for Life!

PS: Please remember to refer friends, relatives or co-workers (particularly those that might have had a Tree fall on them or been hit by a Rock) who need our help or have questions about their own mortgage mess.

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