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# Down-Payment Standards Eased

By [RUTH SIMON](#)

Some mortgage insurers and lenders are beginning to relax their down-payment requirements, in a sign of increased confidence in the housing market.

The changes, which are being done on a market-by-market basis, mean buyers in some parts of the country can now borrow 95% instead of 90% of a property's value. Until recently, mortgage companies had tighter standards for these markets because of falling home prices.

"We are feeling better about the economic condition of the marketplace," said Michael Zimmerman, senior vice president of investor relations at mortgage insurer MGIC Insurance Corp. Borrowers who want to finance more than 80% of a home's value must typically purchase mortgage insurance.

Earlier this month, MGIC removed New Orleans, Dover, Del., Akron, Ohio, and four other areas in Ohio from its list of restricted markets. The moves followed the company's decision in September to loosen restrictions on 11 markets, including Denver and St. Louis.

Under the looser requirements, a borrower with a credit score of 680 or higher in New Orleans, for instance, can finance up to 95% of a home's value. Before the change, a borrower who wanted to finance that much of a home's value would have needed a credit score of at least 700.

In September, [Genworth Financial Inc.](#) removed 63 markets from the list and followed an action in July that removed 136 other metro areas from the list.

"We've seen some stabilization in the housing market," said Kevin Schneider, president of Genworth. While "additional home price declines" are likely, he added, tighter credit standards, including the requirement of full documentation and higher credit scores, should limit delinquencies.

Credit remains tight in some markets, such as Florida, because of concerns about additional home-price declines. Mortgage companies continue to closely scrutinize property appraisals, making it difficult for some borrowers to get financing. Amid persistent high unemployment, lenders and mortgage insurers are maintaining tough standards for credit scores, documentation and other measures of creditworthiness.

In some cases, those standards are still getting tougher. [Fannie Mae](#), the government-controlled mortgage company, last week raised its minimum credit score to 620 from 580.

But the latest moves, while modest, are an indication that some mortgage companies believe the worst home-price declines are over -- at least in certain parts of the country -- and that prices are likely to stabilize or fall slightly over the coming year.

A rosier view of the housing market isn't the only factor driving the changes. Mortgage insurers also are seeking to regain market share from the Federal Housing Administration.

New insurance written by private mortgage insurers dropped by nearly 60% in the first nine months of 2009, compared with the same period a year ago, according to Inside Mortgage Finance. Borrowers without sufficient funds for a 20% down payment have been flocking to the FHA, which lends to people with as little as a 3.5% down payment.

"To have any presence in the mortgage market, the mortgage insurers have to be more flexible," said Guy Cecala, editor of Inside Mortgage Finance, a trade publication. The mortgage insurers had gotten so strict, he noted, that their standards were tougher than those of Fannie Mae and Freddie Mac.

Meanwhile, some mortgage lenders are revisiting policies that were even tougher than those of the insurers.

**Wells Fargo** & Co. executives met Friday for their quarterly review of market-based lending standards. For the first time since 2007, more markets will be moving to a less-risky status and lower down-payment requirements. Among those benefiting are parts of central California.

Even in some of the country's most troubled markets, "we are starting to see...moderation" said Neil Librock, head of credit risk for the bank's home and consumer-finance group. Wells Fargo's changes could benefit borrowers the bank has been requiring to make down payments of more than 20%, he said.

—Nick Timiraos contributed to this article.

**Write to Ruth Simon at [ruth.simon@wsj.com](mailto:ruth.simon@wsj.com)**

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