



## What About Down Payments?

**Josh Moffitt, President**  
**Silverton Mortgage Specialists, Inc.**

Well, the mortgage market continues to make headlines and make our lives interesting!

One of the biggest questions we are getting right now from clients and realtors is, "Do you have to put down 20% to buy a house now?" The answer is no (but in some cases, yes...remember we're talking about mortgages, so there are no absolutes!).

In most cases, there are just as many products available to consumers as there were a few months ago, including products with 100% financing. The biggest change is not the loans per se, but the tightening of the guidelines for obtaining the loan.

In months and years past, underwriting guidelines became very casual. With the recent credit crunch, however, guidelines have been tightened back to where they were several years ago and so it is a little tougher to get a loan. Mortgages, like most things financial, are cyclical and are currently in a correcting cycle.

There are still plenty of 100% and first-time buyer products for no money down. But, rather than only requiring a 620 score, now the bank might want a 660 score. And, instead of allowing someone to just state their income (without providing any documentation), they now want to verify income with recent pay stubs and W-2's.

Of course, there are also products that have been revamped in the last few months. Investment property loans, construction-to-perm loans, stated income and second mortgages have all gone through major changes. They all still exist, but they have changed quite a bit and the requirements to obtain these types of loans have become considerably more difficult.

Probably the biggest change has occurred in the stated income and no-doc loans. Previously, these loans required very little (if any) documentation, so they were very attractive. What banks have realized is that if borrowers can't verify their income, assets or employment, then the loan is much riskier than if they could provide it. Therefore, that same loan that three months ago would allow borrowers to borrow 100% of the value of the home, now only allows 90%.

And, if you can't verify your income, assets or employment, there needs to be a "make-sense" reason as to why not. For example, if you are self-employed, have multiple streams of income or own a large amount of real estate investments, you have the needed make-sense reason as to why verifying your income is difficult. However, if you are a public school teacher and state that you make \$250,000 a year (the fact that you SHOULD make \$250,000 a year as a teacher is a whole other argument!) without the documentation to back it, that is now considered too risky and not allowable.

Overall, rates have remained great and there are still numerous mortgage products available. As always, we hope you'll think of us if you have any mortgage related needs or questions.