

Mortgage Loans in 2009

For a large number of homeowners, the past year dealt a serious blow to their property values. Some real estate professionals predict that 2009 will offer a turnaround in the housing market. They feel that potential home buyers will be encouraged to take on [mortgage loans](#) with the new low interest rates and help reduce the current glut of home inventory. Most financial analysts see it differently, however. They believe the recession is only beginning and that home prices will continue to decline in the coming year. Consumers in some markets might take the opportunity to grab the current low rates offered on mortgage loans. The excess of inventory exacerbated by increasing foreclosures, however, will likely keep the housing market down. Making matters worse are the mortgage loans at adjustable interest rates that will reset soon. That will likely increase the foreclosure rate and add to the inventory of unsold homes. Some consumers who would like to buy right now are finding that they are not eligible for mortgage loans like they once were. Banks now have much more restrictive lending practices, resulting in less mortgage loans being awarded to applicants than there were prior to the credit crisis.

Current homeowners wonder if it is time to refinance their current mortgage loans under the new low interest rates. Applications for mortgage loans hit the highest level in five years last week. Over 75 percent of those were to refinance current mortgages. Unfortunately, a fair number of those who applied were denied. According to a lender in Florida, a very small percentage of those who contacted him in the last couple weeks to refinance have actually been approved. Many markets across the country have homeowners who now have larger mortgage loans than the values of their properties, due to the drop in home values. The more restrictive lending practices are leaving these mortgage loan holders out in the cold. Lenders are requiring a higher percentage of equity in the home, a high credit score and a low debt to income ratio. This reality is very different than that of a year or two ago, when lending practices for mortgage loans were looser.

A lot of financial analysts warned years ago that lax lending practices would lead to trouble. Those standards often required little or no down payments for mortgage loans and appeared to disregard the credit worthiness of many applicants. The new lending practices may seem harsh, yet they are essential to repairing the credit industry. We will have to wait and see if the new year will offer a renewed confidence in the credit market, and ample encouragement for consumers to take on new mortgage loans to get the ailing real estate market going again. Similar References [Mortgage refinancing](#) | [Mortgage rates](#) | [Home loans](#) | [Home mortgage](#) |

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