

# RATES

Continued from page 15

coming to historic levels." Cumpston said. "Unfortunately the lending guidelines have tightened up, so a lot of the inquiries haven't necessarily resulted in applications."

Among these new guidelines, owners need at least 20-percent equity in their homes to qualify, but with property values plummeting, loan officers and mortgage brokers say most rejections occur because of home appraisals not meeting expectations.

"Applications are one thing," Scott Epstein, the broker and owner of Illinoisrealstate.com, said. "I'd want to see the percent of applicants versus the people that actually get approved."

Low mortgage rates are a crucial piece of the U.S. Federal Reserve's strategy to fight the housing crisis. A few weeks ago, the Federal Open Market Committee, the Fed's policy-making arm, said it would continue purchasing large quantities of mortgage-backed securities to support the housing market, something it has been doing since November. "This is helping the housing crisis in that it's a stimulus," Peter Thompson, a mortgage broker at Professional Mortgage Partners, said. "If

you're able to reduce your monthly mortgage payment, you're able to afford other things."

But Thompson added that the only people benefiting in this refinancing rush are those who have good credit scores and are current on their mortgage payments. Even individuals with excellent credit scores have found it difficult to refinance or buy, he said, as banks have become much more cautious in the credit crisis.

"The current climate is hurting people like myself with good credit," said Lake View homeowner Dan Ciccone, who has refinanced his primary residence without problems before, but is now looking into buying a second home. "I have to pay a higher rate on a rental property, even with a large sum of money down, just because it's a second home."

Lenders also warn that homeowners should consider how long they'll be in their homes and where they're break-even point is.

"Consumers often don't know that there are extra costs when they go through the process," said Debra Sineni, a senior mortgage consultant at Banner Mortgage.

Lynn Chindlund, a homeowner in Brookfield, said she felt undecided about refi-

nancing since rates fluctuate and the process could be so cumbersome.

"I'm not sure how much of a hassle it'll be, and I'm not looking forward to the 40 pages of paperwork," Chindlund said. "It's a gamble." Lenders agree that homeowners should carefully consider how long they'll be in their homes and whether the cost of refinancing will be offset by the lower monthly payments.

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On the other hand, Cumpston said some of his customers were waiting for mortgage rates to drop to 4.5 percent before pulling the trigger on refinancing—a move that he thinks could be risky. His advice:

"Try not to nickel and dime over the eighth or quarter percent you could've gotten. I've motivated my clients to look towards actually locking in instead of waiting to say 'Hey is 4.5 going to come?'"

Eric Rojas, a real estate agent who recently applied to refinance his mortgage, said he started the process as soon as he heard about the record-low rates. "I decided to get my ducks in order and see if I could save money

on my rate as well."

Rojas and his wife, who have a 2-year-old son and another child on the way, bought their home in Ravenswood two years ago with the 80/20 mortgage program that set 80 percent of their loan at a fixed 6.25 percent interest rate and 20 percent of the loan at a fixed 7.25 rate. Their new mortgage loan will be locked in entirely at a 4.875 percent rate.

"We're going to save approximately \$300 a month, which is a lot of money," Rojas said. "It could be your entire grocery bill for the month. We're a family of three, soon to be a family of four, so costs will go up... We're talking about \$3,600 a year, which will go towards tuition for school in the future."

For individuals like Rojas, it's definitely an opportunity, said Adolfo Laurenti, a senior economist at Mesrow Financial Holdings, who doesn't expect the housing market to recover in 2009 in the face of a sharply weakening economy.

"This is not the market that will support an expansion of mortgage credit," Laurenti said. "I think to really see movement in the housing market you need to reach out to a broader segment of homeowners and to get there it will be awhile."

"Rates will have to stay low for a long time for the housing market to turn around," Epstein agreed.

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