

Applications for Mortgage Loans Increase with Latest Rate Decrease

The interest rates for mortgage loans dropped to historically low levels the end of March 2009. The rates were even lower than the previous records set in January 2009. The rates are at the lowest point since Freddie Mac began tracking data on mortgage loans in the early 1970s. As the inventory of properties on the market remains high, many realtors, builders, investors and homeowners hold their breath to see if the historically low rates encourage some activity in the ailing market. One would assume that the low rates and significant drops in home prices in many markets in the country would be enough to get people buying again. In a post credit sector meltdown reality, however, banks and lending institutions have now instituted stricter standards. Riskier borrowers that just a couple years ago would have easily been given a loan are not being considered now. Borrowers need to have cleaner credit histories and better credit scores to obtain mortgage loans offered by most banks and lenders. In addition, more money must be put down to obtain the loans. More and more consumers are applying for mortgage loans, but less and less can now qualify.

Many analysts believe there will continue to be more consumers refinancing mortgage loans than taking on loans for new homes. Some potential buyers are wary of jumping into the housing market when they are unsure of when it will hit bottom. Others are simply being cautious in the current economy and are hesitant to take on additional financial burdens like mortgage loans. Then, of course, some want to buy but cannot qualify for a home loan under the more restrictive lending standards. Although applications for refinancing make up the bulk of the mortgage applicants this year, current homeowners are also facing tighter lending standards. A homeowner needs to own more equity in his home now to be eligible for refinancing, in addition to the same high credit score and solid credit history required of a new borrower. A large number of lenders now require equity of at least 20 percent. For those in areas of the country hardest hit by shrinking home values, their equity decreased along with their home values. Many who may have had enough equity to qualify for a [refinance](#) a year ago may not now. But many homeowners do qualify for refinancing and are taking advantage of the lower rates. After such dismal real estate times, many in the industry welcome any and all action in the real estate and loan industries, whether it is due to refinancing existing homes or purchasing new ones.

About the Author

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