

STEPS

Towards Homeownership

Skills and Tools Educating People for Success

Oakland / Berkeley Association of REALTORS®

brought to you by

June 7th 2018



STEPS Towards Homeownership Oakland / Berkeley Association of REALTORS®



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STEPS Towards Homeownership

Oakland / Berkeley Association of REALTORS®



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STEPS Towards Homeownership

Oakland / Berkeley Association of REALTORS®



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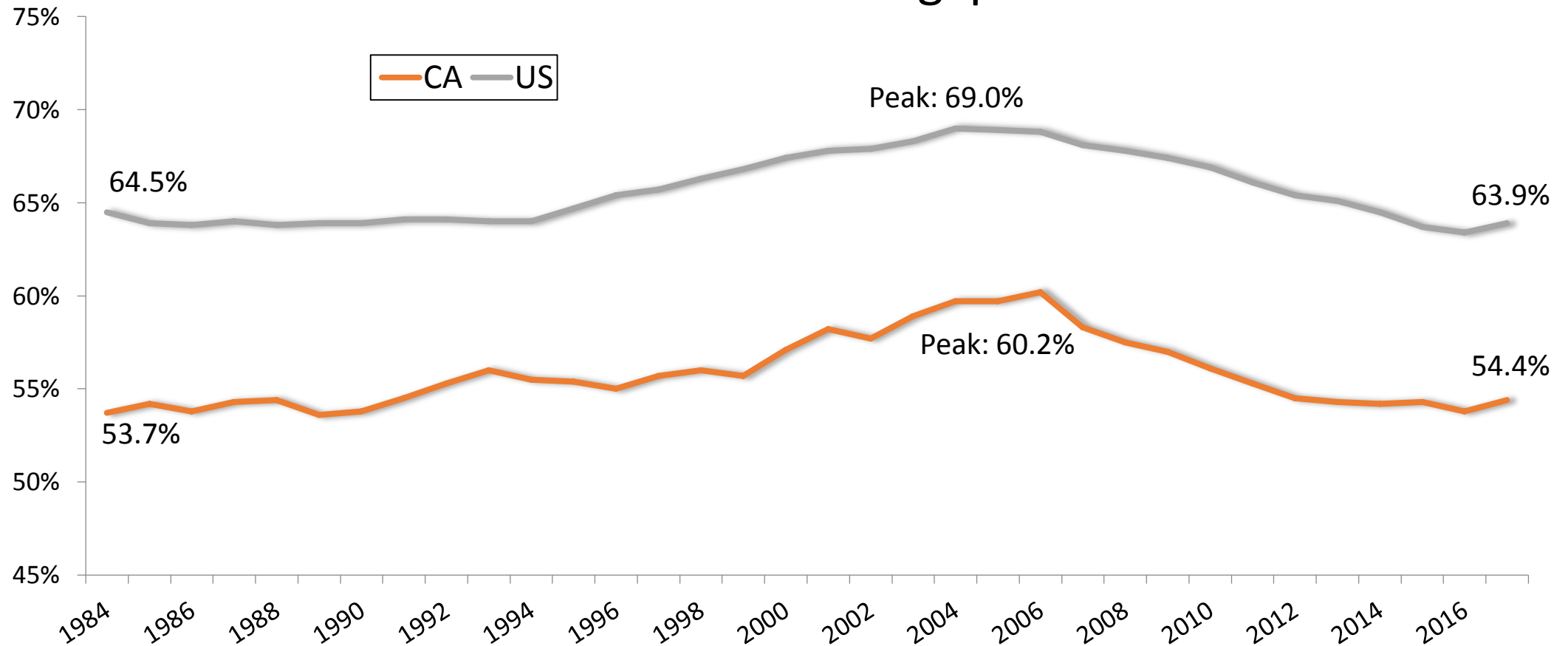
California Association of
REALTORS®



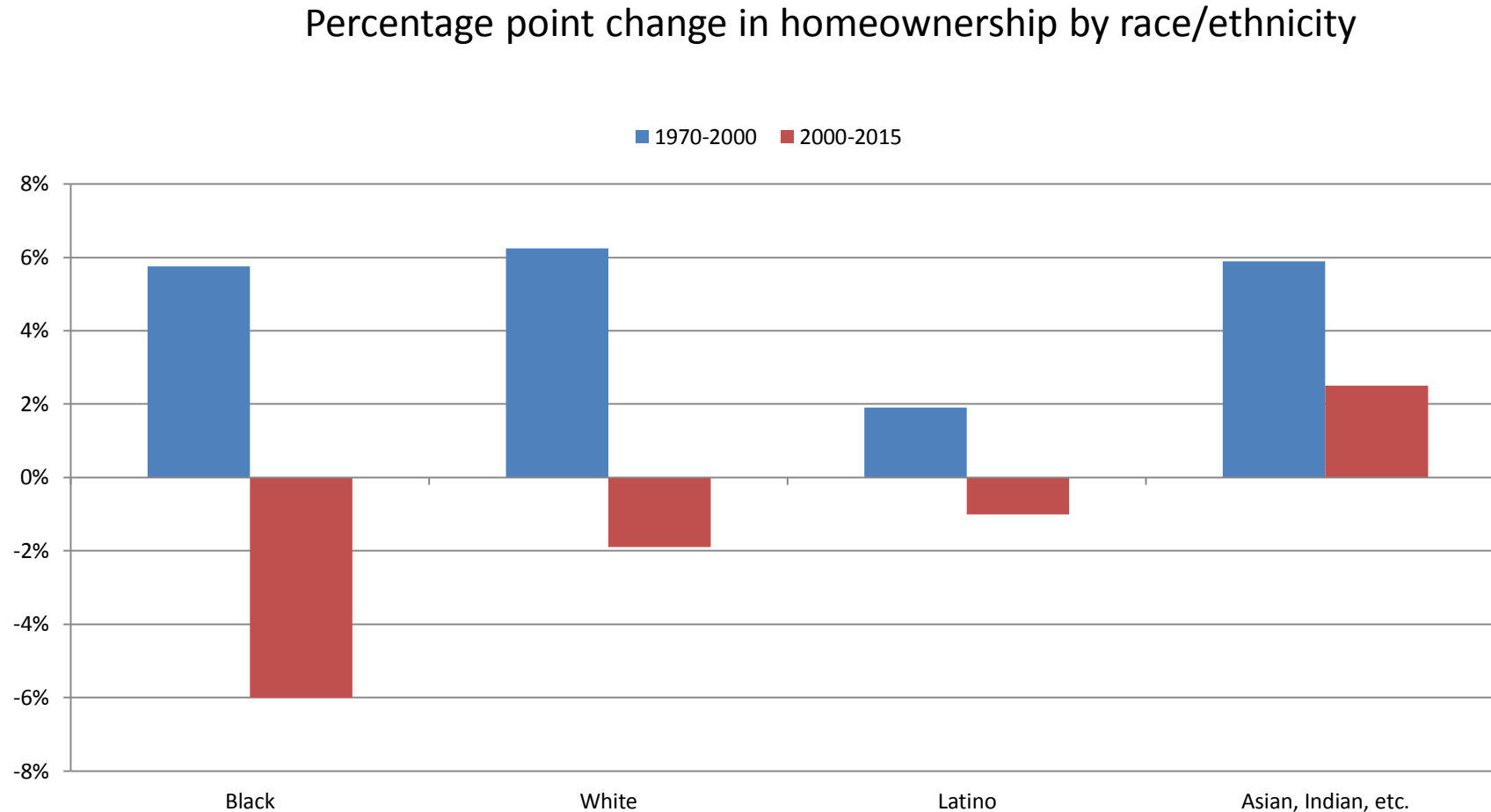
Why STEPS?

California's Homeownership is Dropping

California vs. U.S. – 9.5% gap in 2017



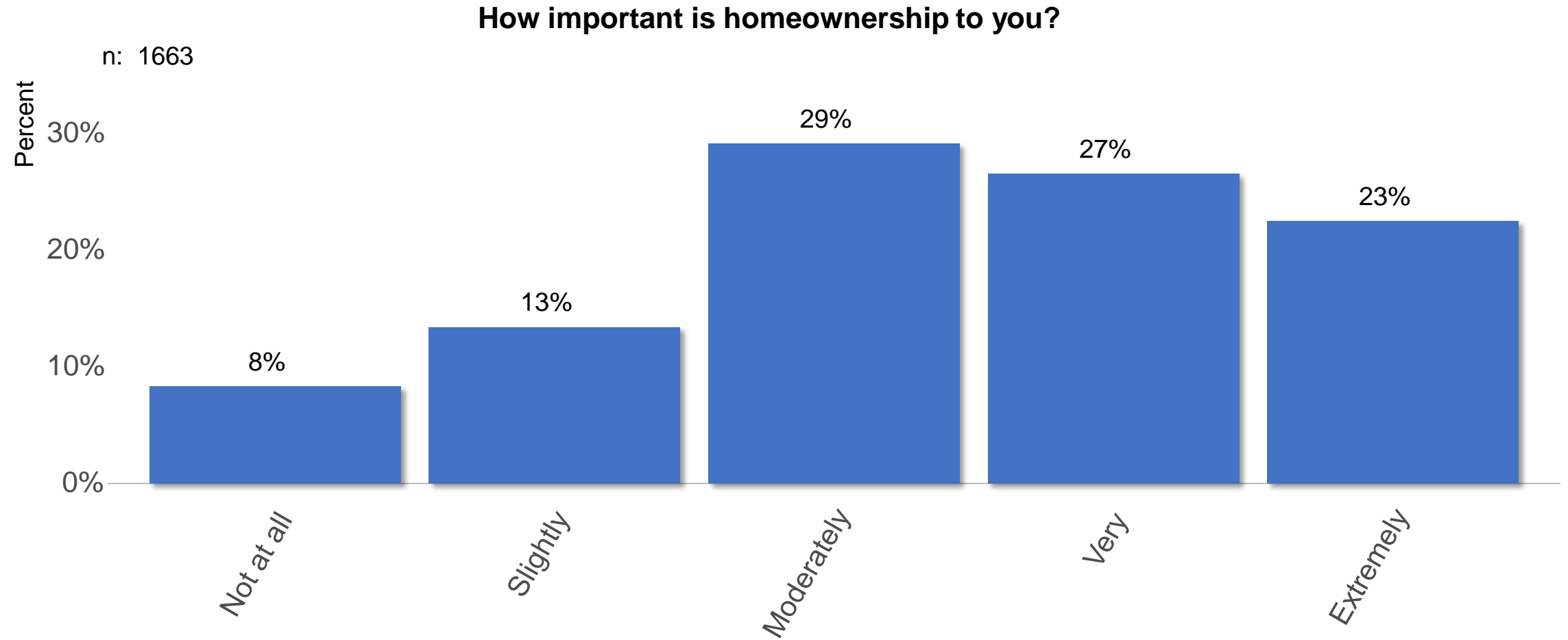
50th Anniversary of the Fair Housing Act of 1968: All gains in African American homeownership erased.



FAIR HOUSING
MAKES U.S.
STRONGER
Commemorating 50 Years
of the Fair Housing Act

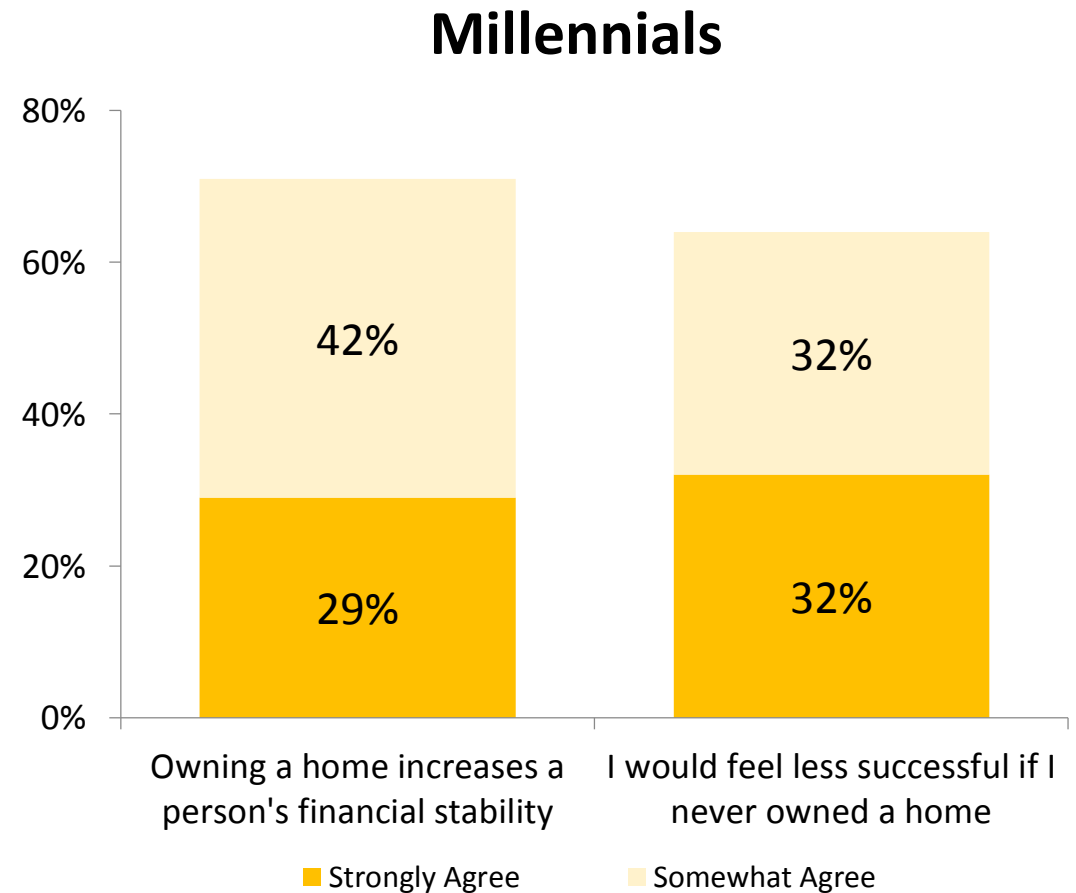
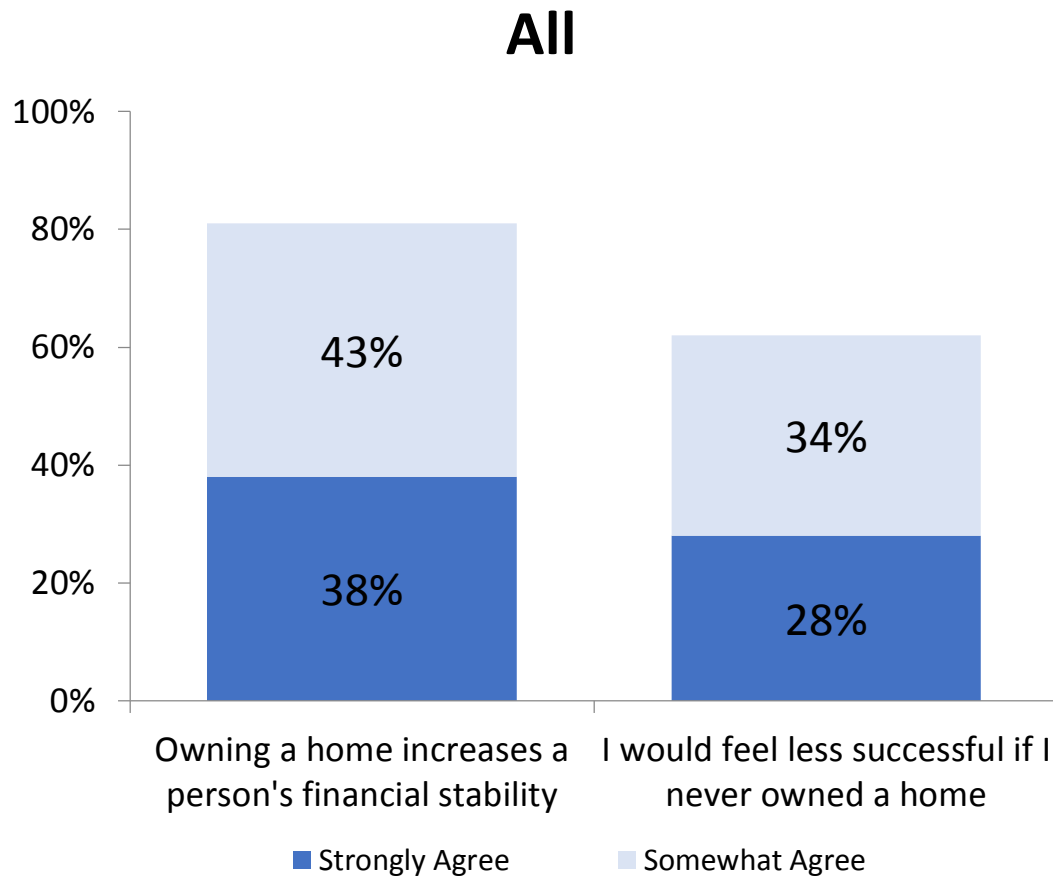


