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Mortgage meltdown in Southwest Florida

 By MCKENZIE CASSIDY, mcassidy@breezenewspapers.com

Homeowners in Southwest Florida and across the nation have been feeling the pervasive mortgage market in the form of increasing mortgage rates, delinquent payments and the dreaded foreclosure. At the same time, hundreds of mortgage providers have gone out of business as a meltdown has driven the prices of homes drastically down.

Over the last few years this has been the U.S. mortgage market, where the days of no money down, no credit check and extravagant loans are gone.

“It has been titled the mortgage meltdown,” said Jay Robins, mortgage planner and branch manager from Benchmark Mortgage of Boca Raton. “It boils down to a massive tightening in credit standards due to an excessive amount of mortgages that are delinquent or in default.”

According to Robins, global investors began buying large blocks of mortgages from banks over the last five years because of the favorable market.

“A lot of people were making good money. At the same time, major banks would sell these large blocks of mortgages for \$101 million,” Robins explained.

The banks, that were selling \$100 million worth of mortgages, were keeping \$1 million every day, he said. This arrangement was going on for some time, until a lot of people who were given the no-documentation or no-income-verification loans weren’t able to pay their mortgages.

“As the people weren’t paying these investors weren’t getting their money,” said Robins. “These loans were no longer performing.”

As loan performance took a turn for the worst, investors began offering less for the same value of loans. For example, instead of paying \$101 million for a value of loans totaling \$100 million, the investors would only pay \$95 million, explained Robins.

“Instead of making one million dollars a day, banks were taking a five million dollar-a-day hit. Over the course of the month that adds up to 200 to 300 million dollars-per-month,” said Robins.



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According to Robins, many of the types of loans that caused such problems for the mortgage industry were called “Liar loans,” or loans that didn’t require applicants to prove that they had a specific income, savings or collateral.

As liar loans became more readily available for homebuyers, global investors expected that their investments would increase substantially as housing prices continued to grow.

“The investors were banking on this equity,” said Robins. “But the housing market slowed down and people stopped making their payments.”

The type of loans that were issued over the last few years were also contributing to the current mortgage meltdown.

Banks typically prefer dealing with what they call “vanilla loans,” or loans that are given to people who have great credit, great jobs and income and have money in the bank.

“On the other side are loans that were adjustable, required no income verification, and zero money down and they accounted for 40 to 70 percent of all of the business done in the last couple of years,” said Robins.

In 18-months there will be over two million homeowners who have loans that will adjust, explained Robins. Furthermore, most of these loans were in Florida and California because the markets in these states had been flourishing until the last year.

“They basically wanted to get in fast and worry about it later,” said Robins. “Now a few years later they are realizing they can’t sell it.”

This has been the reason that many homeowners in Florida are walking away from their properties or foreclosing, said Robins.

Currently, Robins has created an online source for information about mortgages and the housing market called the Jay Robins University. He is working on getting out sound advice to interested buyers and sellers on how to make smart investment decisions.

“Now is not the time to go alone and shop around for ten or more lenders online like people did years ago,” explained Robins.

In the past it was easy for anyone interested in buying a home to visit one of the major “Dot com” web-sites and get an instant quote on a mortgage. Today, on the other hand, more planning and preparation is needed.

“The problem with those instant quotes is that the people weren’t trained properly to help the buyer find what was in their best interest,” he said.

According to Robins, the first thing that anyone should do before considering buying a house is to get their credit in order. “You should get your documents together: pay stubs, the last year’s tax return and bank statements.”

Later, bring it to a mortgage planner who can review your history and try to

improve your credit score. Currently, lenders are looking for scores that are 620, 680 or 720 in order to qualify for loans.

“You should know your credit and figure out what you can do to enhance it,” he explained. “Get with a reputable lender who knows guidelines and can tell you how much you can qualify for.”

But, he did stress that it is a good market for a buyer here in Southwest Florida. “If you are aligned with the right team of experts, they can show you how to plan your mortgage,” said Robins.

There is even a new option called a “short sale,” where homeowners can sell their house back to the bank at a discount without it being foreclosed. “Financially, the banks do not want to keep these properties,” he said.

In the short sale the owner and the bank works out a deal that allows the house to be available for another buyer.

On the other hand, according to national media reports, the short sale is considered a form of debt relief and is taxable by the IRS, leaving many people with thousands of dollars of tax charges.

“If a homeowner is in trouble, first they need to first call their bank and tell them they are running into a problem, but they can also think about selling, downgrading or renting,” Robins said.

Some banks are giving up to a month deferment for mortgage payments, he said.

“A lot of people have this thought that if they aren’t selling the house for what they bought it for a year ago they are losing money. If you can break even or walk away with cash, then do so,” he said.

Ultimately, if anyone is interested in purchasing a home they should visit a mortgage planner or someone that can work with them to get the best deal possible, explained Robins.

For more information on this topic or to get advice from a mortgage planner, contact Jay Robins at (561) 208-8384 or go to www.jayrobins.com.

The Jay Robins University, a web-site that gives information about mortgages and the market can be found at www.jayrobinsuniversity.com.



South Lee Messenger

South Lee Messenger
19260 San Carlos Blvd.
Fort Myers Beach, FL 33931
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