

Advertisement



Powered by Clickability

Some home buyers gain edge from credit crisis

By Christine Dugas and Sandra Block, USA TODAY

What credit crunch? Home buyers with solid credit and money for a down payment are now better positioned than they were a few weeks ago.

The average 30-year fixed mortgage rate is at a three-month low. Home prices in many areas have fallen. And despite the meltdown in non-traditional mortgages, many community banks still offer jumbo loans (above \$417,000), though rates have risen.

"If you want to move up to a bigger house or buy a home for the first time, and you have the credit and qualifications to do so, it's an excellent time to buy," says Gerri Detweiler of FreeRateSearch.com.

Contributing to a buyer's market:

- Lower long-term mortgage rates.** The average 30-year fixed rate reached 6.52% last week, the lowest since May 31, according to Freddie Mac ([FRE](#)). Frank Nothaft, Freddie Mac's chief economist, says declining yields for Treasury securities and the housing slowdown helped produce lower mortgage rates.

- Falling home prices.** Nationwide, median home prices fell 1.5% in the second quarter, according to the National Association of Realtors. In addition, sales were down in most states, the NAR said.

That's given buyers with sound credit a lot of bargaining power. James Aberle, 38, of Phoenix recently paid \$288,870 for a home originally listed at \$350,000. The builder, through its mortgage arm, arranged 100% financing and paid for private mortgage insurance, which typically kicks in for buyers who put down less than 20%. The builder also paid \$7,400 toward closing costs, Aberle says.

And for some buyers, real estate appraisals are producing lower home values, allowing them to renegotiate the price, says Kyle Kilpatrick of LendingTree.com.

- Available jumbo loans.** Many lenders have abandoned non-traditional loans, including jumbos. That's because investors, fearful that the crisis in the subprime market is spreading, are reluctant to buy jumbos and other loans that mortgage investment giants Fannie Mae ([FNM](#)) and Freddie Mac won't buy. But now, many community and national banks have stepped in to offer jumbo loans. They're better positioned than some other lenders to make those types of loans because they can fund them with customer bank deposits, says James Chessen of the American Bankers Association.

- Lower rates on adjustable-rate mortgages.** Rates on ARMs are often based on Treasury yields, which have fallen, notes Keith Gumbinger of HSH Associates.

Advertisement



Find this article at:

http://www.usatoday.com/money/economy/housing/2007-08-26-mortgages_N.htm?csp=34

Check the box to include the list of links referenced in the article.

Copyright 2007 USA TODAY, a division of Gannett Co. Inc.