Renter Goals: Homeownership



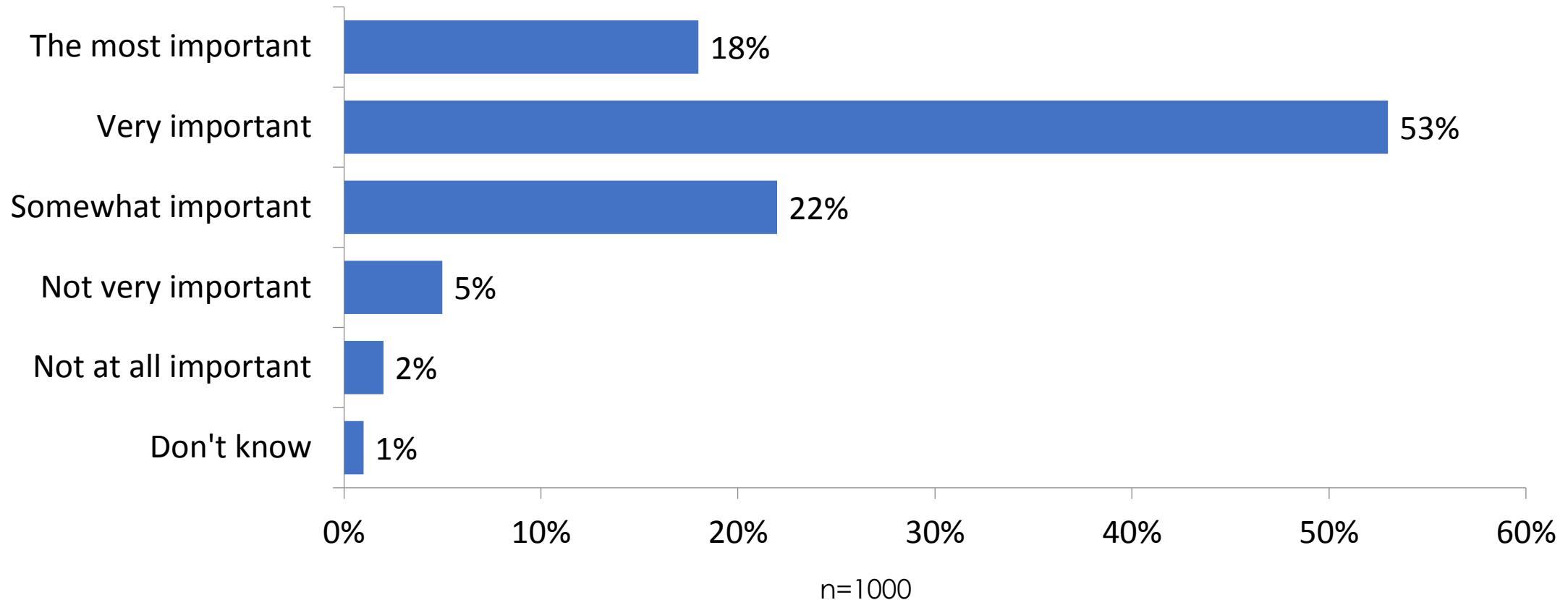
Americans overall, and specifically Millennials, believe owning a home contributes to financial stability

n=1000



7 in 10 still believe owning a home is an important part of the American Dream

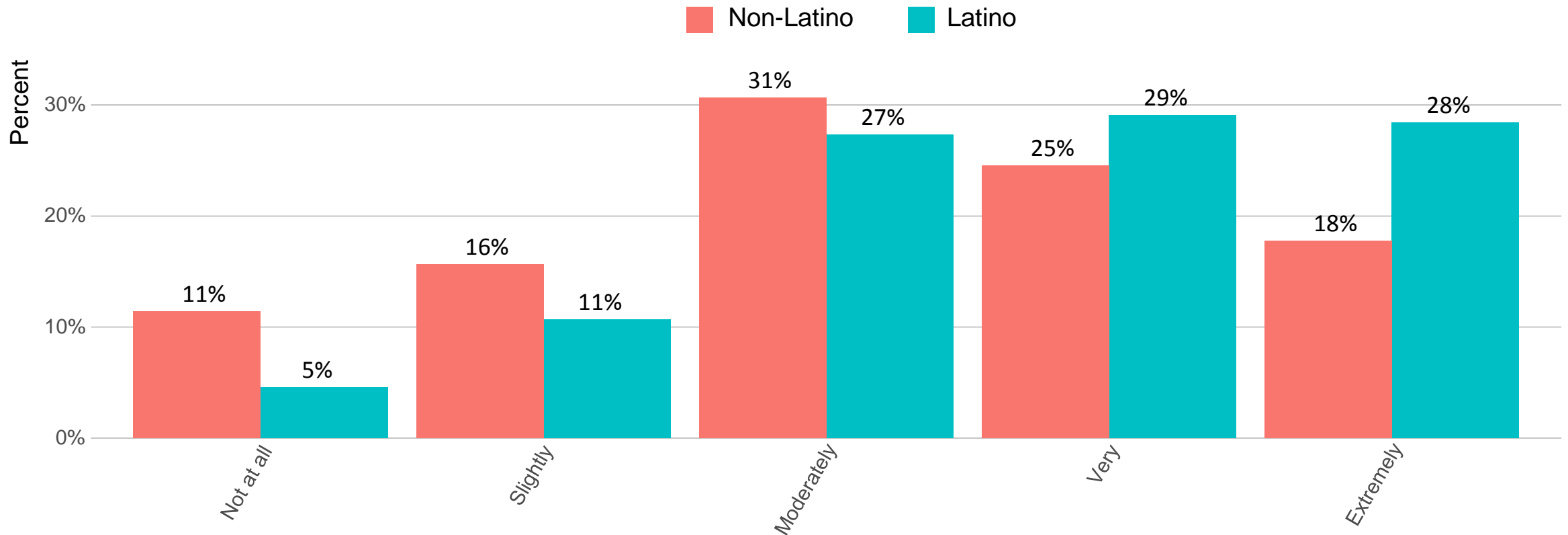
How Important a Part of the American Dream Is Owning a Home?



For Latino HHs: Strong positive views on homeownership

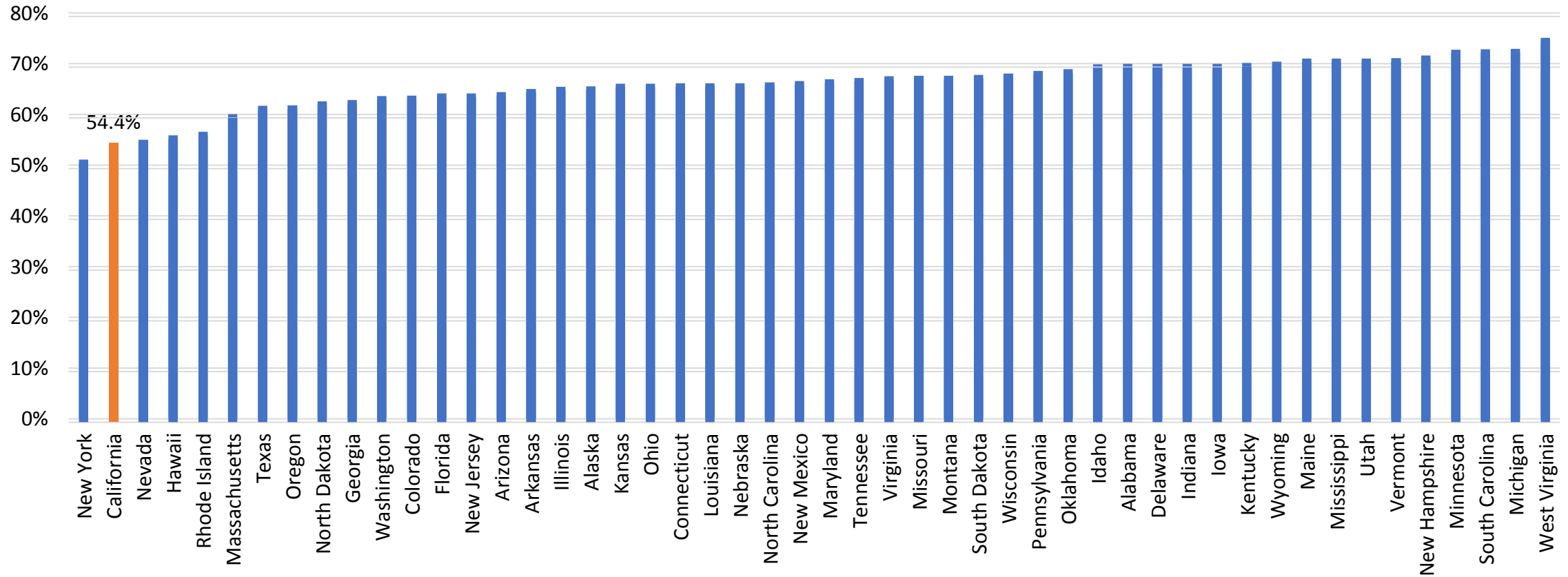
How important is homeownership to you?

n: 954



California still ranked the 2nd lowest amongst all states

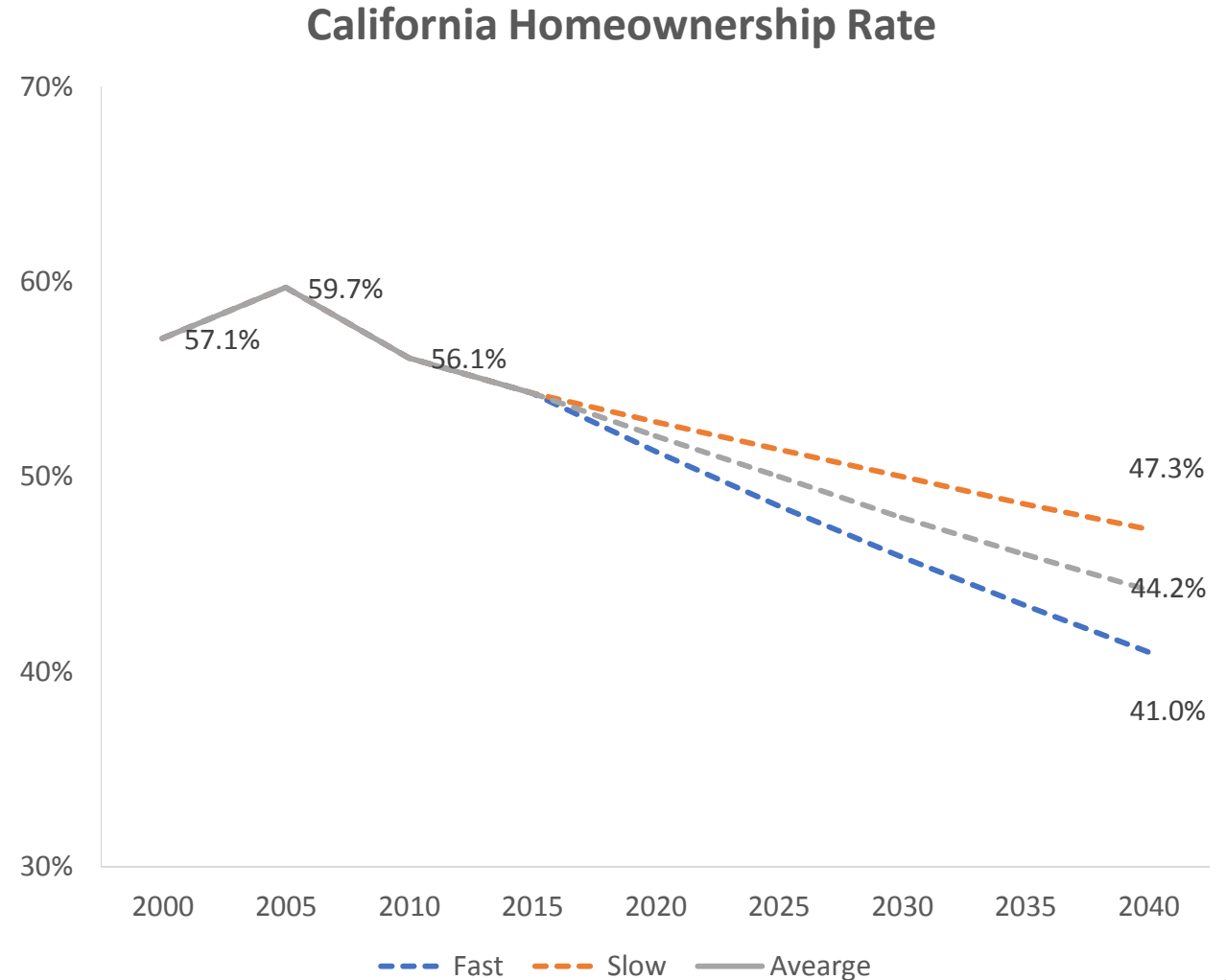
Homeownership Rate



Homeownership will deteriorate further if the trend continues

Despite the slight bounce back, homeownership will remain low in the next couple years due to:

