

## Mortgage price adjustments hit many

I've heard the line many times: "I have a 780 credit score and I'm putting down 20 percent. They should want me as a customer."

Well, they do. But now even the Most creditworthy borrowers are being hit with pricing adjustments.

Fannie Mae recently revised its loan level pricing adjustments, making loads more costly to consumers.

When a loan officer calculates what interest rate a person can get for a mortgage, many factors come into play Credit score loan to value, and Whether the transaction is a cash-out refinancing are just a few variables that are put into the equation. Fannie Mae puts out a grid that equates the Various risks and assigns a pricing adjustment that can either be absorbed into the interest rate or passed on to the consumer or a combination of both.

There was a time when a borrower who was putting down 20 percent on a purchase and had at least a 680 credit score would - likely get the very best rates available with no internal pricing adjustments. They were considered great borrowers.

That has changed. Now if you have a 680 credit score and are putting down 20 percent on a home purchase, Fannie Mae is going to hit the lender with a price adjustment equal to 1.75 percent Of the loan amount That kind of adjustment is capable of raising a borrower's interest rate by about half a percentage point

The bar has been raised. Here's a true story.

A fellow loan officer was sending a loan through an investor who deals primarily with jumbo loans -- those typically over \$417,000. This investor has some of the best interest rates available in the business.

The investor's guideline was 45 percent. If you are over it, you don't get the loan.

The borrower was slightly over the 45 percent cutoff. He needed to eliminate 8133 in revolving debt. He recently charged the purchase of a mattress, and the monthly payment was \$132. Simple solution was to pay off the debt, and that should be close enough.

Wrong...

When the underwriter calculated the new debt-to-income ratio, it came out to 45.00004 percent.

"We have a problem," the underwriter told my associate. "We're over 45 percent."

"No were at 45 percent," the loan officer replied, and then asked how many zeros they would go out.

He was told the zeros go on forever and that it didn't matter -- the borrower was above the threshold of 45 percent.

It's a dollar," my associate screamed at the underwriter. A secretary pushed a dollar into his hand only for it to be promptly shredded in anger.

Ultimately, the jumbo loan amount was lowered by about \$200, bringing the debt-to-income ratio happily below 45 percent.

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