



Common sense can apply to mortgages

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A couple of important rules went into effect at the beginning of January that may affect your ability to obtain a loan to buy a house. Two of the more important changes apply to borrowers' ability to repay the mortgage and what types of loans lenders can offer. While some people may view these changes as simply applying some common sense to the process of obtaining a mortgage, the genesis of the changes is from the not-so-long-ago housing crisis when common sense was not very common.

The first important change is the requirement for lenders to verify the borrowers' ability to repay the loan. Essentially this is simply looking at a person's income relative to their debt payments. If the amount of debt exceeds certain ratios, the likelihood of not being able to repay the loan increases. Emphasis is placed on verifying a person's income sources with greater scrutiny and requirements for documentation. This leads to people who work a lot of overtime obtaining additional proof from their employers as well as self-employed individuals providing more evidence of their income sources.



In addition, the debt payment calculation is different, especially for adjustable rate mortgages which have variable interest rates after a certain period of time. The ability to repay calculation must be done based on the highest possible interest rate in most cases, not just the initial interest rate which is often much lower. This change was introduced to minimize the risk of higher payments after the initial term resulting in foreclosure.

The second major change affects the features of loans to meet new guidelines for "Qualified Mortgages." These safe harbor provisions provide some protection to lenders if the borrower later defaults and tries to blame the

lender for making unsuitable loans. Some of the eliminated features include interest-only payments and mortgage lengths that exceed 30 years. In addition, certain fees and points paid up front are limited to 3 percent of the loan amount.

While the changes will prevent some people from obtaining mortgages, the new rules help to make sure people are only buying homes they can truly afford as well as limiting some of the predatory lending practices common in the past decade. It's also more important now than ever to obtain a fully underwritten pre-approval letter before making an offer to purchase to make sure you can buy the house of your dreams.





Social Security & you workshop wrap up

On March 19, Justus and Justin held their fourth Social Security presentation in as many months. Topics discussed included the solvency of the program, how to calculate your benefit, when to begin collecting, collecting while working, and qualifying for spousal and survivor benefits. Advanced strategies like “File and Suspend” and “Restricted Application” were introduced and our nearly full house participated in ongoing Q&A. To cap off the workshop, a personalized analysis was offered to each attendee along with a copy of “A Social Security Owner’s Manual.” To support our clients in obtaining information about their Social Security benefits which can now only be done online, we’ve prepared a “Social Security Online Benefit Request Guide.” To request a copy, please call Lori at 262-554-4500.

Lighthouse Run

Last year, FSG was thrilled with our inaugural opportunity to sponsor the 4-Mile Lighthouse Run in downtown Racine. In 2014, we will reprise our role as sponsor of the 4-Mile and invite clients and friends to be sure and stop by on June 21 and visit us in our tent in Monument Square.

“The Lighthouse Run brings so much positive energy to the city of Racine and serves as a tremendous opportunity to attract athletes of all sorts,” said Mike Haubrich. Proceeds from the run provide program support and financial assistance to those in need in our community.



FSG office closed April 18 and April 25

FSG will be closed on Friday, April 18 in observance of Good Friday. We will also be closed Friday, April 25 while our team participates in a quarterly strategy review session.

Save the date for these upcoming events with Financial Service Group

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| June 21 | Racine’s Lighthouse Run, 4 mile run event sponsor |
| August 1 | First Friday event, 5:30 to 8 p.m. at UnCorkt! |
| August 5 | Long-Term Care Planning workshop, 6:30 to 8 p.m. |
| October 14 | Medicare webinar, 6:30 to 8 p.m. |
| November 19 | Investment workshop, 6:30 to 8 p.m. |