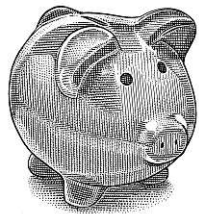


MANSION



JUMBO JUNGLE | BY ANNAMARIA ANDRIOTIS

# With New Rules, Prepare for More Paperwork

**PRIVATE** jumbo mortgages could soon become harder—and pricier—to get. New rules announced last week by the Consumer Financial Protection Bureau will tighten lending standards in the private-mortgage market. The changes, which start in 2014, will ban lenders from issuing loans if they don't verify a borrower's income or assets.

The CFPB rules are meant to ensure that home buyers have the ability to repay their mortgages. They also affect many affluent buyers seeking private jumbo mortgages, those that start after \$417,000 in most parts of the country or at \$625,501 in high-cost metro areas. Low-documentation mortgages account for about 12% of the private mortgages borrowers signed up for from January through October 2012, according to the latest data from CoreLogic, a real-estate analytics firm. Unlike full-documentation loans in which borrowers present detailed financial paperwork, such as tax returns, pay stubs and bank statements, low-documentation loans are sometimes given to wealthy borrowers who provide limited information.

While these borrowers can more than afford the mortgage payments, their financial statements don't always prove that. Starting next year, if home buyers can't provide enough paperwork to verify that they have the income or the assets to afford the mortgage, they'll be ineligible for a mortgage—even in the private market, according to the CFPB.

Another change that could have a big impact on private jumbos: Interest-only loans, in which borrowers don't pay principal toward the home for a certain period, will be restricted. As a result, some lenders are questioning whether they'll continue providing private loans that don't meet the CFPB's "qualified mortgage" criteria. "All lenders are going to have to think very hard before we expose ourselves to liability," says Tom Wind, executive vice president of residential lending at EverBank, a national lender.

Lenders who continue to provide interest-only mortgages next year could face greater liability in lawsuits



Illustration by Izhar Cohen

filed by borrowers in foreclosure. If they default on their loan, borrowers of these non-qualified mortgages could argue that the lender didn't do a thorough job confirming that they could afford it.

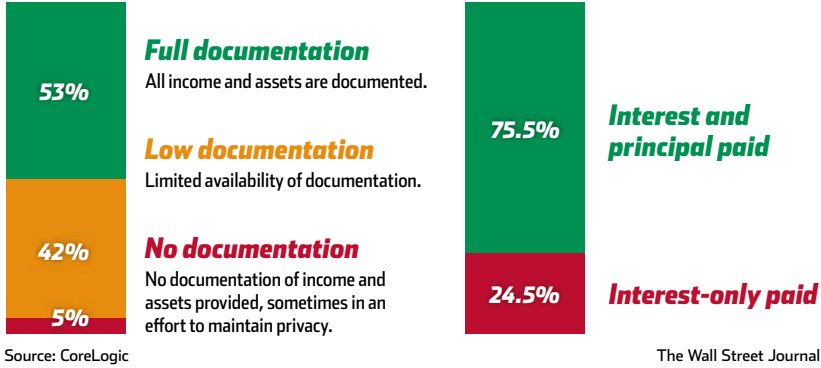
Interest-only mortgages account for roughly 14% of the private mortgages originated during the first 10 months of 2012, according to CoreLogic. Well-off borrowers often choose these lower monthly payments in order to invest the savings elsewhere.

EverBank will continue originating interest-only private mortgages for now but will re-evaluate its strategy toward the end of the year, Mr. Wind says. And Jim Cutillo, chief executive of lender Stonegate Mortgage Corp., based in Indianapolis, says his firm will have to change how it approves

## Loan Limits

New rules from the Consumer Financial Protection Bureau will ban home buyers from getting a loan without full documentation and make it harder to secure an interest-only loan. The rules, which aim to reduce risky lending, take effect in 2014.

All outstanding private mortgages through October 2012:



borrowers for adjustable-rate mortgages, given the new rules.

With ARMs, lenders can currently approve borrowers based on the initial rate of the loan, even though the rate will vary in the future. But in order for an ARM to be originated starting next year, lenders will have to approve borrowers based on the loan's "fully indexed rate." That's the margin the lender has on that loan plus the index the loan is pegged to. For instance, an ARM with a 225-basis-point margin that's pegged to the one-year Libor, currently at 0.82%, would have a fully indexed rate of 3.07%. Because this fully indexed rate is typically higher than the initial rate of the loan, Mr. Cutillo says, some applicants will find that they qualify for a smaller mortgage under the new rules.