- Interest rate hike
- Price growth
- Low turn-over rates
- Lack of new constructions
- Short-term Costa-Hawkins Repeal Impact



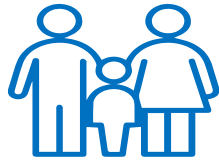


Expanding Access to Credit and Homeownership


Freddie Mac
We make home possible®

A *Better* Freddie Mac

...and a *better* housing finance system for:



Families

Innovating to improve the liquidity, stability and affordability of mortgage markets



Customers

Competing to earn your business



Taxpayers

Reducing their exposure to mortgage risk

Growing Responsible, Sustainable Homeownership - Affordable Lending



State of the Housing Market



- **Highlight year:**
 - 2017 one of the best years for housing in a decade
 - Home sales highest since 2007
- **Historic lows:**
 - Interest rates on the rise but mortgage rates remain historically low
- **Strong economy:**
 - Economic growth accelerating and labor market at full employment
- **Home prices rising:**
 - Limited supply and robust demand keeping home price appreciation strong
 - Nationally, home prices increased at a 6.8 percent annualized rate over the quarter ending September 2017
- **New purchase markets:**
 - Millennials and minority groups poised to buy

- **Household formations:**
 - » 1.4 million in 2017, up from 653,000 in 2013
- **Millennials living with parents: ~1/4**
- **Millennial households:**
 - » 16 million in 2015, rising to 49.8 million by 2035
- **Minorities share of household growth 2015-2025: 75%**
- **Households aged 65+:**
 - » ↑31 million from 2015-2035

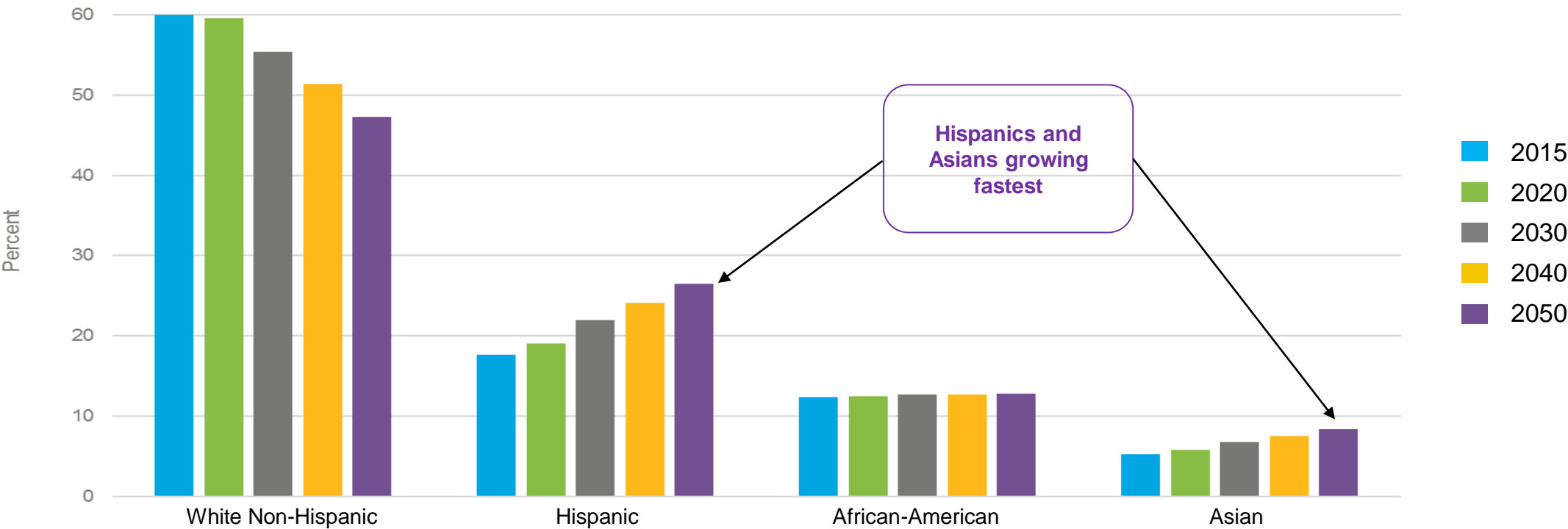
Source: Joint Center for Housing Studies of Harvard University's "2017 State of the Nation's Housing"

The Changing Face of the Borrower



The U.S. Will Become More Diverse

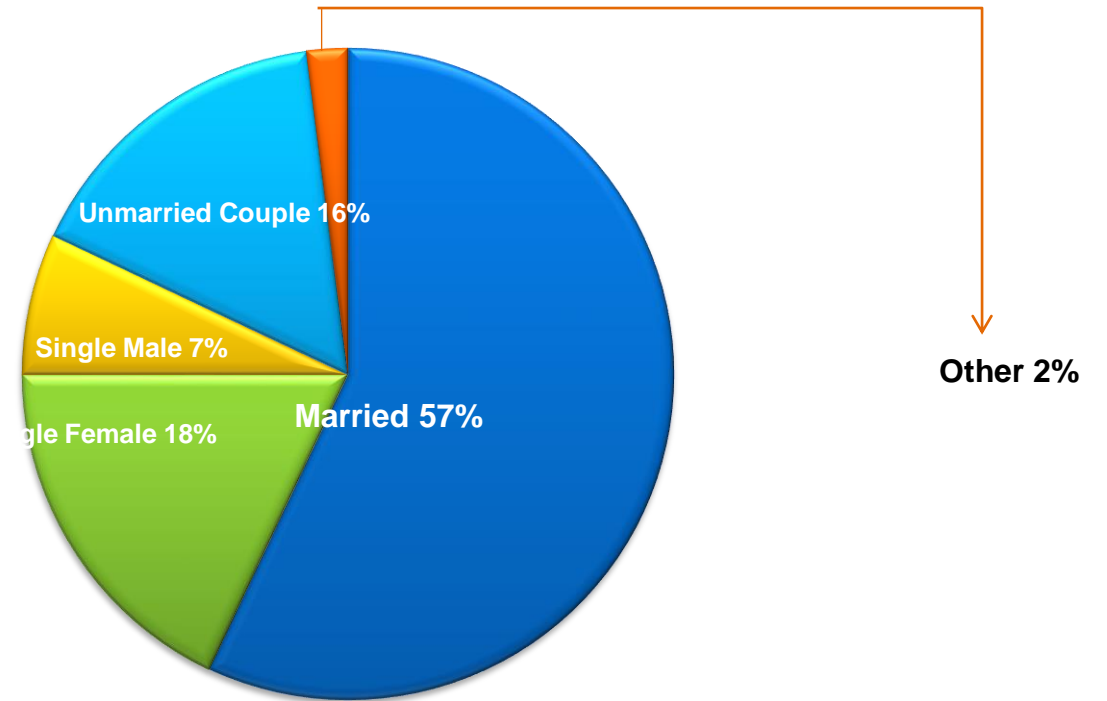
Percent of U.S. population



Source: U.S. Census Bureau

2017 First-Time Homebuyer Demographics

- Share at 34% in 2017 – A decrease from 35% in 2016
- Median age – 32; Median income - \$75,000
- Down payment sources – 78% savings; 25% gifts from friends or relatives
- 34% used FHA loans, 11% used VA
- Typical FTHB home: 1,640 sq. ft., cost - \$190,000
- FTHBs plan to stay in homes for 10 years

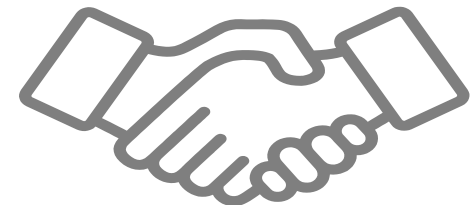


Source: National Association of Realtors 2017 Profile of Home Buyers and Sellers

What Does This Mean for YOU and YOUR Borrower?



- Despite rising interest rates and increasing home prices, the **purchase market remains strong**
- **Qualified first-time homebuyers are out there and need your help** to overcome misconceptions and concerns
- Prepare for **changing demographics**
- Freddie Mac provides a **wide variety of products and resources** to help you serve qualified buyers



STEPS

Towards Homeownership

Skills and Tools Educating People for Success

Toolkit & Resource Guide & Other Take Away Materials

brought to you by

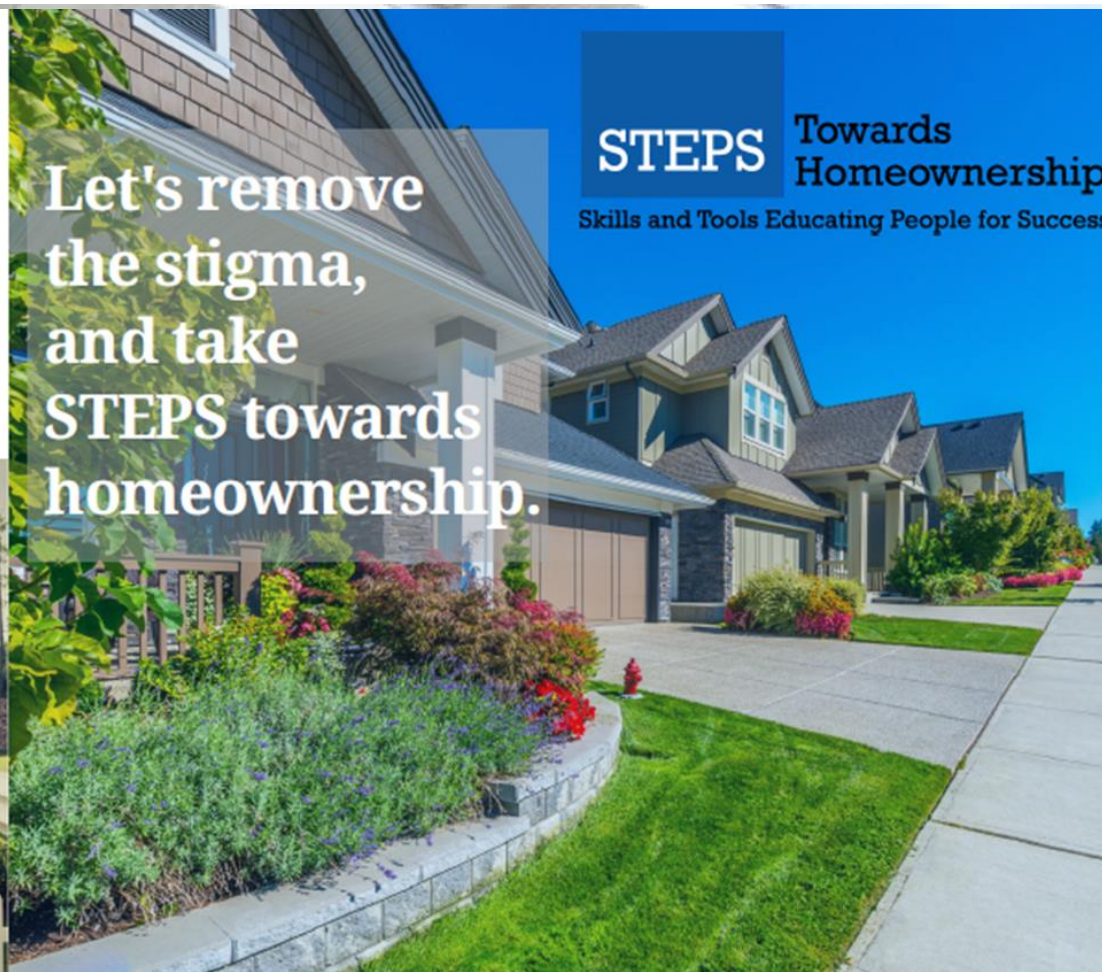


WE PROVIDE YOU WITH THE
SKILLS & TOOLS
TO EDUCATE YOUR CLIENTS



Let's remove
the stigma,
and take
STEPS towards
homeownership.

STEPS Towards
Homeownership
Skills and Tools Educating People for Success



We strive to provide REALTORS® with an overview of California's housing finance system, mortgage readiness guidelines and the most critical aspects of mortgage finance.

CONTACT US

Tel: 213.739.8383
Email: MortgageRescue@car.org
Web: mortgage.car.org

Financial Literacy Resources and
Strategies for REALTORS®

brought to you by:





We're serving the TEA on financial literacy. Enjoy three cups on us.



A MORTGAGE RESCUE phone wallet to keep your credit (cards) safe.

WELCOME!
ENJOY THE GOODS!

A MORTGAGE RESCUE stress ball to help ease the process.



We've enclosed STEPS wipes to help you clean up any messes you may have encountered.



