



Formerly Cobalt Financial Corp.

4811 Telegraph Ave., #511  
Oakland, CA 94609



### **Viral (Vic) Joshi**

*Branch Manager/  
Loan Consultant*

**Cell: (510) 853-2407**

DRE Lic. #01242935  
NMLS #244388

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home prices now eclipsing the levels seen before the recession, home buyers are buying at the top of the market and will have to wait to see their equity grow. It stands to reason that when interest rates are high and home prices are lower the monthly mortgage payment will be roughly equivalent as when interest rates are low and home prices are high. It will take some time to see the market flip after the Fed goes on a path to increase the Fed Funds interest rate, but we may start seeing some changes in the market as early as next year in 2016.

If you are in an adjustable rate mortgage, need some cash for home renovation or college tuition expenses for your college age children, or are looking to switch into a shorter term mortgage with a lower interest rate, now is the time to refinance your current mortgage before rates start to increase.

To follow up on last month's mailer, the new TRID disclosure rules set forth by the Consumer Finance Protection Bureau, has wreaked havoc in the mortgage industry. The new rules, with lots of new waiting periods and delays required in the already painful mortgage process, was created to simplify the mortgage process and create disclosures that are easier for the borrower to read and understand. Nothing could be further from the truth. The new Loan Estimate (LE) and Closing Disclosure (CD) that replace the old Good Faith Estimate (GFE) and Final Settlement Statement, also referred to as a HUD-1, are some of the most confusing documents I have seen in my 21 years as a loan professional. In addition, since the lenders are having a hell of a time figuring out how to disclose the LE and CD properly, the lenders are requiring a longer rate lock period than the standard 30 days and this costs the borrower money. So not only are the new disclosures not easier to understand, they are causing the lenders to increase the loan process time frame, which is resulting in increased costs to the borrower. The CFPB has already created more cost in the process to the consumer when they went away from a free market system for mortgage brokers to earn their commission

by imposing two paths to disclose the commission earned, Lender Paid commission and Borrower Paid commission. Prior to the post-recession creation of the CFPB, loan agents were able to negotiate the rates and points given based on how much commission the agent was trying to earn on each transaction. It is true that this led to unscrupulous agents gouging borrowers in many cases, as long as the borrower wasn't shopping their loan with multiple lenders/brokers. Prior to the CFPB, it was common for the agent to earn 1% commission on the loan size per transaction to be in competition with the market. After the Lender Paid model was introduced, the average commission went up to around 1.5% of the loan size. In the Lender Paid model, the agent must earn a fixed commission amount on every deal closed with each different lender and cannot move down on that commission amount to help the borrower reduce their loan costs. The Borrower Paid commission model, that allows the agent to change the amount of commission earned, doesn't allow for the lender rebate to pay for the agent's commission, it only allows the rebate to pay for all other closing costs. So in the Lender Paid model, all closing costs, including the agent's commission, can be paid with the lender rebate, but the commission amount is fixed and in the Borrower Paid model, the borrower has to pay the commission out of pocket and not with the lender rebate, even though the commission earned is flexible. Both models cause for an increase in cost to the borrower when compared to the prior free market model, that had existed for all time prior to the creation of the CFPB.

My point is that thanks to your government, the consumer continues to suffer in the name of reducing the suffering to the consumer. Way to go CFPB and how amazing is it that the CFPB seems to have no oversight and can institute whatever crazy rules and regulations that it wants to in the name of protecting the consumer.

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

*Vic's*

# Mortgage Report

*"Home of Free Mortgage Consultation"*

### **Viral (Vic) Joshi**

*Branch Manager/  
Loan Consultant*



*Hello Friends,*  
**R**ates are back  
up again after  
Federal Reserve  
Chair Janet Yellen  
indicated that she  
may be in favor  
of the Fed's first  
rate hike since

the Fed Funds interest rate fell to .25% in December of 2008. In addition, rates increased on the October jobs report that exceeded expectations by 90,000 new jobs and saw the unemployment rate fall to 5%. The futures on a rate hike at the December FOMC meeting are showing a 70% probability, a 74% probability for a January rate hike, and a 33.1% probability for another rate hike in March 2016. The Fed has already indicated that they think the Fed Funds will be up over 3% by 2018 from the current historically low level of .25%.

As I have stated before in this mailer, I think a rate hike will be good for home buyers because it will eliminate some of the marginal buyers who are pushing up the price of housing with many properties receiving multiple bids up to 30 or more. With rates moving up and less buyers in the market, we flip into a buyer's market from the current seller's market and we may finally see more inventory come to the market as potential sellers realize that home prices are going to start to fall. The combination of less buyers and more inventory will cause home prices to fall and allow home buyers to get in at a lower basis, which will allow them to gain equity over the longer term. With

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**Office: (510) 655-2868**

**Cell: (510) 853-2407**

**Fax: (510) 291-2824**

**viral@vicjoshi.com**

**www.vicjoshi.com**