

RECORD TOTALS	DAY	WEEK	YEAR
PROPERTY SALES	134	213	11,478
MORTGAGES	151	256	21,198
FORECLOSURE NOTICES	26	64	7,129
BUILDING PERMITS	174	174	23,496



RECORD TOTALS	DAY	WEEK	YEAR
BANKRUPTCIES	54	122	9,828
BUSINESS LICENSES	29	61	3,440
UTILITY CONNECTIONS	0	135	16,684
MARRIAGE LICENSES	18	50	3,188

THE MEMPHIS NEWS Business, Politics & The Public Interest

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CHANDLER REPORTS

Q2 Mortgage Filings Down 31%

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ERIC SMITH | The Daily News

As the U.S. prepares for a presidential election and looks forward to the Olympics in China, the year strikes an uncanny resemblance to 1988, when George H.W. Bush won the White House and Seoul, South Korea, hosted the Summer Games.

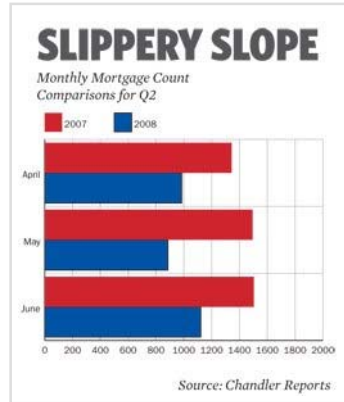
Just like what's happening in politics and sports, the mortgage industry is experiencing a little déjà vu.

"I feel like we've turned the clock back 20 years," said Mary Floyd, senior vice president at Financial Federal Savings Bank. "We're back to the old standard."

The old standard – conservative guidelines that require solid credit and a down payment – has taken a toll on mortgage counts in Shelby County following a few years of extremely lax lending practices.



SIGN O' THE TIMES: More "special financing" offers have popped up around town because of tightened mortgage guidelines that make it more difficult for some borrowers to get a home loan. -- PHOTO BY ERIC SMITH



Just 2,991 mortgages were made during the second quarter (April through June), marking a 31.1 percent decline from the 4,342 in Q2 2007, according to the latest quarterly data from real estate information company Chandler Reports, www.chandlerreports.com.

"It's very typical for our industry to over-correct, and I think we're over-correcting," Floyd said. "What's happening now, because of the over-correction, is it's making it harder for people to buy homes and we don't necessarily need that right now."

Tightened guidelines

Clearly, it's harder for people to buy homes than it was a year or even two years ago, and the proof is in the numbers. Not only did Q2 dip from the same period last year, but it was off 45.5 percent from the 5,492 mortgages in Q2 2006.

Mortgages in Q2 2008 averaged \$154,216 per loan, fairly close to the averages of \$157,930 in Q2 2007 and \$151,553 in Q2 2006. But the quarter's total mortgage volume in terms of dollar amount was way off from the second quarter in each of the past two years: Q2 2008 totaled \$461.3 million, down 32.7 percent from \$685.7 million in Q2 2007 and 44.6 percent from \$832.3 million in Q2 2006.

Chris Bowers, mortgage loan officer with Bank of America and president of the Memphis Mortgage Bankers Association, said banks and mortgage companies have increased their credit score requirements, lowered the loan-to-value amounts for riskier loans, limited financing of investment properties and overall made underwriting stricter in response to the subprime fiasco that struck last year.

"The guidelines continue to change and shift on a regular basis," Bowers said. "We just rolled out some updated and tightened guidelines at the end of June for third quarter. We're going to continue to see that for a while."

With the industry changing almost daily, it might seem hard to keep up

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with it all. Bowers said customers often are surprised to hear about the changes when they submit their mortgage applications.

“Many times they will come in with the expectation that a particular program that they heard about a month or two ago and should be available to them is now gone,” Bowers said.

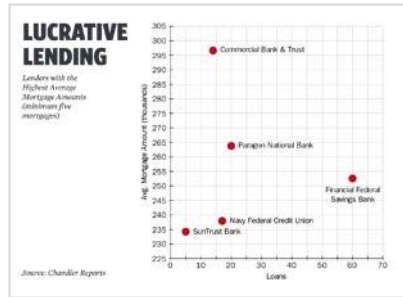
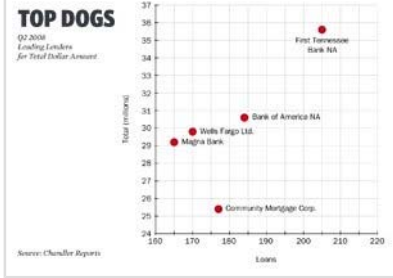
By the numbers

Despite the downturn – fueled in equal parts by diminishing credit, declining home values and disappearing consumer confidence – lenders continue to make loans. Federal Housing Administration financing has picked up, and good mortgage products still exist for many would-be borrowers.

In Shelby County during Q2, First Tennessee Bank NA led the way in terms of dollar amount with 205 mortgages totaling \$35.6 million. It was followed by Bank of America NA (184, \$30.6 million); Wells Fargo Ltd. (170, \$29.8 million); Magna Bank, formerly known as 1st Trust Bank for Savings (165, \$29.2 million); and Community Mortgage Corp. (177, \$25.4 million).

Lenders with the highest average mortgage amounts (with a minimum of five mortgages) were Commercial Bank & Trust (14 loans averaging \$296,628); Paragon National Bank (20, \$263,785); Financial Federal Savings Bank (60, \$252,570); Navy Federal Credit Union (17, \$237,936) and SunTrust Bank (five, \$234,236).

West Beibers, president of Delta Trust Mortgage Corp., said success stories like these and others indicate a little perspective is in order before predicting an industry-wide meltdown. And since Q2’s total was actually an increase from Q1, which saw just 2,724 mortgages made in Shelby County, it’s not all doom and gloom.



“If you turn on CNN or CNBC, you can get your daily dose of panic,” Beibers said. “Here in the real world, so to speak, things are pretty close to normal. If your credit is bad, you’re not going to get a loan because subprime lending is basically gone. But for people who generally have good credit and maybe a little down payment, it’s a great time. Rates are good and there’s a lot of inventory.”

Ripple effect

Despite the ripe conditions that have created a buyers’ market, homes aren’t moving at a healthy pace for a variety of reasons. One common case these days is a homeowner who wants to move to a larger house but can’t sell an existing home.

This is often because the people trying to buy the less-expensive home don’t have the credit or assets to purchase. It’s caused a ripple effect, a widespread stagnation in the market that leaves only a small segment able to move forward with purchasing.

“What we’re seeing right now (in mortgagers) are people who don’t have a home to sell, or were fortunate enough to sell it or simply can qualify carrying both payments,” Floyd said. “That’s a big part of the problem, the homebuyers that need to sell a home.”

The mortgage woes in the Memphis area are substantial, but not always as bad as other markets, where values have nosedived.

“The best thing that could happen, in some ways,” Beibers said, “is to unplug CNN and unplug CNBC and get a grip.”

