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that we had been lacking for almost ten years. Before 2008, self-employed borrowers could qualify for mortgages by showing their gross income without looking at income tax write-offs. These loans were called "Stated Income" loans and were designed with self-employed borrowers in mind. When credit tightened after the Great Recession, stated income loans that helped self-employed borrowers purchase real estate or refinance their existing mortgage(s) became scarce or disappeared entirely. When all mortgage products started requiring full income documentation for the borrower to qualify for a mortgage, many self-employed borrowers were no longer able to qualify because the amount of write-offs they showed on their tax returns reduced their qualifying income to levels that were not approvable.

There are some stated income products returning to market, but not at nearly the same level as before 2008. There is more emphasis currently on mortgage products that allow self-employed borrowers to show the cash flow in their businesses through bank deposits and by providing their business Profit and Loss statements. By providing 12 to 24 months' of bank statements, both business and personal, we can see a consistent pattern of income, which can be used to help the borrower qualify for a mortgage without having to provide tax returns which reflect large write-offs. These products are still offered using 30-year fixed options with interest rates within 1% - 2% APR of conventional mortgage rates. Down payment requirements can still be as low as 15% down

when purchasing a primary residence. For refinancing, there can be as little as 15% equity in the property. I have been working with several self-employed clients on these types of mortgages, which can be a life saver for certain borrowers. As far as closing costs are concerned, we can do these deals with zero points and we can even do refinances with no points and no fees. Loan amounts can go over \$1 million in some cases. Amazingly, there are also some stated income and no doc (no income used or stated) products coming back to the markets. These riskier products naturally come with much higher rates and more down payment and equity requirements. Feel free to reach out to me if you want to go over any of these options in detail.

I'm looking forward to another busy year in 2020. Wishing you all a happy and prosperous New Year!

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

*As always, your mortgage guy,
Viral (Vic) Joshi
Home of Real Mortgage Advice*

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Vic's Mortgage Report

"Home of REAL Mortgage Advice"



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). I'm also a longtime Warriors fan with season tickets that I frequently share with associates and clients.



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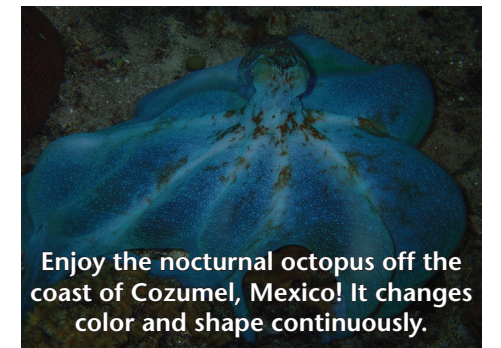
Happy New Year!

Hello Friends,

Mortgage interest rates are still in the same general range since June 2019, with no significant move higher or lower. The Federal Reserve left their target rate alone, the Fed Funds, at the December 2019 Open Market Committee Meeting. The Fed Funds rate remained at 1.75%, which is .75% lower than it was a year ago. The Fed Funds rate only affects one consumer interest rate directly, the Prime Rate. The Prime Rate affects revolving lines of credit like credit cards and Home Equity Lines of Credit, HELOCs. The Prime Rate doesn't directly affect fixed mortgage interest rates, but all mortgage interest rates eventually follow the Fed Funds and the Prime Rate. When those two rates are trending up or down, mortgage rates will also trend in those directions, eventually.

The Fed is in a wait and see mode regarding their target rate, which means each Fed meeting could result in movement up or down depending on certain factors in the economy. Inflation is the main metric the Fed looks at when making a decision on its target rate. When inflation is hot and increasing, the Fed will feel pressure to increase the Fed Funds rate to slow inflation. If the economy is slowing, heading into recession, or in a recession, the Fed will lower the Fed Funds rate to help reduce the Prime Rate to stimulate consumer spending.

The main factor recently that has kept mortgage rates from falling lower is the hot stock market. When stocks are up, it pulls investor dollars out of the bond market, which causes bond yields to increase. Bond yields set the basis for mortgage rates. The rule of thumb when tracking mortgage rates is when



Enjoy the nocturnal octopus off the coast of Cozumel, Mexico! It changes color and shape continuously.

stocks are up and bonds are down, bond yields increase, and mortgage rates also increase. The opposite is also true. When stocks are down and investor dollars flow into the bond market, bond yields decrease which causes mortgage rates to also decrease. If you want to keep an eye on where mortgage rates are going, keep an eye on the stock market and on the 30-year and 10-year treasury bond yields. You can also feel free to reach out to me any time to check on mortgage rates.

More new mortgage products have been hitting the markets in the past few years as we gain distance from the Great Recession of 2008. We now have more options for self-employed borrowers

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