Separately, the new rules could lead to higher overall rates for private loans since lenders may price in more risk, says Sam Khater, senior economist at CoreLogic.

For now, luxury buyers should strategize if they plan to get a mortgage that doesn't meet the CFPB's new standards. Some points to consider:

- **Act soon:** Would-be borrowers might want to move forward with their mortgage applications and line up their paperwork between now and the summer—especially if they're planning on getting a low-doc mortgage.
- **Fewer options:** Currently, it's possible to get an interest-only mortgage in both the government-backed and private mortgage markets. Starting next year, borrowers who want this loan will likely have to turn to the private market, possibly leading to longer waiting periods. Also, fewer lenders will be offering mortgages with a balloon payment, which starts out with regular monthly payments but requires the borrower to pay the remaining balance after a few years or refinance.
- **Large down payments:** Most lenders will continue to require down payments of at least 30% on private mortgages. That threshold could rise as more rules are announced.

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## SPREAD SHEET

# No. 1 in Snow Jobs

**IN SYRACUSE**, the forecast calls for shoveling.

New York's fifth-largest city gets the most snow in the U.S., with 103 inches per year, according to AccuWeather. Erie, Pa., comes in second at 101 inches, and Flagstaff, Ariz., ranks third at 100 inches.

These are the lands of frosty fingers and aching backs. Making the job a little easier, though, is a snowblower, which can reduce the strain and lifting of shoveling. Spread Sheet looked into snowblower sales to see which region ranks No. 1. Coming in first is the Northeast, where 40% of the country's snowblowers are sold, according to data from Sears Holdings. Next is the Midwest, where 28% of Sears's snowblowers are sold. The Northwest accounts for 20% of sales, and the South and Southwest get 12% of sales.

Demand for snowblowers is highest in December, when

## Seeing White

Top cities in the U.S. that get the most annual snowfall per year:

CITY	ACCUMULATION
Syracuse, N.Y.	103 inches
Erie, Pa.	101 inches
Flagstaff, Ariz.	100 inches
Rochester, N.Y.	99 inches
Buffalo, N.Y.	95 inches
Duluth, Minn.	83 inches
Casper, Wyo.	76 inches
Anchorage, Alaska	73 inches
Burlington, Vt.	73 inches
Grand Rapids, Mich.	72 inches
Portland, Maine	71 inches
Albany, N.Y.	62 inches

Source: AccuWeather

29% of all units are sold, with sales tapering down to 10% in January.

Snowblowers have become easier to maneuver in recent

years, says Dean Schwartz, vice president and general merchandise manager for lawn and garden at Sears Holdings. Two-stage snowblowers are the most powerful and effective, experts say. These work by first picking up snow with a metal auger and then shooting the snow out of a chute from a fast-spinning impeller.

Of course, many still opt for the tried-and-true shovel.

"Even if you have a really good snowblower, it can't get into the nooks and crannies, like steps and stairs," says Martin Tirado, a Milwaukee resident and executive director of Snow & Ice Management Association, a trade organization for the snow-removal industry. "Everyone has a shovel."

Karen Benvin Ransom, associate broker at Houlihan Lawrence, owns a plastic shovel but rarely uses it. Instead, she hires a plow service to clear the 10,000-square-foot driveway at her Katonah, N.Y., home. "I don't even have to call them," she says. "They just show up."

Each plowing costs just under \$100, she says, adding that there were 26 snowstorms during her first winter at the house about 20 years ago. "That was a fortune, an absolute fortune," Ms. Benvin Ransom says. The snow has slowed since then—the service has only had to clear away snow twice this season.

Paul Vanderzon, chief executive of Deneigement Vanderzon, a snow-clearing service just outside Montreal, has about 3,400 residential clients within four square miles. Using commercial-grade snow-removal equipment, a skilled driver can clear 150 driveways in four hours, he says.

Last year's mild winter caused his clientele to dip slightly, Mr. Vanderzon says. Although more people are signing up this year, he says "there are still those die-hards who decide not to sign on and whip out the shovel instead."

—Sanette Tanaka

## Digging Out

Sears says it sells more snow blowers than any other retailer in America. Here's a breakdown by region:



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Expansive marina and panoramic water views  
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Italian cabinetry by Snaidero with Sub-Zero and Wolf appliances  
2, 3 and 4 bedroom luxury residences priced from the \$500,000's

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