What is the "Sub-Prime Meltdown" and what does it mean to you?

The latest hot button topic in the national media headlines is the "Sub-Prime Lending Market Meltdown". The media loves doom and gloom and this is yet another opportunity for them to predict financial ruin for our housing market and national economy. While this is overblown there are ramifications for which you should prepare yourself.

A "Sub-prime" home loan is available to those with little down payment or significant credit issues; borrowers who usually cannot qualify for standard "conventional" financing. While this represents a very small portion of home loans overall, they are experiencing heavy rates of default and foreclosure thus causing significant losses in the sub-prime lending market.

Sub-prime mortgages have been available for years in one form or another. Recently, however, lenders generously relaxed underwriting standards to a point which almost anyone could obtain a loan, regardless of their credit history or ability to pay. Because of the adjustable rate feature in most sub-prime loans, borrowers' payments may grow to a point where they cannot afford to pay them. As lenders continue to tighten their approval and credit requirements, it becomes even more difficult for those on the credit fringe to refinance existing mortgages and get out of trouble.

What does it mean to you? In the short term probably nothing. However, you can expect lending requirements to tighten meaning your credit score and ability to pay will have a more significant impact on your ability to borrow money. While most lenders believe long term interest rates won't be affected by the sub-prime market problems they do believe sub-prime borrowers are in for a shock.

A Word of Advice About the Foreclosure Process!

You buy a property, take out a mortgage, and promise to pay it back on a schedule of payments. When you don't pay as agreed, you are considered "delinquent" and "in default" on the mortgage. The mortgage lender starts a process called "foreclosure" to force you – the borrower – to either catch up with all money owed OR force the sale of the property (which is the collateral for the mortgage).

If you – or someone you know – find yourself in this place DO NOT STICK YOUR HEAD IN THE SAND AND DO NOTHING!! Many mortgage holders are willing to work with the borrower and will negotiate a "Forebearance" or "Short Pay" agreement. This postpones the foreclosure process and allows the struggling homeowner some breathing room. This is a great time to call me – your trusted real estate advisor! I can help you explore your options.

There are FREE local foreclosure hotlines which give valuable guidance and assistance. Note: Over 50% of homeowners who call a hotline are able to avoid foreclosure!

877.601.HOPE	Colorado Foreclosure Prevention Hotline
888.995.HOPE	Homeownership Preservation Foundation Hotline

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