



Viral (Vic) Joshi
Branch Manager/
Mortgage Consultant
(510) 655-2868
DRE #01242935
NMLS #244388

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partners to qualify buyers who should not be getting a mortgage to increase their sales numbers. If a loan agent refused to comply there were many more waiting in line who were willing to do whatever was needed to create or to keep that realtor relationship.

Wall Street securitizes mortgages as Mortgage-Backed Securities. Mortgages that perform, pay on time and are not in default, are packaged into portfolios and traded on the Secondary Market on Wall Street. As these limited income mortgages were securitized, traded on Wall Street, and put into hedge funds, these funds were generating a large amount of return and became popular in the marketplace. Unfortunately, this was short lived because most of these products were adjustable-rate mortgages and the way the borrowers (*who shouldn't have had these mortgages to begin with*) kept up with their payments and holding onto their properties was by refinancing these loans over and over again. They were able to refinance because their property values were increasing due to amount of unqualified buyers driving up the price and value of real estate.

Eventually, the market couldn't keep up with the torrid pace of appreciation and home values began to drop, which made refinancing impossible and resulted in a dramatic increase in the mortgage foreclosure rate. 2007 saw the foreclosure rate go to **2.84%**, a **79%** increase from 2006. It increased

again in 2008 and eventually, 1 in 10 mortgages were in default in the subsequent years, leading to the adoption of Dodd-Frank and the creation of the CFPB. Now that the CFPB is in jeopardy of being shut down, we may revisit the "*good old days*" of the pre-Great Recession times.

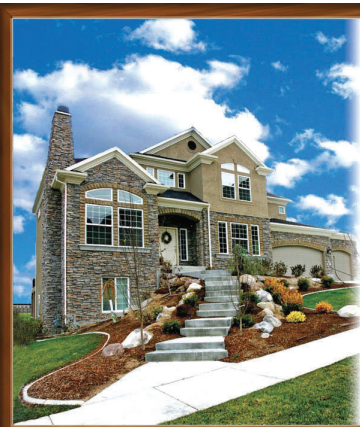
Keep checking this newsletter or reach out to me directly if you want help keeping up with the change to the mortgage industry.

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,

Viral (Vic) Joshi
Home of Real Mortgage Advice®

Office: (510) 655-2868
Cell: (510) 853-2407
Fax: (510) 291-2824
Email: viral@vicjoshi.com
Website: vicjoshi.com



Vic's Mortgage Report

"Home of REAL Mortgage Advice®"



Vic Joshi
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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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Office: (510) 655-2868
Cell: (510) 853-2407
Fax: (510) 291-2824
Email: viral@vicjoshi.com
Website: vicjoshi.com

The Wild, Wilde West

Hi Friends,
Lots of changes with the new administration in the White House. Along with the dizzying number of moves made by this administration in the first quarter of this year is an attempt to shut down and maybe even eliminate the Consumer Finance Protection Bureau, CFPB. The CFPB is a federal agency that was created in 2010 through the Dodd-Frank Wall Street Reform and Consumer Protection Act as a response to the financial crisis of 2007 – 2008 and the subsequent Great Recession. The CFPB was created as an independent bureau within the Federal Reserve specifically created to protect consumers from banks, credit unions, securities firms, payday lenders, mortgage-servicing operations, foreclosure relief services, debt collectors, for-profit colleges, and other financial companies operating in the United States.

Mortgage companies are amongst the primary focus of the CFPB, which makes sense since the Great Recession was brought about, in large part, due to the exotic and predatory mortgage products that banks brought to market in the early 2000s, prior to 2007. These mortgage products included stated income or no documentation (no doc) loans where the borrower didn't have to prove their income or even show any income on the loan application. In some circles, these loans became known as "liar loans" because loan

agents were encouraging applicants to make up job and income information on their loan applications to qualify. Many unethical loan agents were applying on their borrower's behalf using fraudulent data without the knowledge of the borrower.



Believe it or not, a borrower with a low credit score, no income verification, and no down payment could get a loan to purchase a house prior to 2008. The increase in mortgage availability to consumers, who should not be able to qualify for a mortgage, saw real estate prices jump in the years prior to 2008 due to increased competition for each

listed home. This increase in home prices also inflated home values which many consumers took advantage of by taking cash out of the equity in their homes through cash out refinances and home equity lines. The same lax lending requirements applied to purchase loans were eventually also applied to refinance loans.

The original purpose of loans with limited income documentation was to help self-employed borrowers secure mortgage financing despite writing off a large amount of expenses on their income taxes. When banks started allowing W2 borrowers to use these limited documentation loans, it created an environment where loan agents created false applications for anyone to qualify for a mortgage. In addition, many loan agents were getting pressure from their realtor

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