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Press Release - Help Borrowers Manage Liquidity Crisis

Borrowers should take caution when they select who to broker or fund their loans

Phoenix, Arizona, August 14, 2007 - The liquidity crisis that resulted in the recent failure of a number of lenders, including American Home Mortgage Investment Corp. and New Century Financial Corp., has not only shaken confidence in the mortgage industry, but has also left many homeowners wondering how to take the safe road when securing a mortgage loan. While liquidity issues can be detrimental to lenders, they don't have to impact individual borrowers, as long as borrowers know what to look for when selecting a mortgage professional.

"Borrowers need to be careful when choosing who will broker or fund their loans," advises Jim Barnett, a Certified Mortgage Planning Specialist with State Mortgage, a mortgage brokerage/banking company based in Phoenix, Arizona. "While it may be difficult for a borrower to determine if a particular lender is going through liquidity issues, a savvy mortgage professional will have a finger on the pulse of the industry, and will be able to place the loan at a lender that offers the most safety and benefit to the borrower."

American Home Mortgage was the most recent major lender to fall victim to a liquidity crisis when, in a slowing market, high default rates in the subprime and Alt-A markets caused investors to raise premiums to lenders. Faced with a scenario of incurring thousands of additional dollars in the cost of each loan, yet confined by the limited flow of business due to tighter underwriting guidelines and a cooling market, American Home Mortgage faced a liquidity crisis that resulted in closure of the business.

"The closure of these lenders does not mean that there's a problem with the core business of writing, buying and selling mortgage loans," explains Barnett. "People will continue to buy homes, reposition their debt and equity structure, and utilize their mortgages to help them achieve their goals for their futures and the futures of their families. Banks will continue to loan money and qualified Mortgage Planners will help position borrowers to get favorable loans from those banks."

The primary factor leading to speculation among homeowners is the slowing activity within the mortgage market. Banks are making fewer mortgage loans than they had during the past decade, and that slowing rate that has led to the dismal tone of headlines news stories.

"Although there's a lot of press surrounding the difficulties in the industry, it's important to understand that these particular lenders were facing a liquidity crisis within their own businesses, not a foundational crisis within the industry," adds Barnett. "A qualified Mortgage Planner, who has more training than simply a loan officer, will be best equipped to work with a borrower on finding an appropriate lender and structuring the loan package in a way that makes sense for everyone involved. We're helping borrowers achieve their homeownership goals, whether the market is thriving or cooling."