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(continued from front page)

payment or to lower your rate, it is to generate cash-flow that you can apply in other ways to improve your overall financial situation. If you reduced your rate and your payment, but then squandered the cash-flow you generated and merely extended the term of your loan, then maybe refinancing is not for you. If you were to apply the difference between your current payment and your new lower payment, achieved through the refinance, to monthly principal reductions on your new mortgage, then you can shave years off the term to pay off and generate large reductions in the interest you would have to pay over term. The minimum interest savings this plan generates for most of my clients is in the tens of thousands of dollars and many of my clients can see reductions in the overall interest paid in the hundreds of thousands of dollars when applying this strategy to a mortgage refinance. These equations are at my fingertips, so please feel free to contact me for a free consultation if you want to see how a refinance can improve your overall finances.

Underwriting guidelines and red tape continue to dominate the mortgage process. It is important to get your ducks in a row if you are interested in taking out a mortgage, whether it is a refinance or purchase loan. The main issues remain the same when qualifying the borrower. The lender wants to see perfect credit, solid income/ job history, and assets in the bank. Before looking into taking out a mortgage, try and collect the following core list of items to have on hand:

- 1) Most recent two year's W2s, 1099s, and 1040s Federal Income Tax Returns.
- 2) Two most recent pay stubs within the last 30 days.
- 3) Two most recent account statements for all banked assets. Make sure to keep all pages of each account statement even if they are blank or contain no relevant information.

- 4) Most recent mortgage statement.
- 5) Declaration page or summary page from your homeowner's insurance policy.
- 6) Copy of your most recent property tax bill.
- 7) Legible copies of your photo IDs.
- 8) If you are a renter, try to collect the last twelve month's cancelled rent checks to establish your on-time housing payment history or one year.
- 9) Landlords, keep a copy of your rental agreements handy.

Don't be surprised if the lenders require you to explain all unsourced deposits in your bank accounts and any credit inquiries that may show up on your credit report. As a rule of thumb, when you are applying for a mortgage, do not change your credit profile during the process. If the lender decides to re-run your credit report at any time during the process and your score has gone down due to activity on your credit, you may get stuck with a higher rate or the loan may go from approved to declined. Being prepared for the worst case scenario is smart in this tough lending environment and being ahead of the game will increase your chances of getting the best rate and closing on time. My rule is that the lenders underwriter is there to kill your loan. If you are able to document your loan request properly from the outset, then the underwriter doesn't have to do as much thinking and has less chance to kill your loan.

*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

*Branch Manager/
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Hello Friends,
The first week in July saw rates continue to fall to record lows. Freddie Mac announced their average

rate for the first week in July fell to 3.56% APR on a 30-year fixed mortgage that conforms to their lending guidelines. This rate includes paying .7 points in origination fees on top of all other third party fees. I recently locked up a deal that conformed to Fannie Mae underwriting guidelines at 3.375%, 3.403% APR, for no points for one of my borrowers. That was the lowest 30-year fixed rate I have ever locked up. I have been regularly locking 15-year fixed rates lower than that and have seen rates on 15-year fixed conforming to Fannie Mae/Freddie Mac guidelines fall below 3% to 2.875%, 2.953% APR, with no points! As a rule of thumb, if you can save at least .75% - 1% of rate at no points or .5% rate for no points and no fees, it is time to start thinking about refinancing.

People always come to me to find out if it is time to refinance or not and we usually start with how much time they have left in the term on their current mortgage and how much interest will they save by refinancing. Naturally, if you are currently in a 30-year fixed and you refinance into another 30-year fixed, you are going to extend the term so the refinance, on the surface, doesn't seem like such a good idea. The main reason to refinance is not to lower your

(continued on back page)

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