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(continued from front page)

solvency. They were propped up with \$187.5 billion in taxpayer aid, but have now paid more in dividends to the government than they received in support. The legislation aims to avoid the need for taxpayers to ever have to finance such a bailout again."

This bill was helped into the Senate by the Obama administration who helped to craft the bill and this will likely be the last attempt at housing reform this year. I find it interesting that the government is trying to eliminate the largest source of residential mortgage money to consumers while the private banking sector is still tight with their funds used for the same thing. How does the government expect consumers to have access to these funds that are critical to home purchasing when the private sector doesn't seem willing or eager to fill the void?

Currently, both Fannie and Freddie are turning a tidy profit for the tax payer while continuing to provide these critical funds that are helping our housing sector hold on the current minor increases in home purchases, which our economy so desperately needs.

Meanwhile, Mel Watt, director of the Federal Housing Finance Agency, recently said that he will not lower loan limits for mortgages backed by Fannie and Freddie. He also stated that he is relaxing terms for when the government sponsored enterprises (GSEs) demand sellers to repurchase "bad loans." Bad loans are loans that stop performing, where the borrowers stops paying on the loan. The GSEs currently have very strict

published rules that require the originating lender to buy back such a loan if an audit of the loan finds the lender didn't follow the GSEs published rules of lending. These rules are what we refer to as underwriting guidelines and, because of the ever tightening guidelines, mortgage underwriters have made it harder and harder for a borrower to provide all the data required for a lender to fund a residential mortgage loan. The tightening started in 2007 after the mortgage meltdown of 8/2/2007 and has continued until this latest news from Mel Watt. We are now hoping that with the GSEs turning a profit and recognizing that they need to start loosening some of their policies on lender buy-backs, we may finally be seeing some sanity in underwriting guidelines that should trickle down to how the private sector lends to consumers as well.

So while the Obama Administration is looking for ways to make the private sector lend more money by eliminating the GSEs, the GSEs are looking to make their money more available, which will actually help the private sector lend more money! If you don't know this already, mortgage banking tends to make little to no common sense. Many of you have gone through the mortgage process over the course of the last seven years have had experience with this. The bumpy ride continues.

*As always, your loan guy,
Viral (Vic) Joshi*

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, **viral@vicjoshi.com**, so that I can put you on the mailing list.

Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi

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Hello Friends,
The Senate recently passed a bill to reform Fannie Mae and Freddie Mac, the main

government mortgage, Government Sponsored Enterprises (GSEs) that provide the majority of mortgage money for residential mortgages. This bill calls for the winding down of both GSEs with the goal of private investors filling the role of providing mortgages to the vast majority of consumers. This bill is not likely to pass as Democrats have not shown support for it in the Senate and the bill is likely to die in the House of Representatives that is currently controlled by Republicans.

From the *Huffington Post*:

"The bill would replace government-run Fannie Mae and Freddie Mac with a new industry-financed agency that would offer a government guarantee on mortgage bonds, but one that would only kick in after private interests shouldered big losses. Fannie Mae and Freddie Mac, which buy mortgages from lenders and repackage them into securities they sell to investors with a guarantee, were seized by the government in 2008 as loan losses threatened their

(continued on back page)

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