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It's buying time

By: Lisa Morris Josefak   November 13, 2017   Comments Offon It's buying time

Being confronted with myriad loan scenarios and having to compare one loan against another can make home buyers feel like they are walking through a House of Mirrors. To help them find their way through the maze, banks and credit unions have been offering programs to simplify the home-buying process as they vie for buyers in a competitive market.

With home sales activity greater than it was last year, banks and credit unions report 2017 as a high-production year. As of Sept. 30, Investors Home Mortgage's 2017 closed residential volume was $520 million, said Jim Brown, senior vice president of Investors Home Mortgage.

"This was slightly down from the same period in 2016 due to lower refinance activity," he said, noting that "Investors Home Mortgage's purchase activity has increased by nearly 30 percent year over year."

Investors Home Mortgage is a wholly owned company of Investors Bank, based in Short Hills, N.J., with over $24 billion in assets and a network of more than 150 branches, including seven on Long Island.

"Investors Home Mortgage offers special programs to low/moderate income borrowers through the H.O.M.E. Program," Brown said. "This program offers discounted interest rates and closing cost assistance, and it can help pay the cost of expensive private mortgage insurance. Qualified borrowers will be eligible for a $4,500 closing costs credit. Many times this can increase purchasing power of a home buyer by as much as 10 to 15 percent."

Brown said it's important to note that the Investors H.O.M.E. Program is not just available to first-time home buyers. "This is a great program for first-time home buyers or any qualified borrower," he said. "Borrowers are eligible if their income is 80 percent of the median income – or if they are purchasing in a low- to moderate-income census tract."

Investors has an aggressive appetite for residential lending, said Todd Brown, Investors Home Mortgage sales manager for Nassau and Suffolk counties, who works out of the firm's Melville office.

“We have the benefit of our own portfolio products within our lending policy,” Todd Brown said. “Investors, being a portfolio lender, allows for flexible, common-sense underwriting.” Additionally, he added, the company has the ability to offer Fannie Mae and other agency products.

“Once we complete an application interview with a borrower, we can place the customer in the program that best suits their profile,” he said. “For example, our portfolio programs offer jumbo, adjustable rate loans and flexible long-term lock options. We have our own unique condo and co-op guidelines, as well.”

Investors’ fast-track approval program, Decision First, is designed to provide a quick decision, and can “help strengthen an offer when negotiating with the seller,” Todd Brown explained, noting it’s a “real underwriter’s approval. With this program we can provide a decision on purchase transactions by obtaining an approval within five business days.”

These programs have been well-received, according to Todd Brown, who reports a spike in this year’s purchase volume.

“My purchase volume for the Long Island market has gone up from 2016,” he said. “This year, it is about 30 percent higher in volume than last year at this time.”

Suffolk Federal Credit Union, a nonprofit cooperative financial institution headquartered in Medford with eight other branch locations and assets in excess of $1 billion, reported 2016 as one of its best production years in new loans in recent years and sees 2017 on pace to equal that.

“In 2017, there has been a shift away [from refinance loans] toward purchase loans – our purchase loans from Jan. 1 through Sept. 30 are up 24 percent, compared to the same time last year,” said Suffolk Federal Chief Lending Officer Keith Miller, who works in the Medford office.

Due to busy purchase loan activity, Suffolk Federal recently increased its loan officer staff from one person to three people.

Suffolk Federal also offers assistance to those interested in purchasing a new home through its First Home Club and First Time Home Buyers programs.

To be eligible for the Suffolk First Home Club, a borrower must be a Suffolk Federal member or be member-eligible; be a first-time home buyer; have a household income at or below 80 percent of the Mortgage Revenue Bond Income limits in their area, adjusted for family size; and reside in New York State.

"If you qualify for Suffolk's First Home Club, for every $1 you save, $4 will be granted to you, up to $7,500 in matching funds toward the down payment and closing costs for the purchase of your new home," said Toni Ajello, director of mortgage lending at Suffolk Federal, who also works in its Medford location.

If buyers do not qualify for the SFHC program, Suffolk Federal also offers the First Time Home Buyers Club, where after the member makes a $100 deposit in their club account for 12 consecutive months, Suffolk Federal gives the borrower $750 toward their closing costs. If the borrower deposits $100 for 24 months, Suffolk Federal boosts the amount to $1,250.

