

Will mandate for 20% down hurt homebuyers?

Editor's note: This letter is in response to a story that appeared on The Carthage Press website. Here is a link to that story. <http://business-news.thestreet.com/carthagepress/story/will-mandate-for-20-down-hurt-homebuyers/11379715>

Jeanine Skowronski's article is an important read for 2012 prospective homebuyers. If federal regulators institute the mandate for 20% down payments it could pose a serious question for many homebuyers—Are we going to be able to buy a home right now? In the aftermath of the recent housing market collapse, there are many who have well paying jobs and can afford home ownership, yet they have little access to credit and saving for a down payment is difficult even in the most fruitful times. And if they have somewhat decent credit, a high interest loan may still be their only option for home ownership if a recently introduced petition, the Payday Ballot Initiative, becomes legislation. This initiative

will virtually eliminate all small-dollar loans, including traditional installment loans which are safe and affordable for consumers.

In the case of home buying, traditional installment loans play an important role. They are a good choice for building solid credit and increasing credit scores because they support responsible credit use and report payment history to credit bureaus. These loans allow consumers to build financial security because they are structured into a reasonable payment schedule based on the amount borrowed to help ensure the borrower's ability to repay.

And for those who are fortunate to have a home, a home buyer's greatest fear is going into debt after taking on a hefty mortgage. But with installment loans, they have equal monthly payments that are fully amortized so the loan will be paid off at maturity with no balloon payments — and the payments are based on the borrower's abili-

ty to pay. For those who want to build good credit and a solid financial foundation, traditional installment loans make good sense.

In other instances, prospective home buyers may be able to barely scrape enough of their money together for that 20% down payment, but then emergencies may happen, or furniture, appliances and the other expenses can add up quickly into what may seem like an outrageous amount. But a good consumer installment loan can help people get ahead and build decent lives for their families. In a poor economy with so many consumers already struggling to manage their finances, why take away one of the few responsible sources of credit that Missourians have access to? Now, more than ever, we need to preserve the options for homebuyers and allow them the opportunity for success.

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