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premiums will be for these new loan products where the down payment amount is less than 20% of the purchase price and the loan amount is greater than 80% of the purchase price. Hopefully, when interest rates drop, the looser guidelines will remain in place. That way we can help more first-time and experienced home buyers qualify for more properties and property types.

One sign that the markets expect rates to drop soon is evident when looking at Adjustable-Rate Mortgages (ARMs) and Non-Conforming/Jumbo loans. Investors offering these types of mortgages are not offering great rates in this environment because they anticipate a rate drop coming soon, which will result in these loans getting refinanced in the short term. ARMs amortized over 30 years, where the interest rate is fixed for 3, 5, 7, and 10 years before adjusting, will usually come with a lower introductory interest rate during the fixed rate period. As I have mentioned in prior newsletters, this has not been the case for over a year now. Recently I have seen Jumbo lenders increase their interest rate offerings on 30-year fixed mortgages and the explanation was that they do not want to spend the resources now to originate mortgages that will get refinanced in the next 12 months or less. Everything can

change in a hurry if the Fed shows easing concerns regarding inflation and begins to soften its tone on interest rates.

Despite the high-rate environment, which is pushing many potential buyers out of the market, coupled with historically low inventory, I am still closing many transactions monthly. That means there are deals to be made now and then with the definite possibility of refinancing in the near term.

If you are curious to see how you can use the current market conditions to your benefit, please reach out for a *free consultation*. Stay tuned here for future updates and feel free to reach out for a *free consultation* if you want to understand more about interest rates and mortgage products.

*As always, your mortgage guy,
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Vic's Mortgage Report

"Home of REAL Mortgage Advice®"



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MORTGAGE
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My mission is to help buyers qualify for the best loan available for their circumstance. I spend a generous amount of time with each client to educate them about how the mortgage industry works, through free "Mortgage 101" consultations, so they can make good decisions and get the best loan possible. I've revamped my website to give clients the best resources to supplement my consultations.

When I'm not doing loans, I'm an avid scuba diver and certified Rescue Diver. Eventually, I'd like to become a dive instructor, so I can share the joys of this ocean sport with others.

I give back to the Monterey Bay Aquarium, Divers Alert Network (DAN), and the National Outdoor Leadership School (NOLS).

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Still in a holding pattern

Hi Friends,

Despite the recent pause in the Federal Reserve's rate hikes, mortgage rates continue to be at the highest levels we have seen in the last 23 years. Mortgage rates began September 2023 above 7% APR before reaching 7.57% APR in the second week of October—the highest rate since 2000, according to Freddie Mac. These are for 30-year fixed, single-unit, residential mortgages that conform to Freddie Mac/Fannie Mae underwriting standards.

The Fed's recent messaging to the markets includes verbiage that the Fed will keep their target interest rate, the Fed Funds, at the current level of 5.5% for an extended period. Mortgage rates continued to rise after these comments. The markets are predicting another pause on Fed rate hikes at the November 1, 2023 Fed meeting and two rate cuts in 2024. Earlier predictions of four rate cuts in 2024 seem less likely based on the Fed's current conservative stance toward interest rates.

As we continue to wait on the Fed for direction on mortgage rates, Fannie Mae has continued to loosen lending guidelines to help more borrowers purchase homes in this high-rate environment. In addition to the lower interest rates currently offered to first-time homebuyers, Fannie has reduced the down payment requirements for buyers purchasing 2-to-4-unit residential properties where the home-buyer will occupy one of the units



as their primary residence. The new guidelines and interest rates will be released in November 2023 and go into effect on 11/18/23. Fannie has dropped the minimum down payment requirement for 2-4-unit residential properties to 5%. This is down from the previous minimums of 15% for 2-unit properties and 20% for 3-4-unit properties.

We are still waiting to see how much the PMI (Private Mortgage Insurance) (Continued on back page)

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"What's the difference between a Promissory Note and a Mortgage?"

• 7 Fast Spruce-Ups to Make Your Home a Standout to Potential Buyers!

• How to Get Your Credit Report in Tip-Top Shape!

...And More Stuff Every Homeowner Should Know