Even if the applicant is a second- or third-time home buyer, Suffolk Federal has flexible products and programs to offer, Miller said. "You don't even need to be a member initially when applying," he noted. "You just have to be eligible for membership to apply for a mortgage."

Suffolk Federal also helps home buyers seek other finance programs. "There are other opportunities out there for people," said Ajello, adding the credit union works with other organizations, including Long Island Housing Authority, to further assist home buyers.

NEFCU, a credit union headquartered in Westbury with $2.8 billion in assets and 15 branches throughout Nassau and Suffolk counties, anticipated a shift in the home-buyer market to go from a refinance focus in 2016 to a more vibrant home purchasing movement in 2017.

"We geared things toward that and that is what happened," said NEFCU Vice President of Lending Chuck Price, who works out of the credit union's Westbury office.

Overall, 2017 application volume is down slightly, about 14 percent, but NEFCU's 2017 purchase applications are up 21 percent.

"This is what we had hoped and expected," he noted. "As a result, we have done $36 million more in purchases than we did last year so far, year-to-date. Even though our application volume is down this year, our funded volume is up over last year by 17 percent – it is a good story for us."

NEFCU offers multiple opportunities that assist in the home-buying process, including getting a lender credit.

"Some people actually structure the deal where we are writing them a check toward their closing costs," Price noted. "So, lender credit has become more popular."

NEFCU also offers its 7/1 ARM product, which has a no closing cost option.

"We will pay the credit union fees – including the appraisal, the lender's title, the origination fee and recording fee. Rather than that coming out of the borrower's pocket, we will pay those for them," Price said. "This is something that folks have geared themselves to."

Another popular product NEFCU offers is SONYMA (State of New York Mortgage Assistance Loans), which includes low-interest, fixed-rate mortgages, down payment assistance and other programs that make home ownership possible for many Long Islanders who had previously been unable to qualify for a mortgage.

"We don't really drive the criteria there, so the borrower has to meet either the income or the locational criteria depending on what kind of loan they want to do," Price explained. "The SONYMA program provides down payment assistance – directly from SONYMA – where they ask the borrower for a minimum of 3 percent down, but only 1 percent can come from the borrower and the other 2 percent can be any other source, including what [SONYMA] calls their down payment assistance loan."

Financial institutions agree that the 2017 home-buying climate has been competitive.

From a 2017 market perspective, every lender, borrower and real estate agent you talk to are going to say the same thing: Inventory is extremely low and prices have been on the rise, Price said.

"A lot has to do with uncertainty," he noted. "I think a lot has to do with the political climate and what's going to happen with tax reform. People are wondering are they going to limit the mortgage reduction? In New York, are they going to eliminate the income tax? What is everyone's tax rate going to become and what is their disposable income going to be?"

In general, 2017 has been a healthy purchase market.

“For the most part, it’s been a seller’s market,” Jim Brown said. “In many cases, we have seen multiple offers and bidding wars are commonplace in certain markets.”

Total 2017 activity will be slightly lower than the $802 million total closed volume in 2016 due to higher interest rates and fewer refinance transactions, Jim Brown noted.

“We are closing the gap with more purchase transactions,” he said.

About this time of year, it is typically a buyer’s market; however, it is still a seller’s market, Ajello said, adding that based on the lack of inventory Suffolk Federal anticipates it staying that way for the remainder of the year and possibly heading into the first quarter of 2018.

“We have spoken to realtors and have worked with realtors to help first-time home buyers and those that want to downgrade and upgrade, and they are saying they don’t anticipate it changing,” Ajello said. “What would typically be a buyer’s market and they would have plentiful homes available to purchase – they are not finding this to be the case.”

Long Island is very competitive right now, noted Miller. “Not just the lending side of it but the buying side of it, as well,” he said. “There is low inventory and people who come in and get pre-approvals and based on the low inventory sometimes within that time of the pre-approval they cannot find a house within that time and then they need to get re-approved.”

“That being said,” Miller added, “We see growth and opportunities through next year, definitely.”