STEPS: Resources Help You Connect Your Clients to Responsible, Equitable Home Finance Options

These tools and resources will:

- ① Secure your reputation as a thought leader in resolving home financing barriers
- ② List and sell more properties
- ③ Build and strengthen referral pipelines

STEPS: Mortgage Finance Essentials

- 1 California Housing Finance – the Big Picture
- 2 Mortgage Loan Fundamentals
- 3 First Time Homebuyer Tools and Resources
- 4 Home Equity Strategies
- 5 Home Improvement for Happier Clients
- 6 Lender Secrets!

STEP 1 Mortgage Finance Essentials

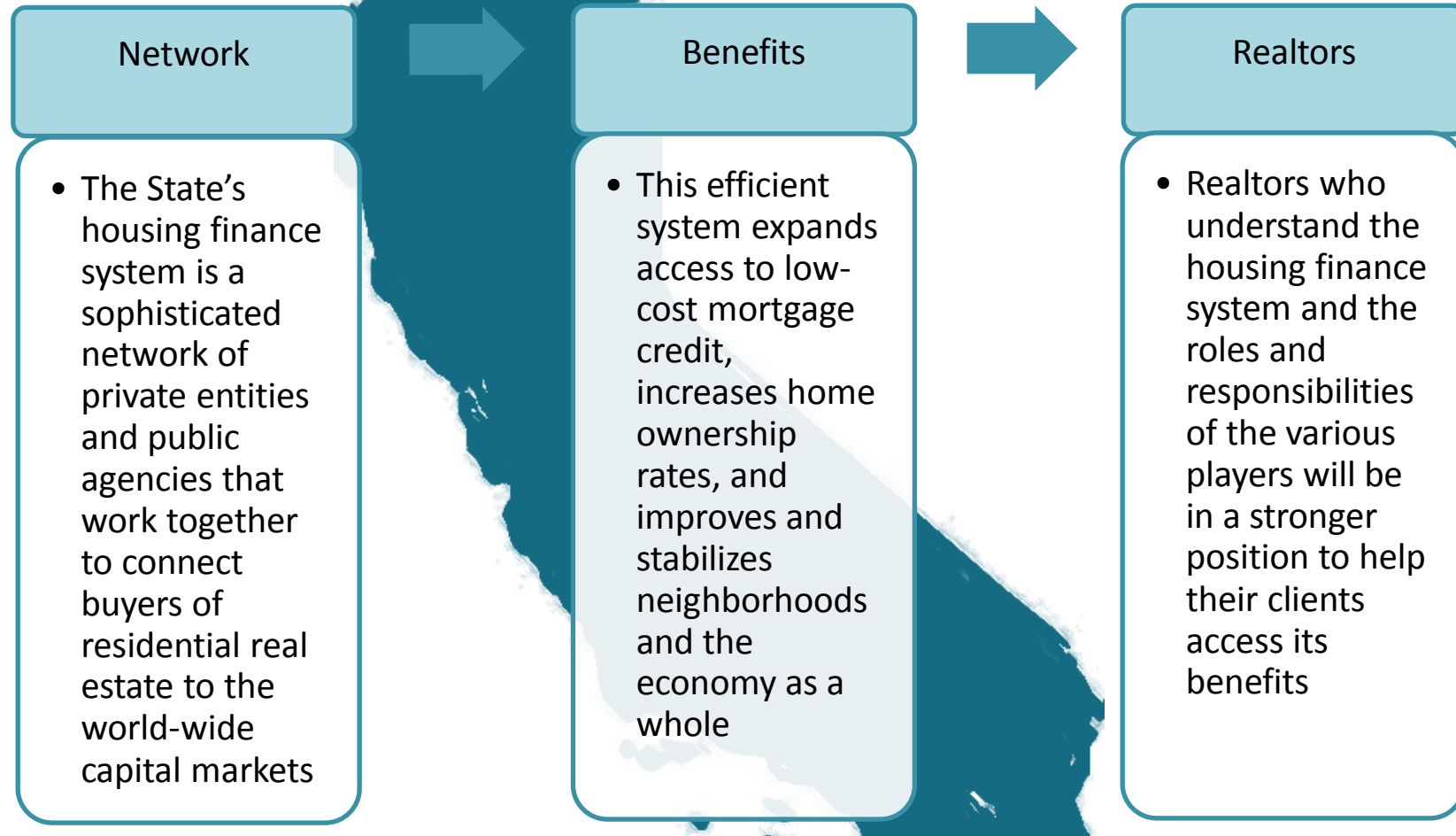
The Big Picture of California Housing Finance – in this segment you will learn:

- How and why the housing finance system works
- The difference between loan originators and the companies they work for
- The role of the secondary market and housing finance agencies

California's Housing Finance System



Realtors are often the first contact for questions related to mortgage finance



Key Participants in California's Housing Finance System



Loan originators

who source, qualify and assist borrowers through the loan approval and closing process. Loan originators include retail loan officers employed by lenders and independent mortgage brokers



Lenders

who underwrite and fund mortgage loans and hold them in their investment portfolio or sell them to the secondary mortgage market. Lenders include commercial banks, mortgage companies and credit unions



Secondary Mortgage Market

establishes underwriting standards, purchases loans from lenders and guarantees them for capital market investors. The secondary market includes Freddie Mac, Fannie Mae, Ginnie Mae & Private Investors



State and local housing agencies

incorporate public and private subsidies to increase affordability for low- and moderate-income borrowers and improve conditions in distressed neighborhoods

← Working together to expand access to low-cost mortgage credit →

Credit and Budget Planning

STEPS Towards Homeownership

Oakland / Berkeley Association of REALTORS®



Rolanda Wilson
Oakland First Time Home
Buyer (FTHB) Education
Instructor
NID-HCA

(National Investment Division-Housing Counseling Agency)



As a HUD-Approved Intermediary, NID provides **FREE** housing counseling that understands the real estate process and the value of forging economical partnerships so that real estate professionals can focus on the transaction and the housing counselor, preparing the buyer.

NID is the largest African-American housing counseling agency, and the only real estate based agency.

TYPES OF COUNSELING

- *First Time Homebuyer *Education & 1:1 Counseling*
- *Rental Assistance
- *Mortgage Default / Foreclosure Prevention
- *Credit Counseling
- *Property Rehabilitation
- *Downpayment Assistance Resources
- *Reverse Mortgages *Decreased income with equity options*

PRE-PURCHASE/HOME BUYING COUNSELING

Includes but is not limited to advice regarding readiness and preparation for homeownership:

- Federal Housing Administration insured financing
- Loan product and feature comparison
- Purchase procedures and closing costs
- Money management (does not include debt mgmt. plan programs)



- Federal Housing Administration insured financing
- Selecting a real estate agent
- Home inspection
- Housing selection and mobility
- Search assistance
- Fair housing
- Fair lending
- Predatory lending

Learn about NID'S
KNOW BEFORE YOU GO PRE-LENDER ASSESSMENT
housing counseling program that supports real estate professionals and lending partners.

***Debt-to-income ratio evaluation**

***Down payments & closing costs**

***Income and Expenses**

***Serves Low-to-Moderate Income Buyers**

***Delivers Mortgage-Ready Clients to Lenders and Realtors**



Clients working with HUD Approved housing counseling agencies understand the benefits of homeownership with a realistic expectation of responsibilities.

NID PROVIDES MORTGAGE-READY CLIENTS TO REAL ESTATE AGENTS AND LENDERS.

NID would like to thank Marc and the Oakland Berkeley Association of Realtors for the opportunity to connect with you. We would especially like to thank our valued Realtors, for attending this presentation.

Learn more about NID by visiting us at www.nidhousing.com or calling us at (510) 268-9792



CreditSmart®

Freddie Mac's online homeownership course that meets the Home Possible® Mortgages education requirement.

It's free, easy and an effective education tool.



<http://www.freddiemac.com/creditsmart/>



Other Lender Partners

STEPS Towards Homeownership

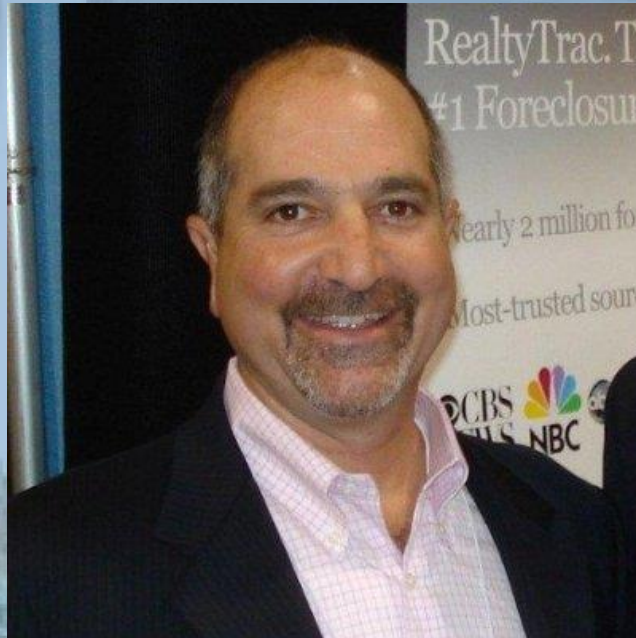
Oakland / Berkeley Association of REALTORS®



Robert “Scott” Webster
VP/Regional Manager
All Western Mortgage

STEPS Towards Homeownership

Oakland / Berkeley Association of REALTORS®



Skip Schenker
Regional Renovation
Manager
Loan Depot

Be a Mortgage Planner for Clients

- ▶ Tell Prospective Homeowners to Create a Budget
 - ▶ Need to know what the client can afford in terms of payment
- ▶ Identify the amount of money you have coming in – (Net Income – after taxes)
 - ▶ Easy to overestimate what you can afford, so identifying your monthly net income will help make it easier to figure out, even though calculations for DTI are based on Gross.
 - ▶ If you get tips/commission income or Overtime/Bonus Income, average out over a year or two. Remember that lenders use 2 year average.
- ▶ Track your spending
 - ▶ List fixed expenses such as car payments, student loans, etc.
 - ▶ List your variable expenses such as groceries, utilities, gas & entertainment.
- ▶ Set your long term and short term financial goals.
 - ▶ Long term goal could be child's education, retirement, etc.
 - ▶ Short term goal could be reducing your credit card debt, getting a car, etc.

Be a Mortgage Planner for Clients (cont'd)

- ▶ Make a Financial Plan
 - ▶ Use the variable & fixed expenses you compiled to help you get a sense of what you'll spend in the coming months. This can help you predict fairly accurately how much you'll have to budget for in terms of a monthly mortgage payment.
- ▶ Adjust your habits if necessary
 - ▶ Sometimes expenses can change, so you would need to adjust your spending habits.
 - ▶ Remember that small savings can add up to a lot of money, so don't overlook the little stuff.
- ▶ Keep checking in
 - ▶ Review your budget on a regular basis to make sure that you're staying on track.
 - ▶ Make sure that Issues, Credit and DPA Checklists are Routinely Reviewed.

BASIC CREDIT REQUIREMENTS

- 👁 **CREDIT SCORES MATTER!**
- 👁 Credit is Dynamic
 - 👁 Score Changes Possible with Proper Planning
 - 👁 Possible Removal of Derogatory Credit (if done in advance)
- 👁 Credit Hardships & Life Events Can Change the Rules
- 👁 Non-Traditional Credit May Help When Lack of History

Realtor Resource: Tips for credit-challenged buyers

Help your credit-challenged buyers with the **Stop-Start-Fix** credit improvement system

Stop adding new derogatory credit by bringing past-due balances on open accounts current, avoiding new late payments, and reducing revolving credit card balances.

Start building positive credit by having two to three credit accounts using secured credit cards if necessary, keep the balances low and maintain an on-time payment history.

Fix prior derogatory credit by selectively paying off or settling collection and charged-off account, judgements, and liens *as required by the underwriter*.

Helpful referral resource: Credit.org is a non-profit organization that offers a wide range of free credit counseling and financial management services

Realtor Resource: A field guide to identifying mortgage-ready buyers

	Get answers to these questions from your buyers:	Yes	No
1	Do you have income sources that can be documented with current pay checks, bank statements, W2s and tax returns?		
3	Has it been at least two years since you discharged debts in bankruptcy or three years since a home you owned was foreclosed?		
4	Do you have access to down payment money from sources that can be verified and documented?		
5	Do you have at least two or three open credit accounts in good standing?		
6	Are you a US citizen, permanent resident or do you have a current work authorization card?		

If the response to these question is “yes”, send your buyer to your lender partner for pre-approval. If the answer is “no”, send them to a trusted housing or credit counselor referral partner and stay in touch with them as they resolve their issues.



Down Payment Assistance

Freddie Mac provides HFAs with a source of liquidity and supports their service to low and moderate income borrowers.

- Launched **HFA Advantage Mortgage**, our enhanced product for housing finance agencies, which includes:
 - 97% LTV and 105% TLTV (1-unit)
 - HFA income limits in lieu of Home Possible Area Median Income limits
 - HFA determines homebuyer education requirements
 - Credit enhancement options including charter-level mortgage insurance coverage
- **Engage with master servicers** who have relationships with smaller state and local HFAs
- Contact your state or local HFA for program details

Housing Finance Agencies (HFAs) - An Opportunity for You



- Ideal for borrowers with limited funds for down payment and closing costs, and those needing extra flexibilities on credit and income sources.
- Reach more potential homeowners through HFA programs that:
 - Provide low down payment options
 - Offer preferential pricing
- Majority of HFAs provide “true grant” funds or affordable secondary financing as part of their down payment assistance programs.
- An alternative to FHA financing




DPA Resource


How to Find Affordable (DPA) Lending Programs in Your Area

CAR Down Payment Resource Directory

[Http://FindDownPayment.car.org](http://FindDownPayment.car.org)



TRANSACTION CENTER ▾LEARN & THRIVE ▾INDUSTRY 360° ▾YOUR C.A.R. ▾

SIGN INQ SEARCH

FEEDBACK

Down Payment Resource Directory

EXPLORE
LEARN & THRIVE

Education >Meetings & Events >Marketing Tools >Knowledge Center >

HOME > MARKETING TOOLS > FOR YOUR CLIENTS > DOWN PAYMENT RESOURCE DIRECTORY

PRINT | EMAIL | SAVE

SHARE

Fill out the following 3-step pre-screening form, in order to find out if you are eligible for any of the 400+ down payment assistance programs available in California. If you are still not sure how to begin, feel free to [watch this video](#).

