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2 big firms add to crisis in mortgages



Largest lender sets limits; another halts new loans

By Kimberly Blanton and Se Young Lee, Globe Staff And Globe Correspondent | August 17, 2007

[Countrywide Financial Corp.](#), the nation's largest mortgage firm, said yesterday it has "tightened" up on its lending, and another large provider said it would stop making new loans altogether, deepening the crisis in the nation's mortgage industry.

Countrywide, which has 29 offices in Massachusetts, said it would tap its entire \$11.5 billion line of credit because the investors who normally provide financing for mortgage companies' loan operations have bolted from the credit markets out of fear that defaults among home-loan borrowers may get worse.

The California-based company also said it will limit new lending to only those borrowers whose loans qualify for purchase by the government-sponsored companies [Fannie Mae](#) and [Freddie Mac](#), which generally are the safest customers.

Meanwhile, First Magnus Financial Corp., based in Tucson, which purchases mortgages from loan brokers and is one of the 10 largest mortgage wholesalers in New England, yesterday said it would no longer fund new loans. First Magnus, which has offices in Needham and Lawrence, said the "collapse" of the investment market for mortgages has left it "with no viable alternative" but to cease lending.

The developments involving two industry giants left many other players scrambling. Brian Koss, managing partner of Mortgage Network Inc., a national firm that packages mortgages for sale to investors, likened the efforts by companies in the industry to keep loans flowing and mortgage deals funded to battlefield triage performed by military surgeons.

"It's like a M.A.S.H. unit," Koss said, invoking the popular television show. "You're just trying to save deals from falling apart and keep deals together. On our back end, the investors you sell the loans to -- the Wall Street firms -- are changing guidelines on a daily basis."

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The company's developments should not affect borrowers with Countrywide loans, industry specialists said. But even the whiff of a problem is throwing a scare into Countrywide customers and other home-loan borrowers, said Michael Dunsky, a loan officer for broker Mortgage Master in Walpole. He has received calls from Countrywide borrowers asking whether their mortgages are affected and from real estate agents concerned about pending mortgages. His firm is prepared to fund a mortgage itself, if one of its lenders backs out.

"It's scary to think a company the size of Countrywide, that something could shake out and happen overnight," he said.


For other home-loan customers, the industry problems may lead to higher mortgage costs, or even difficulties in getting a loan at all, real estate and mortgage industry specialists said. In recent weeks, many mortgage lenders have become more selective in granting loans. Rates for jumbo mortgages, those above \$417,000, have jumped more than one percentage point, to 7.85 percent, compared to around 6.625 percent for conventional loans.[Continued...](#)

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