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Why Jumbo loans aren't going anywhere

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by Donald Horne | 08 Sep 2015



The sky-high California market is proving to be rich territory for lenders specializing in jumbo loans – and with the recent downward pressure on interest rates, it looks like they aren't going to go away anytime soon.

"We're starting to see a lot of people on the jumbo side offer all kinds of different products," says Clint Rosenthal, executive vice president of sales for Parkside Lending. "Are jumbo loans going to disappear? No. The real question is: what will they look like in the coming years?"

While concerns about the Chinese economy pushed interest rates down in August, resulting in a two basis point decline in 30 year fixed rates, these bargain-basement rates cannot last forever, says James Lamparter, who is also an executive VP for sales with Parkside.

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While it is true that a timeshare contract is a binding legal document, it is often mistakenly

"There is a high probability that interest rates will go up in the future," Lamparter told *MPA*. "As those rates start to move up, I believe that we will see private capital come back into the marketplace, as they will find a better return for their investment. And that is when we will see more and more products developed."

Parkside Lending, which is based in San Francisco, where home prices are in official nose-bleed territory, is making jumbo loans with LTVs of up to 95% without mortgage insurance for select borrowers. However, there needs to be a 740 minimum FICO score, with 24 months of reserves and a maximum 35% debt to income ratio.

The loans are especially appealing to a group Rosenthal calls HENRYs.

"HENRYs – High Earning Not Rich Yet," he says. "When you think about it, people who are coming out of college who have landed lucrative six-figure jobs, it is going to take them a long time to save up for the \$200,000 down, plus the reserves, to qualify for a million-dollar home."

And while waiting to save, these individuals are paying more in rent than they would be paying for a mortgage, says Rosenthal. "And that is regardless of whether it is conforming or jumbo," he adds.

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