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In recent years, the large institutional banks, like BofA, Wells Fargo, and Chase have decided to go after the Jumbo market aggressively, but offering 30-Year Fixed and Adjustable Rate Mortgages, ARMs, interest rates below standard conforming interest rates offered by Fannie/Freddie. They have also all decided, at roughly the same time, to stop doing business with the mortgage broker channel, us/me, on a direct basis. Up until five or six years ago, mortgage brokers always had the option to work with the large institutional banks and gain access to their proprietary, portfolio loan products. These products were similar to the ones the banks offer through their retail bank branches and through the internet. By closing all their whole-sale banking channels to not work with the broker directly, the only way we can gain access to these products is through mortgage bankers who have a banking relationship with the large banks. This adds a second layer of middlemen to the transactions and adds another layer that needs to be compensated for their work. Even though I may have access to a Wells Fargo/BofA/Chase portfolio loan product, I may not be able to match the exact interest rate to what the banks may be offering through their retail banking channels. In many cases, the lowest rates I can secure are higher by .125% to .250% regardless of whom the end investor is on the loan product that I have access to.

The next question that arises is why would any borrower work with mortgage brokers for Jumbo loans if the rate is difficult to match in the current lending environment? The answer is that since each investor's portfolio lending guidelines are proprietary and unique, it takes an expert to understand and compare these many differing guidelines and someone who has access to multiple lenders/investors to get these Jumbo loans closed. That expert is the mortgage broker who works hand in hand with mortgage lenders to find products that can fit with different borrowers' unique combination of factors.

You would be surprised to find out how the smallest of guideline variances can kill the loan.

The large banks will always advertise their lowest rate for Jumbo loans, but that lowest rate comes with the narrowest of boxes that each borrower must fit within to get that loan. The underwriting guidelines for these Jumbo products don't necessarily make common sense to the borrower and I see this happen over and over again. As I always say, mortgage lending makes zero common sense. It is a series of arbitrary underwriting guidelines that risk managers publish for the bank's underwriter to follow in order to fund the loan. The underwriters' job is to kill the loan by finding deficiencies in the borrowers' loan file that doesn't match with the loan products' underwriting guidelines. Many borrowers who have the income, down payment, and credit scores to be able to look at higher priced homes that require Jumbo loans feel like they are great risks for banks. Most of them are. Unfortunately, the banks aren't required to fund loans and can do so at their discretion. The banks create tight guidelines because they can and, since the attrition and consolidation of banks during the Great Recession, they have no competition. I work in Jumbo loans on a regular basis with well qualified borrowers who cannot get the loan through the institutional bank that I get closed. I am running out of room on this issue of the newsletter, but I will drop in some Jumbo loan examples on the next issue that shows well qualified borrowers who couldn't get Jumbo loans through the institutional banks that I helped to close.

Please feel free to contact me directly for a *free* credit check and mortgage consultation.

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

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Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi
*Branch Manager/
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Hello Friends,
Mortgage interest rates remain flat since April 1st of this year, despite all the volatility in the stock market. The media keeps reporting rate drops when we aren't feeling any significant rate movement since the initial rate drop after the Federal Reserve Meeting in March of this year. Rates remain .25% lower now than at the same time a year ago.

I want to dig in a little on Jumbo lending. What we call Jumbo loans are actually Non-Conforming mortgages that do not follow Fannie Mae/Freddie Mac underwriting guidelines. Every lender who offers Non-Conforming loans is either lending their own money and keeping those loans in their portfolio or they have investors who are offering these portfolio loan products that the lender underwrites and sells to the investor after closing the loan. Each portfolio lender/investor may have their own unique set of underwriting guidelines that may differ from investor to investor. In many cases, a 30-Year Fixed Jumbo loan with similar interest rates can have some very specific variances in the underwriting guidelines that would prevent a borrower from getting that loan from one investor, while being able to secure that loan with another investor.

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