If you need further assistance with the Down Payment Resource Directory tool, please contact your REALTOR® or [find a local REALTOR® here](#), if you do not have one already.

Property InformationHousehold InformationSpecial Circumstances

Enter the **Street Address** and **Zip Code** of a specific property
– OR –
Start typing in the **General Search** field and pick a neighborhood, city or county from the menu.

Street Address (e.g. 123 Main Street)Zip Code

General Search (start typing for a menu of options)

Matched Programs

View Programs

Featured Stories

The #1 Reason Agents Struggle has nothing to do with how good they are at the technical parts of the business. It has nothing to do >> [more](#)

Agent Builds a Multi-Million Dollar Real Estate Legacy in 4 Short Years "The common denominator of the most successful agents >> [more](#)

13 Women Who Made it Big in Real Estate - Some of these women were struggling, some were doing well but burnt out, several >> [more](#)

A Little Mistake that Cost this Real Estate Agent \$767,463.38 in GCI (and almost his family) – While Rudy worked hard to succeed >> [more](#)

Agent Leaps Business from Zero to \$1 Million GCI in 2-1/2 Years - "I had no training but discovered early that the way to succeed >> [more](#)

Stay-at-Home Mom Turned Realtor

STEPS Towards Homeownership

Oakland / Berkeley Association of REALTORS®



Carolyn Sunseri
Director of Marketing
Golden State Finance
Authority (GSFA)

GSFA Platinum[®] Program



Combines a First Mortgage
with a
Forgivable DPA Second Mortgage

GSFA Platinum – Accessible & Flexible

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- **DPA Second Mortgage**
 - 0% Interest Rate
 - Non-amortizing; No payments
 - Forgiven after 3 years
- **DPA Amount Available** *(Based on Total First Loan)*
 - FHA/VA: Up to 4%
 - USDA: Up to 3%
 - Freddie Mac: Up to 5%
- **For down payment and/or closing costs**
- **No first-time homebuyer Requirement**

GSFA Platinum – Accessible & Flexible Cont...

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- NO First-time Homebuyer Requirement
- Generous Income Limits
 - For Example:*
 - Solano County = \$160,800
 - Contra Cost County = \$194,800
 - Alameda County = \$194,800
 - San Joaquin County = \$122,200
- Available on Purchase or Refinance of Primary Residences
- Available throughout California

GSFA Platinum – Guidelines

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- **Eligible Mortgages:**
(30-year fixed-rate)
 - Conventional Freddie Mac HFA Advantage
 - FHA, VA, USDA
- **Loan Limits**
 - FHA/VA/USDA:
 - *Loan agency limit by county*
 - Freddie Mac HFA Advantage:
 - *Conforming loan limit (\$453,100)*
- **Borrower Eligibility:**
 - Minimum FICO = 640
 - Maximum DTI = 50%
- No additional compliance review from GSFA
- Hundreds of Participating Lenders throughout CA
- Low MI requirement for Conventional Freddie Mac HFA Advantage Loan

LTV	Standard Coverage	Charter Coverage
95.01 – 97.00%	35%	18%
90.01 – 95.00%	30%	16%
85.01 – 90.00%	25%	12%
80.01 – 85.00%	12%	6%

Additional Financial Assistance

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- **GSFA Platinum –**
 - **GSFA Paid MI Options**
 - *GSFA pays MI on behalf of Borrower*
 - *Coupled with DPA up to 2.5%*
 - **GSFA Affordable Subsidy**
 - *Additional Subsidy on Freddie Mac Conventional Loans*
 - *Up to \$2,500 for Borrowers < 80% AMI*
- **GSFA MCC Program –**
 - **20% Tax Credit for First-time Homebuyers**
 - **Borrowers < 120% AMI**



REALTOR® / Lender Support

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■ GSFA Client Relations

- (855) 740-8422
- M-F 8:00 AM – 5:00 PM
- info@gsfahome.org

■ <http://FindDownPayment.car.org>

■ www.gsfahome.org

- 24/7 Online Resource Center

The screenshot displays the GSFA website with a navigation menu including 'Lender/Realtor Resources', 'Housing Programs', and 'About Us'. The 'Housing Programs' dropdown menu is open, listing 'Program Index', 'Platinum Down Payment Assistance', 'Mortgage Credit Certificate', 'Multi-Family Financing', and 'Residential Energy Efficiency Financing'. The main content area features three highlighted sections: 'Lender & Realtor Resource Library' (Maximize lending options by offering GSFA programs), 'Housing Programs' (Explore program advantages, guidelines and more), and 'Energy Efficiency Financing' (Promote financing options for home energy upgrades). Below these are 'Recent News' and 'Recent Posts' sections. The 'Recent News' section includes a story about GSFA providing \$76,390 to Butte County victims of 2017 fires. The 'Recent Posts' section lists several bulletins and training events. On the right, a 'PROMOTIONAL OFFER' banner for the 'GSFA MCC Program' shows a \$350 OFF MCC Application Fee, valid through June 30, 2018. Below the banner is an 'About Us' section describing GSFA as a local housing finance authority established in 1993.



Lender Insights to Utilizing DPA with Loan Programs

Realtor Resource: A down payment worksheet

Use this worksheet with your clients to help them find sources of money for their down payment

Amount	Acceptable Down Payment Sources	When Available
\$	Buyer funds in checking, savings and investment accounts	
\$	Properly documented gift funds from family members	
\$	Verified proceeds from the sale of a buyer asset	
\$	Withdrawal or loan from retirement savings accounts	
\$	Income tax refund	
\$	Rental deposit refund	
\$	Down payment assistance grant from non-profit organization or qualified loan from public agency	
\$	Total	

Remember, cash-on-hand (“mattress money”) is generally not an eligible source of down payment funds

1st Mortgage Products and Affordable Housing Programs

- ❑ There are 1st mortgage products that address specific underserved market segments
- ❑ There many types of affordable housing assistance that can be used along with an affordable 1st mortgage or a standard 1st mortgage

Affordable First Mortgage Products

Taxable / Tax-Exempt Bond (MRB)

HFA-Sponsored TBA Programs

Rural Housing (USDA)

FHA 203(b) / 203(k)

Lender sponsored 1% Down Payment Product

* Funding source is first mortgage financing

Community Reinvestment Act “CRA”

Deposit institutions may offer 1st mortgages with CRA subsidies, or they may fund an affordable program, such as an affordable 2nd or grant

* Funding source is the CRA regulated institution

Affordable Housing Programs

Affordable Seconds (DPA)

Gifts and Grants

Section 8 Housing Choice Vouchers

Inclusionary Zoning (resale price deed restrictions)

Employer Assisted Housing

Mortgage Credit Certificates

Matched Savings/Individual Development Account

* Funding sources are HOME, CDBG, employers, government agencies, nonprofits, bank CRA

Loan Programs/Options



Overview of Home Possible[®] and HomeOneSM Mortgages

Overview of Home Possible® Mortgages



	Home Possible®	Home Possible Advantage®
LTV ratio	95% LTV/TLTV/HTLTV (Manufactured Homes refer to Seller/Service Guide)	97% LTV / 105% TLTV (Affordable Second® only)
Refinance	Purchase/No Cash-out Refinance	
Units	1- to 4-unit primary residence (Detached/Attached, PUDs, Condominiums)	1- unit primary residence (Detached/Attached, PUDs, Condominiums)
Primary residence	All Borrowers must occupy the Mortgaged Premises as their Primary Residence	
Loan type	Fixed Rate	
	5/1ARM if secured by a 1- to 2-unit property, other than a Manufactured Home 7/1 or 10/1 ARMs if secured by a 1- to 2-unit property	—
Temporary subsidy buydown	(1-to 2-unit primary residence only)	(1-unit primary residence only)

 program similarities

Announced April 25, 2018 and Effective July 29, 2018

Freddie Mac is proud to announce the HomeOneSM mortgage

This conventional mortgage offers qualified first-time homebuyers with a low 3% down payment option, without geography or income limitations.

- New, complimentary product provides a solution to capture the growing first-time homebuyer segment
- Addresses a portion of borrower situations that may no longer be served by the Home Possible[®] / Home Possible Advantage affordable product

Home Possible[®] and Home Possible Advantage[®] Updates

Freddie Mac is sharpening our focus on low- to moderate- income borrowers through the capping of income limits to 100% AMI, within three areas (previously allowed):

- Designated Disaster Areas
- High Minority Census Tracts
- High Cost Areas

There will continue to be no income limits within low income census tracts

Overview of HomeOneSM Conventional Mortgage



	HomeOne SM
LTV ratio	97% LTV / 97% HTLTV / 105% HTLTV
Purchase Status	At least one borrower must be a first-time homebuyer (as defined in the Guide)
Refinance	No Cash-Out Refinance Mortgage being refinanced must be owned or securitized by Freddie Mac unless it has secondary financing that is an Affordable Second®
Units	1- Unit Only No Manufactured Homes
Primary Residence	All borrowers must occupy the mortgaged premises as their primary residence
Loan Type	Fixed Rate
Income Limits	No Limits
Homeownership Education	Required when all borrowers are first-time homebuyers
Underwriting Path	Loan Product Advisor SM Only

*Freddie Mac is proud to
announce
the*

HomeOneSM mortgage

The **Freddie Mac HomeOneSM mortgage** is available to qualified first-time homebuyers for a low down payment of just 3%.



**Product
available as of
July 29, 2018**

Why Choose Home Possible over FHA?

Home Possible

FHA



MI Ends when LTV < 80%

OR

MI stays for the life of the loan



Conventional MI: monthly premium

OR

FHA: Upfront AND monthly premiums



MI only required if the LTV is 80% or higher

OR

MI required regardless of the LTV



No upfront MIP

OR

Upfront MIP added to principal AND amortized



WHAT THIS MEANS: With more funds applied toward the principal upfront, a Home Possible mortgage with PMI lets the borrower build equity faster.

Mortgage Insurance (MI)

STEP 2 Mortgage Loan Fundamentals

How to help your clients get to close – in this segment, you will learn:

- In this segment you will learn about the different types of home loans
- Basic lending underwriting concepts
- Why mortgage insurance may be the best thing for your client
- How to describe the appraisal process to your clients
- What to expect when your client is burdened with student debt
- How to help your clients through the closing process

Pre-Qualification vs. Pre-Approval

▶ Pre-Qualification

- ▶ Not a promise to lend – it is typically based solely on the information you give the lender. It gives the buyer an idea of what they might qualify for.
- ▶ Lender may evaluate your credit and possibly income documentation such as paystubs, W2s, Tax Returns and issues letter stating the borrower qualifies.
- ▶ Information might be old and not up to date. Credit balances might have changed and income might be different.

▶ Pre-Approval

- ▶ Utilize an Automated Underwriting System (AUS) like Loan Prospector (LP) or now Loan Product Advisor (LPA)
 - ▶ (either Approved, Caution) Eligible or Ineligible
- ▶ “With a Good Lender” also have an Underwriter then Review Income, Asset and Credit Documents before issuing a loan approval; that is then contingent only on those findings, and key property information (Valid Appraisal & Prelim).
- ▶ THIS IS SUBJECT TO NOTHING CHANGING DURING THE PROCESS!!!!!!

Pre-Qualification vs. Pre-Approval (cont'd)

- ▶ Ways Pre-Approved clients may compete with “cash buyers” in a competitive market!
 - ▶ Many Cash buyers typically are bargain hunters and thus low ball offers.
 - ▶ Pre-Approved clients can close escrow quicker than most other loan transactions, as most of the legwork has been completed in advance.
 - ▶ Again, only items missing are valid appraisal, preliminary title report, clearly identified required additional items and escrow instructions.
 - ▶ Addressing the seller's time concerns – Buyers with financing should make their contingency periods as short as possible to compete with cash offers.
 - ▶ Give the seller what they want – Try to accommodate the seller (limit on how much you will ask sellers to fix, title, escrow, possession date, closing date, inclusions such as fixtures).
 - ▶ Personalize your offer – Yes it's cheesy but it can work! Write a heart-felt letter to seller as they might have an emotional attachment to the property especially if they have lived at the property for an extended period of time and if the seller knows that the property is going to a great family, that could seal the deal!

Qualified Mortgage Programs

- ▶ Conventional – Freddie Mac Home Possible - 3% down
- ▶ FHA – 3.5% down
- ▶ VA – 0% down
- ▶ CalHFA – available on Conventional, FHA, & VA (possibly 0% down based on income limitations & sales price limitations)
- ▶ Golden State Finance Authority – available on Conventional, FHA, & VA with 3% or 5% Down Payment Assistance (DPA).
- ▶ W2 & 1099 Borrowers Possible
- ▶ High Balance & Jumbo Loans

Freddie Mac Home Possible

Home Possible: 95% LTV

- ▶ **LTV:** Maximum LTV and TLTV of 95 percent.
- ▶ **Property Options:** 1-4 units, condos and planned-unit developments; manufactured homes are eligible with certain restrictions.
- ▶ **Flexible Sources of Down Payments:** Down Payment can come from a variety of sources, including family, employer-assistance programs and secondary financing.
- ▶ **Cancellable Mortgage Insurance:** Mortgage insurance (MI) can be cancelled after loan balance drops below 80 percent of the home's appraised value.
- ▶ **Mortgage Flexibility:** 15- to 30-year fixed-rate mortgages, 5/1, 5/5, 7/1 and 10/1 ARMs.
- ▶ **Refinance Options:** No cash-out refinancing option is available for borrowers who occupy the property.
- ▶ **Income Flexibility:** Borrowers with incomes above AMI may be eligible in high-cost areas. No income limits in underserved areas. Use the [Home Possible Income & Property Eligibility Tool](#) to see income limits for specific properties.
- ▶ **No Credit Score Necessary:** Borrowers without credit scores are eligible for mortgages with down payments as low as five percent.

Home Possible Advantage: 97% LTV

- ▶ **LTV:** Maximum LTV of 97 percent; TLTV 105 percent.
- ▶ **Property Options:** 1-unit properties, condos and planned unit developments; manufactured homes are not eligible.
- ▶ **Flexible Sources of Down Payments:** Down Payment can come from a variety of sources, including family, employer-assistance programs and secondary financing.
- ▶ **Cancellable Mortgage Insurance:** Mortgage insurance (MI) can be cancelled after loan balance drops below 80 percent of the home's appraised value.
- ▶ **Stable Mortgages:** Fixed-rate mortgages with a term of up to 30 years.
- ▶ **Refinance Flexibility:** Purchase and no cash-out refinancing options available.
- ▶ **Income Flexibility:** Borrowers with incomes above AMI may be eligible in high-cost areas. No income limits in underserved areas. Use the [Home Possible Income & Property Eligibility Tool](#) to see income limits for specific properties.
- ▶ **Primary Residence Only:** All borrowers must occupy the property as their primary residence.

