

# BoeKnows Real Estate

## Your Questions from Real Estate Buyers, Sellers, & Agents

By Patti Boe

**Q. How do the new, tightened loan rules affect real estate agents, appraisers, and mortgage brokers when buying their own properties?**

**A.** Some people have acquired their real estate license solely to represent themselves so they have the ability to use their commission as part of their down payment when purchasing their own homes and income properties. But by far, most licensees are professionals helping clients buy and sell their properties. This answer applies to all. The short version is licensees will no longer be able to use commission as down payment. (Who knows? There may be some lenders out there willing to do this, but not very many of the large lenders left standing seem to be willing or interested.)

Lenders in the past have accepted this method of securing a down payment to qualify for a home loan, but things have changed very recently. Whom do we owe this change in lending underwriting conditions? It's our old friend, the 800-pound gorilla "Sub-Prime-Fallout". As various lenders continue to close shop (161 as of October 12, 2007); lending guidelines continue to tighten. **There are really 3 issues licensees face: use of commission as down payment, self-representation, and stated income verification.**

My Operations Director and I have interviewed over 10 lenders, underwriters, banks, and mortgage brokers in the past few days to gather the data for this article. It looks like the buzz words are NONARMS-LENGTH-TRANSACTION as the litmus test underwriters are using when they deny loans with any of these 3 issues. My own experience practicing as an agent in this past month has produced two denials. In one, an agent was denied funding in the final days prior to closing due to self-representation. In the other occurrence, an agent was denied because her commission was being used as part of her down payment. These first hand experiences prompted me to write this article to help licensees prepare to be creative as they head toward a purchase for themselves now and in the near future.

Know that underwriters will impose 10 times more scrutiny here than on lay folk and they will also triple-check employment verifications. I've also been warned that underwriters have 3 new "secret" websites to check minutia of detail in their analysis of all criteria such as owner-occupancy. It's those old, basic little secrets behind "Where do you live?" Is it for the IRS? For a lender? For my kids' school?

As we look back at the early 1980's at 19% interest rates (and 14-16% looked good!) and the recession in housing of the early 1990's (only 10-15 years ago!); today's market is going to require even more creative analysis and thinking to help real estate agents, appraisers, and loan officers purchase their own properties. My guess these purchases have amounted to about 8-10% of the entire market in the U.S. in

the past. As we continue toward the end of the year, creative options to help agents will be hammered out. I have a graduate art degree and am a former art teacher (public school, college, and university); so I understand creativity. I look forward to hearing from you regarding idea-sharing, comments, and answers to help our clients in this "new world". **We are all in this together.** Please call or email [patti@pattiboe.com](mailto:patti@pattiboe.com) and visit our website at [PattiBoe.com](http://PattiBoe.com).

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**\*Send Questions to**

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