

Did You Know That You Need A Job, A Good Credit Rating and Promise To Pay The Lender Back Before You Can Get A Loan?

Dear Friend,

You must have heard about the about Fannie Mae and Freddie Mac and because it's important to me that you get the ' Straight Talk" I thought I would take a minute and interpret for you exactly what it means and how it will impact you personally.

First a little history.

A couple of month's ago the federal government took action to shore up Fannie Mae and Freddie Mac.

For starters, the Federal Reserve opened the discount window to allow the two government sponsored enterprises to borrow lots of money, at 2.5% to cover there mounting losses.

The Fed committed to making sure that these two companies who hold or guarantee 5.2 trillion dollars worth of mortgages didn't go belly up.

So here's what's going on now:

Freddie and Fannie have lost 3.1 billion dollars between April and June, and about 14 billion dollars year to date. Now the guys at the top of both companies are getting kicked out, and there have been some revelations of poor management as well as the possibility of cooked books.

So the Fed is stepping in, and putting the companies into conservator ship. Sort of like Chapter 11 reorganization. They're going to buy around 100 billion dollars worth of Fannie and Freddie mortgage backed securities.

This is a big deal, because not only does it show the government's commitment to keeping these companies afloat, but also because it can have a positive effect on rates.

What we can expect is more of what we've seen in the past year. Lenders have gotten away from the very loose underwriting guidelines of the last several years.

Borrowers will really have to have their ducks in a row with good documentation, and credit issues dealt with in advance.

So here's the bottom line- Mortgages are going to continue to be available with good rates, but lenders are going to be very strict in they're underwriting.

So the next time your in a conversation with a family member, friend, or neighbor and you know that they have a job, a good credit rating and will keep their commitment to pay back their loan and they mention that they need help getting a loan to fit their needs do these three things.

1. Take out your cell phone.
2. Look up my number.
3. Call me immediately and we can talk about how you can introduce them to me.

I hope this information has been helpful to you, and I'll keep you posted on any new developments.

Colette D Smith