FHA

- ▶ Minimum 3.5% down
- ▶ FICO score as low as 580 (overlays may exist)
- ▶ Debt to Income Ratio: Front End can go as high as 46.99% and Back End can go as high as 56.99%
- ▶ Down Payment & Closing Costs can be 100% gift from immediate family member
- ▶ However, they will have Upfront and On-Going MMIP, (non-cancelable)

VA

- ▶ Eligible only if you currently serve or have served in the military and have honorable discharge.
- ▶ No co-signers – only spouses or another military veteran
- ▶ Primary residences only
- ▶ 0% down
- ▶ VAFF – VA Funding Fee – No Monthly Mortgage Insurance (MI)
- ▶ FICO down to 580
- ▶ DTI as high as 55%, but VA residual income must be met

STEP 3 First Time Home Buyer Resources

How to help widen the pool of buyers – in this segment, you will learn:

- About the programs offered by government agencies, nonprofits and employers
- About partnerships that may provide support for you and your client
- What to expect with down payment assistance and how to ensure your offer is correct

How Housing Assistance Helps Homebuyers



Carlos, a first-time home buyer with median combined Family Income, is interested in purchasing a new home

To qualify for a mortgage, Carlos needs:

- Steady income
- Good credit
- Cash for closing costs (est. 3%)
- Cash for down payment??

Carlos currently has:

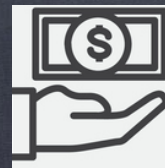
- \$96,000 Median (SF/Oak/Hay) Metro Area Annual Income
- Good credit
- He may not have money saved for a down payment.
- The lender requires 3% of the purchase price (\$13,500) as down payment.



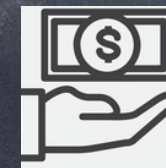
\$436,500 loan
from lender



\$22,500 Down Payment Assistance
(DPA) from non-profit (5%)



\$13,500 Down Payment



\$13,500 Closing Costs



\$450,000 Home Purchased with
only 9k Total Cash Needed

Two Key Home Financing Concepts



LOAN-TO-VALUE (LTV)

The relationship between the loan amount and the lesser of the contract price or the appraised value. The maximum loan-to-value for a conventional loan is 97% (3% down payment required) and if the loan exceeds 80% of the value, then private mortgage insurance is required. FHA loans allow for a 96.50% LTV (3.5% down payment required). VA and USDA loans allow 100% LTV financing (no down payment required).

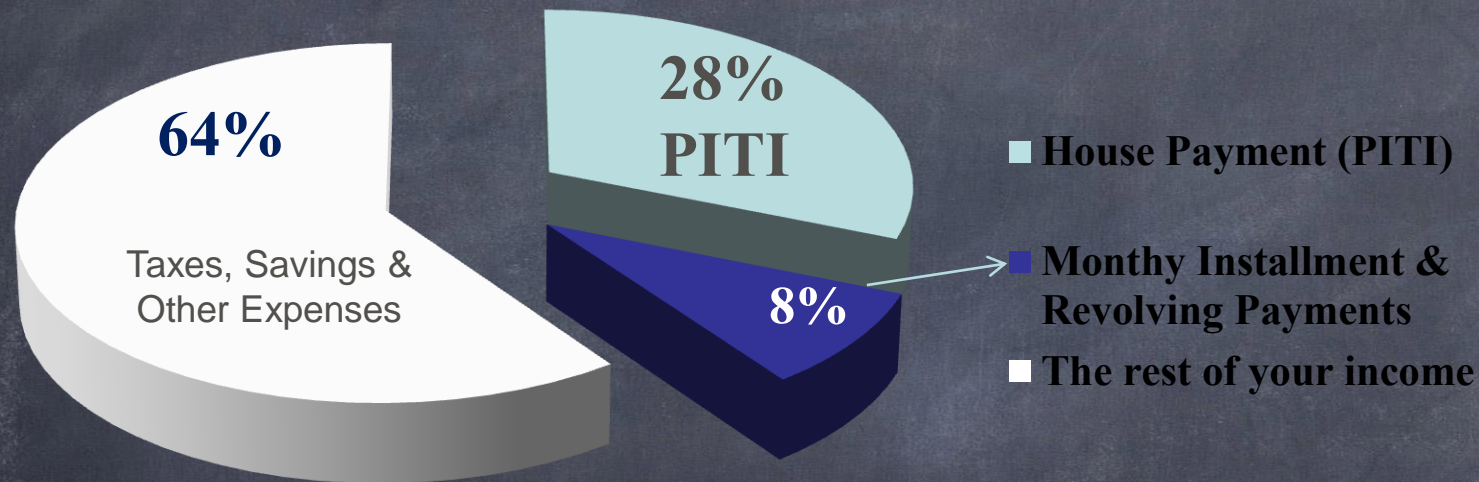
DEBT-TO-INCOME (DTI)

The front or top-end ratio is the relationship between the borrower's anticipated new housing expense including the mortgage payment, property taxes, insurance and HOA fees (if any) and gross monthly income. The total debt income ratio includes the anticipated housing expense plus non-housing debts including auto loans and lease, installment loans, student loans, credit cards, and court-ordered payments. Conventional loans allow a total DTI of up to 50% and FHA loans allow up to 55%.



KEY CONCEPTS - DEBT TO INCOME (DTI)

Income \$ 8,000



Top (Front-End) Ratio
 $28\% = \$2,240$ (PITI) or
House Payment

**Other Monthly Installment &
Revolving Payments**

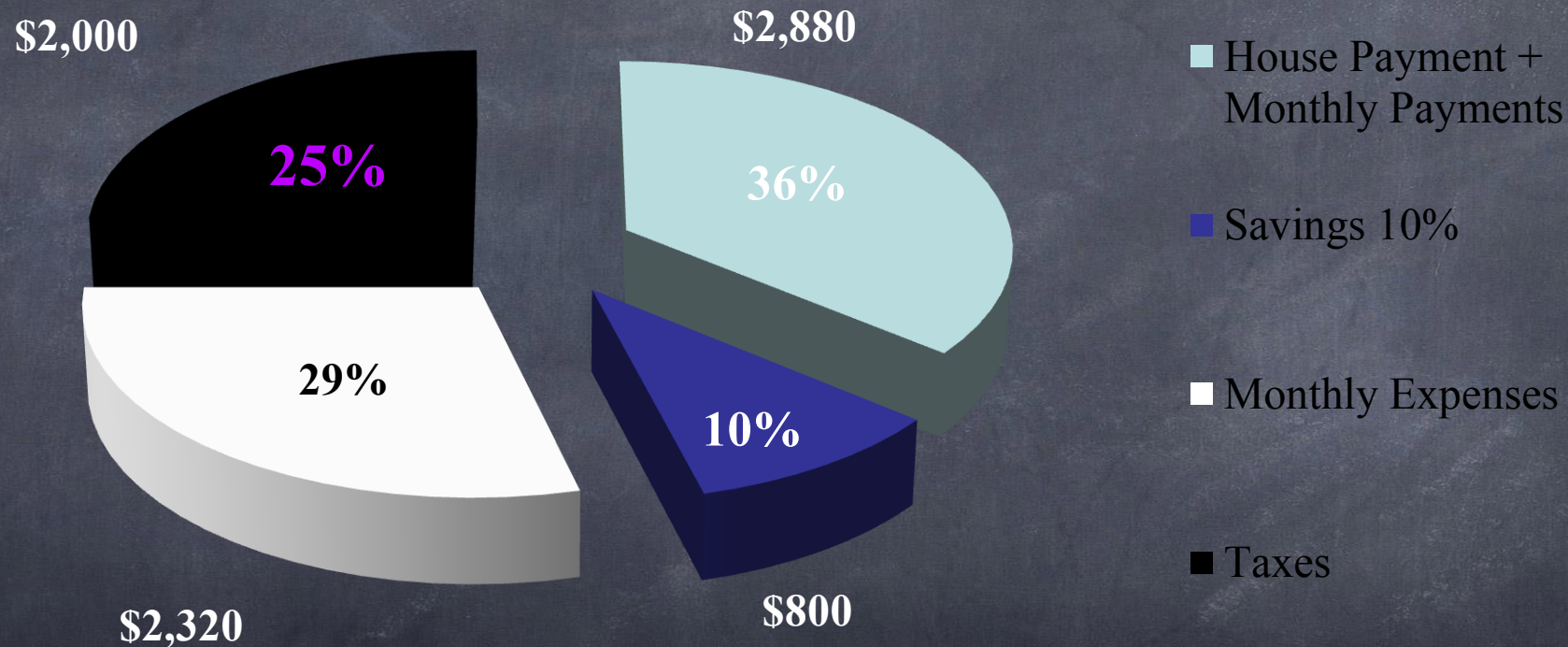
$8\% = \$640$

Includes : Car Payments, Student loans, Credit Card payments

Bottom (Back-End) Ratio
 $28\% + 8\% = 36\%$
 $36\% = \$2,880$

Don't forget about Taxes? Gotta Pay Uncle Sam

Income = \$8,000 / month



Most people's ratios are 36 / 46
They live pay check to pay check with no savings

KEY CONCEPTS:

LOAN TO VALUE (LTV) & DEBT-TO-INCOME (DTI)

- Loan 436,500 vs. Purchase Price 450,000 (or APPRAISAL whichever lower) = $436,500/450,000 = .97$ or 97% LTV
- Total Debt (Including Proposed Payment) vs. Total Income
 - All Debts Showing on Credit Report and Agreements Included
 - Utilities not Included
 - Debt to Income Requirements Vary Depending on Loan Types (Total vs. Housing)
- Housing Payment (436,500 Loan, 30yr Amortization, 4.5% Interest, 1.25% Taxes, 0.6% Insurance)
 - Housing Payment (PITI) + Other Monthly Debt divided by Monthly Gross Income.
 - Other Monthly Debts may include: credit card (min. payment), auto lease, installment loans, child support and alimony). Other Debt \$250 + Housing Payment \$2,899 (P&I 2,212 + Taxes 469 + Ins. 218) = Total Debts \$3,149 (Rate Assumes including LPMI)
 - Estimates for Other Taxes or Expenses (Mello Roos & HOA) may apply.
- Total Monthly Gross Income of All Borrowers on Loans (Eligible Sources) = \$8,000
- Total Debts of \$3,149 / Total Monthly Income \$8,000 = 0.3936 Rounded DTI = 39.4%

Low Down Payment Loans

- ▶ California Housing Finance Agency (CalHFA)
- ▶ Features at a Glance:
 - ▶ Min Credit Score 640 for FHA/VA/Conventional Programs
 - ▶ FHA EEM + Grant (Grant can be up to 4% of 1st mortgage loan amount – grant forgiven after 3 years of owner occupancy)
 - ▶ 45% Max DTI – all programs
 - ▶ Income Limitations by County
 - ▶ Owner Occupied 1 unit properties only
 - ▶ Homebuyer Education required for 1st Time Homebuyers
 - ▶ Loan officer must be certified to do these program with CalHFA

Low Down Payment Loans (Cont'd) - CalHFA

CalHFA First Mortgage Loan Programs	60 Day Rate Lock	90 Day Rate Lock
<i>Conventional Programs</i>		
<u>CalHFA Conventional</u> <i>High Balance Loan Limit Fee</i> (60-day lock) - 0.676% (90-day lock) - 0.631%	4.750%	4.875%
<u>CalPLUS Conventional with ZIP 3% Zero Interest Program (ZIP) *</u> <i>High Balance Loan Limit Fee</i> (60-day lock) - 0.967% (90-day lock) - 0.923%	5.375%	5.500%
<u>CalPLUS Conventional with ZIP 4% Zero Interest Program (ZIP) *</u> <i>High Balance Loan Limit Fee</i> (60-day lock) - 0.897% (90-day lock) - 0.897%	5.625%	5.750%
<i>Government Insured Programs</i>		
<u>CalHFA FHA</u> <i>High Balance Loan Limit Fee</i> (60-day lock) - 0.475% (90-day lock) - 0.475%	4.250%	4.375%
<u>CalPLUS FHA with ZIP 3% Zero Interest Program (ZIP) *</u> <i>High Balance Loan Limit Fee</i> (60-day lock) - 0.689% (90-day lock) - 1.378%	5.250%	5.375%
<u>CalPLUS FHA with ZIP 4% Zero Interest Program (ZIP) *</u> <i>High Balance Loan Limit Fee</i> (60-day lock) - 1.378% (90-day lock) - 1.378%	5.625%	5.750%
<u>CalHFA VA</u> <i>High Balance Loan Limit Fee</i> (60-day lock) - 0.475% (90-day lock) - 0.475%	4.250%	4.375%
<u>Cal-EEM + Grant</u> <i>High Balance Loan Limit Fee</i> (60-day lock) - 1.378% (90-day lock) - 1.378%	5.375%	5.500%
CalHFA Subordinate Loan Programs		
<u>MyHome Assistance Program</u>	2.500%	2.500%
<u>School Teacher and Employee Assistance Program</u>	2.500%	2.500%

Low Down Payment Loans (Cont'd) (GFSA)

- ▶ Golden State Finance Authority (GFSA)
- ▶ Features at a Glance:
 - ▶ DPA (down payment assistance) in the form of a 2nd Loan, with no interest and forgiven after 3 years.
 - ▶ No 1st time homebuyer requirement.
 - ▶ Minimum FICO 640 / Maximum DTI 50%
 - ▶ Generous Income Limits by County / higher than you might expect.
 - ▶ FHA/VA/USDA/Conventional Mortgage Loans available
 - ▶ Purchase of only primary residences

Low Down Payment Loans (GSFA) (Cont'd)

GSFA Platinum Program

Today's Program Rates

Ginnie Mae FHA Rates (FICO 660+)

4.250% Rate / FHA - No DPA
5.250% Rate / FHA - 3% DPA
5.625% Rate / FHA - 4% DPA

Ginnie Mae FHA Rates (FICO 640-659)

