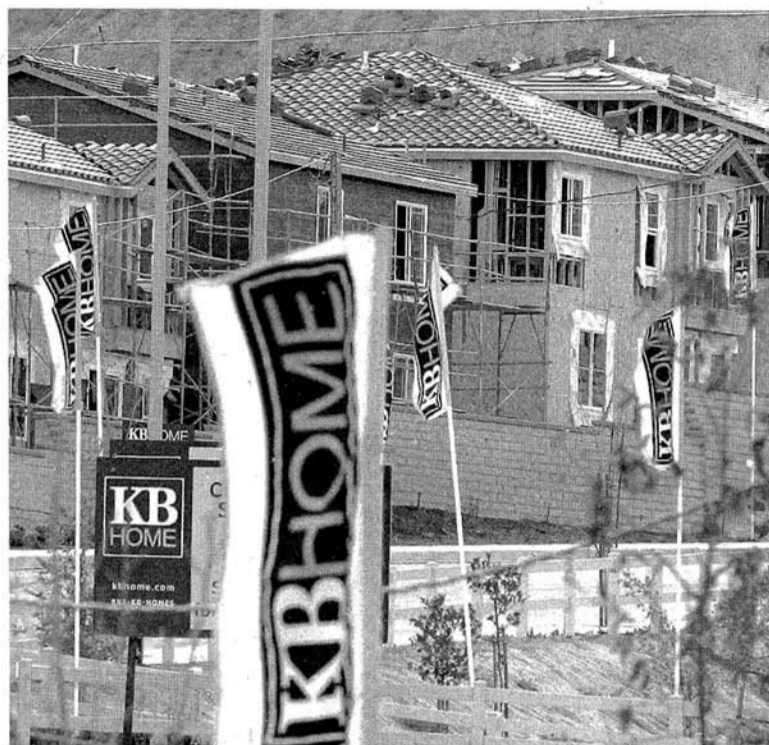


Business & Money



MARK J. TERRILL/ASSOCIATED PRESS

Homes under construction in California. Until the subprime mortgage market settles, some builders are warning of a possible glut of homes.

Executive details new risks, opportunities with mortgages

Summit Mortgage chief executive Rick Fedele has more than 20 years experience in the residential and commercial mortgage business. He answered reader questions on Boston.com last week. Here are excerpts:

Q. I took out two mortgages one and a half years ago. Is there such a thing as rolling the mortgage into one payment if the mortgage has an adjustable rate?

A. Yes, you can combine the two mortgages into one. The only issue will be that you will need to have at least 20 percent equity in your home to do this and avoid private mortgage insurance.

Q. How concerned should I be about seeking a subprime loan given all the bad publicity? I'm considering a home purchase, and my credit is average.

A. You shouldn't be all that concerned. There will still be an availability of financing. The concern will be that you will need a down payment, unlike before the turmoil in the industry.

Q. I currently have a \$359,900, 6 percent, 10-year interest-only, 7/1 ARM and a \$66,000 7.39 percent 15-year balloon second. Should I be concerned about refinancing into a fixed or should I wait it out? My first adjustment isn't until 2012, and we may sell before then.

A. Your current terms seem very favorable for a relatively long period of time, so I wouldn't refinance unless you were able to see a savings by doing so. I do believe you will have that opportunity soon.

Q. I do not have a subprime mortgage, but I am concerned about the minority community, and in general, people of particular groups that are disenfranchised because it has been proven consistently that these groups are the ones that get taken advantage of, and I think this is a huge problem.

A. Yes, I agree it is a problem. It is important the lending industry increases its scrutiny of practices across the board.

Q. I'm a prospective first-time home buyer with so-so credit. Many folks around me are advising against looking into

an "exotic" mortgage because they have been burned (or heard stories). Do you have any advice on what to look for before getting into a subprime loan? What should I be asking the lender before signing the papers? Are there particular warning signs that I will be in too deep?

A. Simplify. You need to determine what fits your budget for housing, including taxes and insurance or condo fees. The major concerns for any loan are: Is there a prepayment penalty? When does it adjust? Is there negative amortization? I believe you should avoid the exotic and obtain a fixed-rate mortgage.

Q. We are closing on a house in Nashua April 30. When should we lock in a rate?

A. I do believe rates are trending lower. Your lender should be able to advise you accordingly. You will, unfortunately, only know what was 100 percent correct in hindsight.

Q. What's the difference between using a broker and a mortgage company?

A. A broker has no approval or funding capability, although it has many institutions it deals with. A bank has one set of programs. It approves and funds your loan. A true mortgage broker has many institutions it sells loans to, after it has approved and funded your loan. It has the same approval and funding capabilities as the bank, with the flexibility of numerous investors to choose from.

Q. So what's your overall view of the housing market in Massachusetts for the rest of the year?

A. The market seems very active currently, and I expect that to continue. With declining interest rates and more stable home prices, affordability has increased. I think we have clearly seen the bottom in the market in Massachusetts. We will be the beneficiary of the national real estate decline by virtue of the lower rates necessary to improve those markets.



THE FULL CHAT

Read the complete transcript at boston.com/business.