# Rama Capital News

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## *Rama Capital's affiliated mortgage bank, Athas Capital Group, featured in San Fernando Business Journal*

By MARK MADLER

***Are Lenders Responsible or Too Tight?***

With interest rates the lowest in years and an affordable inventory waiting to be snatched up, lenders say there is no better time to buy a house.

Many consumers know it's not that easy.

Fallout from the mortgage lending crisis has banks and other lenders operating in a changed environment. They now must comply with tighter federal regulations involving lending practices, and take a conservative approach when evaluating and processing mortgage applications.

Despite the role subprime mortgages played in the recent recession, they haven't disappeared completely. But lenders say the days of approving loans without income verification or a down payment are likely gone forever.

Some of the major changes in the mortgage industry have been the result of Congressional action, specifically the Dodd-Frank Wall Street Reform and Consumer Protection Act, which passed in July 2010. Provisions of the bill include requiring a down payment for a home purchase, clearly written forms explaining fees, and a 5 percent stake by lenders and investors in the loans they sell off.

"We want to make sure we are putting every customer into the right home and the one they can afford," said Franco Terango, a division sales executive for greater California and Hawaii with Bank of America..

Regulatory changes prompted Bank of America to invest in training for its loan officers, who in turn pass the new information along to real estate agents, Terango said. The bank is lending to both first-time home buyers getting a standard mortgage and existing homeowners upgrading into larger homes requiring a jumbo mortgage, he said.

**Mortgage lending**

Brian O'Shaughnessy, founder and a principal officer at private lender Athas Capital Group in Calabasas, said changes in the mortgage industry have brought mixed results, especially for consumers.

Requiring a down payment for a home purchase is a good thing, but now the pendulum swung too far and some qualified consumers likely are getting shut out of the market, O'Shaughnessy said.

"They (the banks) have gotten too strict," O'Shaughnessy said.

Comerica is in a different position than the other large national banks, because it did not get caught up in the subprime mortgage mess, said Jorge Munoz, a banking center manager and assistant vice president. The bank doesn't view its customers "as just a credit score," he said.

"Lending is going to be a driving force in that commitment," Munoz said.

At Wells Fargo, loan officers are spending more time talking to borrowers about their finances, so they can get into homes they can afford, said Rob Borstelmann, head of the bank's mortgage business in the San Fernando, Santa Clarita, and Conejo valleys.

"It is the biggest purchase in their lifetime," Borstelmann said. "We want them to understand what they are getting into."

In the Valley region, Wells Fargo is most active with loans for homes in the $300,000 to $400,000 range, Borstelmann said. Homes in the $1.5 million to $2 million range are not moving as fast, because they require more to qualify and they are not popular with many buyers, he said.

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After a good April and May, home loan activity and purchases began to slow down in mid-June at the same time news about the economy turned negative, Borstelmann said.

“It all goes back to consumer confidence,” he said. “People don’t want to spend money.”

**‘Non-prime’ loans**

But banks also don’t lend money to borrowers that fail to meet their guidelines. With the collapse of the subprime business, those with poor credit or a foreclosure in their financial history have fewer places to turn.

Bank of America absorbed Countrywide Financial, once the nation’s largest subprime lender. Wells Fargo shut down its subprime lending unit in 2010.

At the Athas Capital Web site, the firm describes itself as a “non-prime” lender. The term has become more frequently used in the past couple of years, as the term “subprime” has a negative connotation, O’Shaughnessy said.

The average borrower may not meet lending guidelines at banks, but Athas doesn’t lend to just anyone either, O’Shaughnessy said. A down payment between 35 to 50 percent is standard, he said, noting the average is about 40 percent.

“It makes more sense,” O’Shaughnessy said. “That is what allows us to sleep at night.”

About 60 percent of Athas’s business is residential loans, and the rest is commercial property lending. In the first half of the year, the firm made 150 non-prime residential loans in California and Arizona, and O’Shaughnessy forecasts the company will make 300 total mortgage loans by the end of the year due to expansion into other Western states.

Officials at Comerica, Wells Fargo and Bank of America say they are optimistic about their growth in home lending.

Borstelmann, of Wells Fargo, doesn’t anticipate interest rates or home prices skyrocketing soon.

Consumers need to start thinking more positive and realize the opportunity in front of them for home ownership, Borstelmann said.

“Looking back at the great times to buy a home this is going to be one of the best ever,” Borstelmann said.

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