5.250% Rate / FHA - 2% DPA
5.625% Rate / FHA - 3% DPA

Ginnie Mae VA, USDA Rates (FICO 640+)

4.250% Rate / VA | USDA - No DPA
5.250% Rate / VA | USDA - 3% DPA
5.625% Rate / VA - 4% DPA

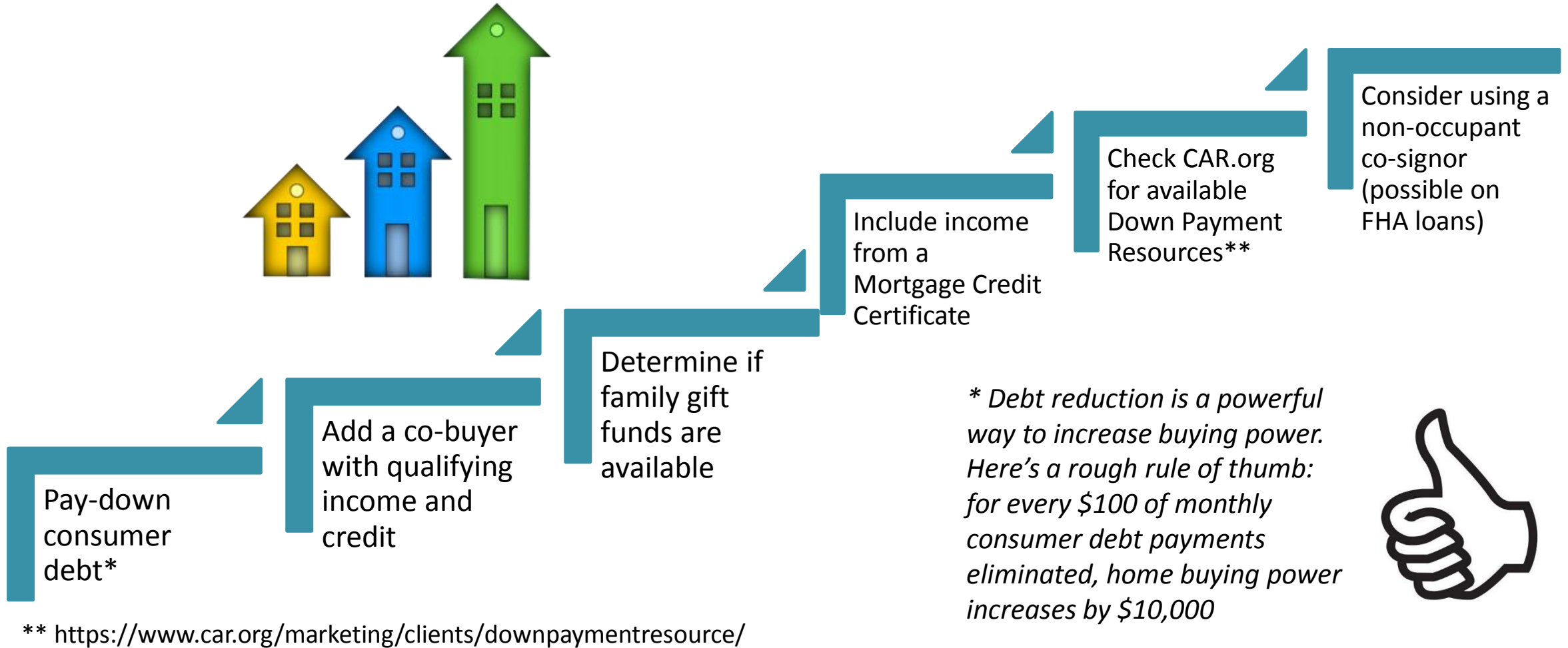
Freddie Mac HFA Rates (Purchase / Refinance)

5.375% Rate / 3.00% DPA
5.625% Rate / 4.00% DPA
5.875% Rate / 5.00% DPA

Freddie Mac HFA Rates (with GSFA Paid MI)

5.375% Rate / \$1,000 DPA
5.875% Rate / 2.50% DPA

Realtor Resource: Tips for boosting buying power



Non-Qualified Mortgage Programs

- ▶ For self-employed borrowers:
- ▶ Tax Return Issues:
 - ▶ Timing of Filing, Write-Offs, Income Inconsistencies (banner, up/down, etc.)
- ▶ Available Programs:
 - ▶ 12 month bank statement programs
 - ▶ 24 month bank statement programs
 - ▶ 1 yr. Tax Return (rather than normal 2 years needed)
- ▶ Asset Depletion Loans (utilizing cash assets)
- ▶ Credit Event Loans – Recent Foreclosure, BK, Credit Derogatory, etc.

Private Money

- ▶ Seller Carry-Backs
- ▶ Hard Money Lenders

What TRID means for Real Estate Agents

- ▶ What does TRID stand for?
 - ▶ TILA (Truth-in-Lending Act 1974)
 - ▶ RESPA (Real Estate Settlement Procedures Act)
 - ▶ Became TILA-RESPA Integrated Disclosure Rule (effective Oct. 3, 2015).
- ▶ From this Rule came 2 new disclosures forms:
 - ▶ Loan Estimate (LE)
 - ▶ Closing Disclosure (CD).

What is TRID and what Realtors should know

FICUS BANK
4321 Random Boulevard • Somerville, ST 12340 Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
Anytown, ST 12345
SALE PRICE \$180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/4/2013 at 5:00 p.m. EDT

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$761.78	NO
Prepayment Penalty	YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow <small>Amount can increase over time</small>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968
Estimated Taxes, Insurance & Assessments <small>Amount can increase over time</small>	\$206 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <small>See Section 6 on page 2 for escrowed property costs. You must pay for other property costs separately.</small>

Costs at Closing		
Estimated Closing Costs	\$8,054	Includes \$5,672 in Loan Costs + \$2,382 in Other Costs - \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$16,054	Includes Closing Costs. See Calculating Cash to Close on page 2 for details.

Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.

LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID # 123456789

Lenders must comply with very strict consumer disclosure requirements mandated by the Truth-In Lending RESPA Integrated Disclosure rules. TRID imposes specific time frames for issuing the Loan Estimate and Closing Disclosures. Most loan changes will require redisclosures and a new waiting period. Buyers often have questions about the TRID disclosure documents, Realtors can familiarize themselves with these documents at

www.consumerfinance.gov/owni

Closing Disclosure This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information Date Issued 4/15/2013
Closing Date 4/15/2013
Disbursement Date 4/15/2013
Settlement Agent Epsilon Title Co.
File # 12-3456
Property 456 Somewhere Ave
Anytown, ST 12345
Sale Price \$180,000

Transaction Information Borrower Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
Seller Steve Cole and Amy Doe
321 Somewhere Drive
Anytown, ST 12345
Lender Ficus Bank

Loan Information Loan Term 30 years
Purpose Purchase
Product Fixed Rate
Loan Type ☒ Conventional ☐ FHA
LOAN ID # 123456789
MBC # 00054321

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment</small>	\$761.78	NO
Prepayment Penalty	YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82.35	+ —
Estimated Escrow <small>Amount can increase over time</small>	+ 206.13	+ 206.13
Estimated Total Monthly Payment	\$1,050.26	\$967.91
Estimated Taxes, Insurance & Assessments <small>Amount can increase over time See page 4 for details</small>	\$356.13 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input checked="" type="checkbox"/> Other: Homeowner's Association Dues <small>See Escrow Account on page 4 for details. You must pay for other property costs separately.</small>

Costs at Closing		
Closing Costs	\$9,712.10	Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs - \$0 in Lender Credits. See page 2 for details.
Cash to Close	\$14,147.26	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

CLOSING DISCLOSURE PAGE 1 OF 5 • LOAN ID # 123456789

Getting to the LE – “Triggering TRID”

- ▶ What is constitutes a valid loan application:
 - Name
 - Income
 - Social Security Number
 - Property Address
 - Estimated Value of Property
 - Mortgage Loan Amount sought
- ▶ Once these 6 pieces of information are submitted, Lender **MUST** supply a Loan Estimate (LE) within 3 business days.

What Makes Up The Loan Estimate (LE)

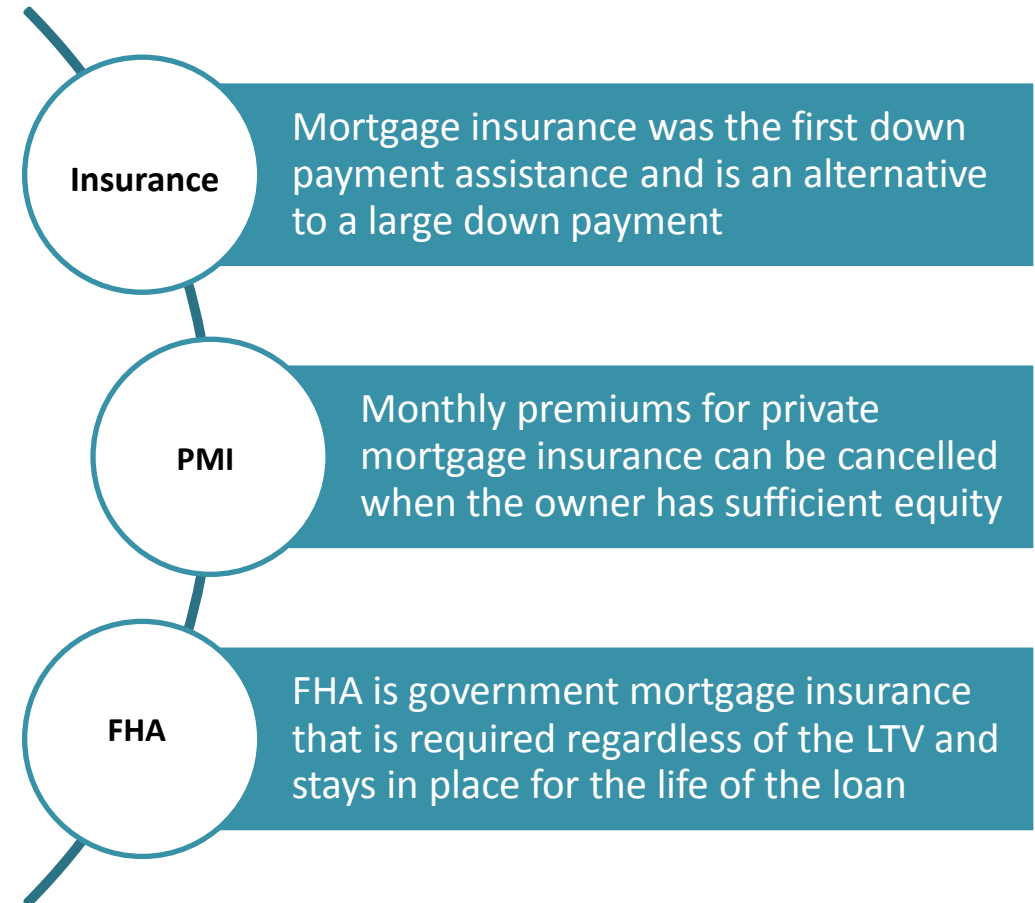
- ▶ The Loan Estimate (LE)
- ▶ LE explains the loan's features such as:
 - ▶ estimated interest rate, monthly payment, and total closing costs for the loan.
 - ▶ LE also gives you information about the estimated costs of taxes and insurance and how the interest rate and payments may change in the future.
 - ▶ In addition, if the loan has special features such as prepayment penalty or increases to the mortgage loan balances (negative amortization) making it possibly Non-QM.
- ▶ LE is a 3 page form given to borrower within 3 business days of receiving loan application.

Getting to the CD - TRID (cont'd)

- ▶ Closing Disclosure (CD) must be given to borrower at least 3 business days before loan closing.
- ▶ If lender provides the borrower with CD and the loan terms in the CD are significantly different from those detailed in the LE (loan estimate), re-disclosure will be required.
 - ▶ APR increase of more than $\frac{1}{8}$ of a percent for fixed-rate loans, or $\frac{1}{4}$ of a percent for adjustable loans. (Decrease in APR will NOT require re-disclosure if it is based on changes to the interest rate or other fees.)
 - ▶ Addition of a prepayment penalty.
 - ▶ Loan Product itself changes (i.e., from fixed rate to adjustable rate)

Role of Mortgage Insurance

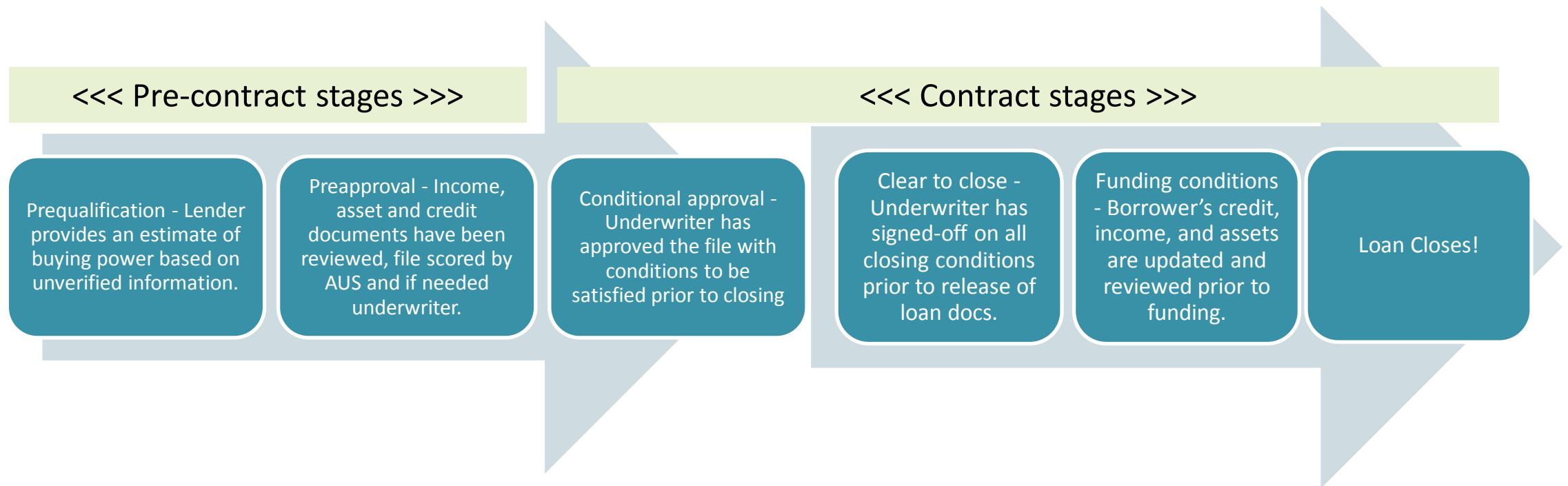
- Buyers have lots of misconceptions and confusion regarding mortgage insurance and how it benefits them
- Realtors can close more deals by helping borrowers understand the benefits of mortgage insurance.
- Private mortgage insurance (PMI) is required on conventional loans when the loan-to-value is greater than 80%
- Buyers who do not have a large down payment can still purchase a home by using mortgage insurance
- Mortgage insurance protects lenders in the event of a foreclosure where there is insufficient equity to repay the balance due the lender



