Re Entering the Mortgage Loan Market During Economic Recession

It is not news to anyone that the economic recession of 2008 and 2009 has affected all segments of the financial industry. Lending institutions have frozen or severely restricted access to credit, including mortgage loans. Housing values have dropped precipitously, in many instances effectively wiping out any equity a homeowner has in his property. The recent economic stimulus package introduced by the Obama Administration has brought about a thaw in the credit freeze, however, encouraging lenders to begin offering mortgage loans to responsible borrowers at reasonable interest rates, with strict qualification requirements.

One mortgage product that has become more popular since the introduction of the stimulus package is reverse mortgage loans. Allowable loan amounts have increased as associated fees have decreased, making these types of mortgage loans much more attractive to their intended senior citizen demographic. Part of the appeal of reverse mortgage loans comes from the absence of prepayment penalties and tax liability for the cash advance, and no requirement to transfer title to the lender. Eligible senior citizens can use these mortgage loans to borrow against their home equity for any purpose, be it to cover medical costs or living expenses.

There is no cause for responsible homeowners to be concerned about the status of their existing mortgage loans during economic downturn. Rest assured that nothing will change so long as payments are current. For those wishing to take out new mortgage loans, the low interest rates currently being offered as part of the economic stimulus are too good to pass up.

Whichever of the mortgage loans best suits your needs, it is still critical to maintain a level of fiscal responsibility in determining an amount you can reasonably afford. Looking back at how the recent subprime mortgage loans crisis began, borrowers have to be careful not to be entrapped by the same seductions offered by aggressive and unscrupulous lenders. Do not let yourself be seduced by the amount the lender qualifies you for, stick only to the mortgage payment amount your budget will allow. Only you know what you can comfortably live with as doing otherwise will only lead to financial disaster in the end. The loss of your home and destruction of your credit rating are not worth it.

Mortgage loans provide a great way to dip your toes back into financial waters. But to avoid a repeat of the recent mortgage and housing market crash, it is imperative to keep your head on straight to avoid disaster.

About the Author

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