

# MONEY MATTERS



## Lenders are making it tougher to borrow

By Jacob Yadegar

*"Your credit scores can be improved dramatically by removing errors on the report."*

As more concerns are looming over real estate prices, lenders are making it tougher to borrow. Recent Federal Reserve reports show that lenders have begun tightening the credit standards making it tougher to borrow.

Due to the recent fall out in the Sub Prime market, homeowner delinquencies and credit risks rising, many lenders are tightening their standards. Some examples are lower loan to values, higher cash reserves and savings and better overall credit.

Many lenders have also pulled out of the "piggyback" loan market entirely, not allowing borrowers to finance 100 percent of a home's price forcing borrowers now to put down a minimum of 5 or 10 percent or more.

These new requirements have led to many unapproved subprime loans that were previously approved. The tightening has occurred primarily in what's known as the subprime and Alt-A markets which are loans made to borrowers with less than perfect credit or unverifiable income.

Prime borrowers will feel the tightening of guidelines as well as concerns about property prices will make lenders more conservative in their appraisal and valuation process. They will also limit the amount of cash out a borrower is allowed to receive from a refinance.

Clearly, the prime borrowers are going to have a much easier time in today's lending environment. Common components of a prime borrower are high credit scores which result from low credit balances on credit cards, documented income and a strong overall payment record.

More often than not, your credit scores can be improved dramatically by removing errors on the report

which may be severe enough to cause your application to be denied. A free copy of your credit report is available to you once a year from all three major credit bureaus under federal law. To get your copies, go to [annualCreditReport.com](http://annualCreditReport.com) or call 877-322-8228.

Errors on your report can be corrected in writing, on line or by phone. Instructions are available on each of the three major credit bureaus on options available to consumers when disputing items on their credit.

While residential loans are becoming increasingly more difficult to obtain, commercial loans are now easier as the perceived risk to lenders is much lower. Commercial loan underwriting is primarily based on the rental income a property generates to determine how much debt it can support. Since the income generated from a property usually comes from a number of tenants there is less risk of a default occurring.

The strength in commercial lending has led to loan programs that are based on stated income guidelines further loosening the lending requirements and allowing more commercial property loans to be approved.

As more loan options are available to commercial property owners, this sector of the market should continue to grow and accelerate.

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