

# The Sun

WEEKEND EDITION, AUGUST 10-12, 2007

## In New Mortgage Market, Small Banks Make Big Loans

By **JULIE SATOW**  
*Staff Reporter of the Sun*

Savvy home buyers in search of an affordable mortgage are increasingly turning to small neighborhood banks.

For Manhattan residents with stellar credit, Astoria Federal Savings Bank, Hudson City Savings Bank, and Ridgewood Savings Bank, among others, are advertising rates that are as much as 2 percentage points cheaper than their big-time competitors, including Wachovia, Chase, and HSBC. Over the past two weeks, as the big players move out of the way, these savings banks have seen their business volume in mortgage loans as much as triple.

"Even for the wealthiest buyers,

if you walk into a Wells Fargo branch, you will not get an affordable mortgage right now," a senior vice president at Preferred Empire Mortgage Co., Jeffrey Appel, said. "Luckily, in New York, we have some very strong savings banks that are still charging low rates."

In recent weeks, as the subprime mortgage debacle has spread to high-end borrowers, large institutional banks have begun increasing their interest rates on so-called jumbo loans, or mortgages that are larger than \$417,000.

Large banks bundle these mortgages together into bonds and sell them on the secondary market.

Please see **MORTGAGE**, page 10

## Savvy Homebuyers Turn to Small Banks

**MORTGAGE** from page 1

More bondholders, however, are balking at buying the paper for fear the mortgages will default. With banks unable to sell off their loans, they are charging excessively high interest rates as a means of warding off new business until they can sell their current paper.

In contrast, savings banks hold onto their mortgages until they mature or are paid off, making them the surprise winners in this unstable market.

"As a result of the larger banks charging higher rates, there has been a spike in business for us," an account executive at Astoria Savings Bank, Christopher Blake, said, adding that in the past two weeks, he has seen three times the normal number of applicants.

"We've seen some institutional banks charging rates as high as 8.5%, which is just ridiculous," the senior lending officer at Hudson City Savings Bank, Thomas Laird, said, adding that his bank

charges 6.375% interest on a 30-year fixed-rate mortgage.

To take advantage of increased demand, some banks are considering writing more mortgages. Hudson City, for example, loans roughly \$2 billion a year, but "we would do more if given the opportunity," Mr. Laird said. He added that while summer is usually slow, he has seen roughly 1,000 more mortgage applications than at this time last year.

But even with the availability of affordable loans from local banks, the credit market is still difficult to decipher for many well-to-do buyers.

"It is definitely harder right now to get a mortgage, and it doesn't matter what your credit is," a real estate lawyer, Jaime Heiberger-Jacobsen, said.

Adding to this difficulty are institutional banks that, in their attempt to stem losses, are reissuing their mortgage guidelines, sometimes several times a day.

Mira Dick, a mortgage broker in

White Plains, thought she had secured a loan for a Brooklyn couple recently that wanted to borrow 90% of the apartment's purchase price. "In the morning, the bank said 90% was fine, then later in the day they told us their limit was only 80%, and by the end of the day, it was down to 75%," she said.

If this trend continues for more than a few weeks, real estate values could begin falling, a global real estate partner at consulting firm Ernst & Young, Mark Grinis, said. While the most expensive real estate deals are usually cash transactions, "once you drop below the very top of the market, the deals are rate sensitive," he said. "Clearly, if rates are sustained at this higher level, it will show up in the marketplace."

Still, there is a clear winner in all this chaos. "A lot of our competitors have left the market because liquidity has dried up," the chief lending officer at Ridgewood Savings Bank, Peter Boger, said. "And we have been the beneficiaries."