**New mortgage rules take affect in 2014**



Q. How will the New Mortgage Rules Affect Home Buyers in 2014 and beyond?

A. With the implementation of new mortgage rules taking effect January 10, 2014, home buyers may discover a few new challenges in securing a mortgage as lenders will have additional restrictions in place to ensure that borrowers will be able to repay their mortgage loans.

Gone are the days of creative financing that would help unqualified borrowers buy a home. Gone are mortgages extending beyond 30 years. No longer can home owners opt to pay less than the full monthly interest on their loans; no more ba loon payments; and no more fees and points that add up to more than 3 percent of the loan.

These new mortgage restrictions were developed as a cautionary reaction to the housing boom when it seemed as though anyone who could verify income qualified for a mortgage. Many economists believe the previous lending tactics helped lead to a record number of foreclosures not only in Colorado but across the United States *(Colorado’s foreclosure filings reached a high of 46,394 in 2009)*.

So what do the new rules mean for home buyers? Lenders will have to verify and document numerous specific criteria, including income, assets, credit history, other debt obligations, and employment status, to determine whether a borrower has a reasonable chance of repaying the loan.

Another guideline for lenders is that a borrower can’t spend more than 43 percent of monthly income making payments on his debts, including the new mortgage and credit card balances.

In 2014, you will see banks working hard assure that most, if not all, of the borrowers they lend to can qualify for a QRM (qualified residential mortgage). If the lender doesn’t follow the new rules, they run a high risk of being held liable to the homeowner who has trouble repaying their loan.

Overall, the new mortgage rules are meant to protect all parties involved in the real estate transaction.

For more information about the new rules, contact your local REALTOR®.

You may also find additional

information and resources for buying and selling a home at [www.ColoradoREALTORS.com.](http://www.ColoradoREALTORS.com/)

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