Mortgage Insurance – Conventional Product

- 20%+ down payment = zero MI
- 15% down = approximately .3% MI
- 10% down = approximately .5% MI
- 5% down = approximately .7% MI
- LPMI (lender paid mortgage insurance) eliminates monthly MI but costs about .5% higher interest rate
- **Remember MI is Loan Protection for the Lender

Loan approval and closing steps



*Remember, loan approval is a dynamic, ongoing process that takes place up to and including the closing date! **Help your buyer stay mortgage-ready through the entire process!***

Negative Credit Events (Waiting Periods)

Buying a House After	Conventional Fannie Mae Loan	Conventional Freddie Mac Loan	FHA Loan	VA Loan	USDA Rural Loan	Jumbo Loans
Foreclosure	7 Years from completion date 3 Years with extenuating circumstances – 90% Max LTV 4 Years if included in BK	7 Years from completion date	3 Years from completion date	2 Years from completion date	3 Years from completion date	5-7 Years from completion date
Short Sale	4 Years with no LTV restrictions 2 Years with extenuating circumstances and no LTV restrictions	4 Years from completion date	3 Years from completion date *Per FHA ML 09-52, FHA financing can be obtained in less than 3 years under certain conditions.*	2 Years from completion date *If no mortgage lates in the 12 months leading up to the short sale, a VA loan may be obtained in less than 2 years.*	3 Years from completion date	2-7 Years from completion date
Deed in Lieu	4 Years with no LTV restrictions 2 Years with extenuating circumstances and no LTV restrictions	4 Years from completion date	3 Years from completion date	2 Years from completion date	3 Years from completion date	2-7 Years from completion date
CH. 7 Bankruptcy	4 Years from discharge or dismissal date 2 Years with extenuating circumstances	4 Years from discharge or dismissal date	2 Years from discharge date	2 Years from discharge date	3 Years from discharge date	4-7 Years from completion date
CH. 13 Bankruptcy	2 Years from discharge date 4 Years from dismissal date 2 Years from dismissal date with extenuating circumstances	2 Years from discharge date	1 Year of the payout must elapse & payment performance must be satisfactory; buyer must receive permission from the court to enter into a mortgage	1 Year of the payout must elapse & payment performance must be satisfactory; buyer must receive permission from the court to enter into a mortgage	1 Year of the payout must elapse & payment performance must be satisfactory; buyer must receive permission from the court to enter into a mortgage	4-7 Years from completion date



Alternative Options

STEP 4 Home Equity Options

How to help clients put their own resources to work – in this segment, you will learn:

- About four strategies that may provide home owners with investment opportunities
- About how to help your clients help their family members buy their first home

Unlocking Homeowner Equity

Realtors can grow their business by helping their clients understand the benefits of tapping their home equity to buy a second or vacation home for themselves, assist their adult children in purchasing a first home, or buying an investment property. *These strategies may have tax and legal implications for your clients and they should be advised to speak with their tax advisor before proceeding.*



Four strategies for accessing home equity

1. **Cash-Out Refinance** – refinance up to 85% of the home's value, the net proceeds can be used for a variety of purposes
2. **Home Equity Line of Credit** – a revolving credit line that can be used and repaid by the homeowner as-needed
3. **Home Equity Loan** – a fixed loan amount secured by a second deed of trust based on installment repayment terms
4. **Reverse Mortgage** – home owners aged 62 and older can extract equity from their home for a variety of purposes and repayment is deferred while they owner-occupy the home

STEP 5 Home Improvement

How to help clients buy and create their dream home – in this segment, you will learn:

- How to help your client buy a home and fund property improvements without using credit cards or other more expensive credit options
- About the FHA 203k loan

How to help your buyer get their dream home

The FHA 203k loan program allows buyers to finance the purchase and rehabilitation (upgrade and repair) of homes through one loan.

For Realtors the FHA 203k loan program expands the inventory of homes they can list and sell by offering buyers the opportunity to purchase homes that would otherwise not qualify for a low-cost government insured loan.

Insider tip: find a loan officer that is experienced with FHA 203k loans because it requires special knowledge and training.

Feature	203k Standard	203k Streamlined
Occupancy	Owner-occupied	Owner-occupied
Property types	SFRs, PUDs, condos, town homes, 1-4 units, manufactured homes	SFRs, PUDs, condos, town homes, 1-4 units, manufactured home
Max repair amount	No Limit	\$35,000
Allowed repairs	Structural and non-structural	Non-structural
Building additions	Yes	No
Mold and lead paint abatement	Yes	Yes
Tear down / rebuild	Yes	No
Foundation work	Yes	No
Time to complete	6 months	6 months

Evolution of a typical FHA home purchase of a house 30+ years old with deferred maintenance

Sales Price \$500,000

Add 35k in Home Improvements:	\$535,000
Down Payment (3.5%):	\$ 18,725
Base Loan Amount (96.5%):	\$516,275

P&I @ 5.0%: \$2,610.43

Min. Payment on 35k Credit Card Balance is \$750

What Repairs might your Buyers do during the first 3-5 years?



Benefits of a Renovation Loan

- **Saves Money**
 - Year 3 monthly payments with \$30,000 in Credit Cards = \$3,018.26
 - Renovation loan payments including \$35,000 for remodeling = \$2,610.43
 - **Saves \$407.83/mo.** after year three.
- **Saves Time** – Home gets remodeled in 2 - 3 months. Not 3+ years!
- **Life Style** – Enjoy a newly remodeled home right away and enjoy life!
- **Less Stress** – Maintenance costs are limited for the next 10 +/- years
- **Tax Deductibility** – Interest on First loans for purchases are fully deductible



Use a Renovation Loan to Purchase a Home and Build-Out an ADU?	
Construction Costs	\$200/ sq. ft.
1 bedroom unit	600 sq. ft.
Loan Amount addition	\$120,000
Primary Purchase Expense based on \$350k @ 5.0% (APR 5.24%) - Additional Mortgage Payment @ 5.0% (APR 5.24%)	\$1,994.43 \$ 644.19
Rental Income	\$1,500.00
Net Reduction of Mortgage Payment	\$ 855.81/mo. \$1,138.62 new net mortgage payment

Fixer Purchase Price: \$500,000

- Renovation Budget: \$200,000
- Future Value \$800,000 (Designed the way YOU want it)
- Or purchase a home for \$800,000 remodeled the way the previous owner wanted it at the TOP of the market.
- Property Taxes are based on the Purchase Price!



Uses for ADU's

- Generate additional Income for the household (Rental Income)
- Create a multi-generational household for aging parents or grandparents who need help
- Care for Elderly clients who want to age in place
- Grown children who can't afford to buy a home in a neighborhood with a good school district
- Retired and looking to down-size. They can rent out the main house and move into the ADU and travel.



How to Create an Accessory Dwelling Unit “ADU” on a Single Family Residence

- Zoning Allowed on SFR / R1 lots.
- Build a separate structure in your back yard (Lot size requirement)
- Partition part of an existing home and turn it into an ADU
- Add-On to pending home – create a separate entrance
- Convert an existing garage
- Build on top of an existing garage
- Add-on to the back or side of your garage
- Build on top of an existing home
- Build a new garage with an ADU on top



STEP 6 Lender Secrets

How to help clients with special circumstances – in this segment, you will learn:

- How to break down some of the most difficult financing barriers
- About how to help clients with unique or special circumstances

Realtor Resource: A check list of serious buyer financing challenges (Red Flags)

Buyers with one or more of these issues will find it very difficult to qualify for a conventional or government-insured loan. Realtors should proceed with caution before submitting purchase offers for buyer's with these issues:

- ✓ The buyer has one or more years of unfiled tax returns
- ✓ The buyer is married but the non-buying spouse is not available or unwilling to cooperate with the purchase
- ✓ All of the buyer's income sources are cash and have not been reported for income tax purposes
- ✓ The buyer is self-employed with minimal net business income reported in recent tax years
- ✓ One or more of the buyers will not occupy the property as their principal residence
- ✓ The buyer's assets are all cash and can't be sourced
- ✓ The buyer discharged bankruptcy within the last 24 months or had a foreclosure less than three years ago
- ✓ The buyer's Social Security number is not valid
- ✓ Buyer is a non-citizen and is not a permanent resident (green card holder) and they do not have a valid work authorization card
- ✓ The property the buyer wants to purchase has serious health and safety problems, sub-standard non-permitted improvements and can not be immediately occupied by the buyers



Escrow Expectations and Timing

Avoid Escrow Issues (For REALTORS®)

- Seller and buyer open packages
- HOA Docs (ahead of time if possible)
 - Escrow orders HOA Cert
- NHD (who orders and why)
- RPA escrow instruction
- Third party deposits (gifts, grants, etc.)
- International buyers
- ACH vs. Wire
- Estoppel
- Impound Estimates (Escrow vs. Lender Calculations)

and any additional mutual instructions to close the escrow. 29, 30, 31, 32 and paragraph D of the section titled Real agreement(s) provided for in paragraph 18A, or paragraph with Escrow Holder by Broker, Escrow Holder shall accept both, as applicable, the Broker's compensation provided for not set forth in the specified paragraphs are additional m Holder need not be concerned. Buyer and Seller will re Holder and will execute such provisions within the time, an

A. The following paragraphs, or applicable portions thereof, of this Agreement constitute the joint escrow instructions of Buyer and Seller to Escrow Holder, which Escrow Holder is to use along with any related counter offers and addenda, and any additional mutual instructions to close the escrow, paragraphs 1, 3, 4B, 5A, 6, 7, 10C, 13, 14H, 17, 18A, 19, 20, 26, 29, 30, 31, 32 and paragraph D of the section titled Real Estate Brokers on page 10. If a Copy of the separate compensation agreement(s) provided for in paragraph 18A, or paragraph D of the section titled Real Estate Brokers on page 10 is deposited with Escrow Holder by Broker, Escrow Holder shall accept such agreement(s) and pay out from Buyer's or Seller's funds, or both as applicable, the Broker's compensation provided for in such agreement(s). The terms and conditions of this Agreement not set forth in the specified paragraphs are additional matters for the information of Escrow Holder, but about which Escrow Holder need not be concerned. Buyer and Seller will receive Escrow Holder's general provisions, if any, directly from Escrow Holder and will execute such provisions within the time specified in paragraph 7C(1)(c). To the extent the general provisions are inconsistent or conflict with this Agreement, the general provisions will control as to the duties and obligations of Escrow Holder only. Buyer and Seller will execute additional instructions, documents and forms provided by Escrow Holder that are reasonably necessary to close the escrow and, as directed by Escrow Holder, within 3 (or) Days, shall pay to Escrow Holder or HOA or HOA management company or others any fee required by paragraphs 7, 10 or elsewhere in this Agreement.

B. A Copy of this Agreement including any counter offer(s) and addenda shall be delivered to Escrow Holder within 3 Days After Acceptance (or). Buyer and Seller authorize Escrow Holder to accept and rely on Copies and Signatures as defined in this Agreement as originals, to open escrow and for other purposes of escrow. The validity of this Agreement as between Buyer and Seller is not affected by whether or when Escrow Holder Signs this Agreement. Escrow Holder shall provide Seller's Statement of Information to Title company when received from Seller. If Seller delivers an affidavit to Escrow Holder to satisfy Seller's FIRPTA obligation under paragraph 10C, Escrow Holder shall deliver to Buyer a Qualified Substitute statement that complies with federal Law.

C. Brokers are a party to the escrow for the sole purpose of compensation pursuant to paragraph 18A and paragraph D of the section titled Real Estate Brokers on page 10. Buyer and Seller irrevocably assign to Brokers compensation specified in paragraph 18A, and irrevocably instruct Escrow Holder to disburse those funds to Brokers at Close Of Escrow or pursuant to any other mutually executed cancellation agreement. Compensation instructions can be amended or revoked only with the written consent of Brokers. Buyer and Seller shall release and hold harmless Escrow Holder from any liability resulting from Escrow Holder's payment to Broker(s) of compensation pursuant to this Agreement.

D. Upon receipt, Escrow Holder shall provide Seller and Seller's Broker verification of Buyer's deposit of funds pursuant to paragraph 3A and 3B. Once Escrow Holder becomes aware of any of the following, Escrow Holder shall immediately notify all Brokers: (i) if Buyer's initial or any additional deposit or down payment is not made pursuant to this Agreement, or is not good at time of deposit with Escrow Holder; or (ii) if Buyer and Seller instruct Escrow Holder to cancel escrow.

E. A Copy of any amendment that affects any paragraph of this Agreement for which Escrow Holder is responsible shall be delivered to Escrow Holder within 3 Days after mutual execution of the amendment.

Residential Purchase Agreement (RPA)

Escrow Duties –

Part 20 of the RPA dictate escrow duties to the transactions. They include parts:

1. Terms
2. Expiration of counter offer
3. 4B – Buyers ability to purchase property
4. 5A – Addenda
5. 6&7 – Other terms; Allocation of costs
6. 10c – Withholding Taxes
7. 13 – Title and Vesting
8. 14H – Effects of cancellation of deposits
9. 17 – Proration of Property tax and other items
10. 18A – Compensation
11. 19 & 20 – Representation Capacity & Escrow Instructions
12. 26 – Assignment
13. 29-31 – Time, Definitions, Expiration
14. 32 Paragraph D – Cooperating Broker Compensation

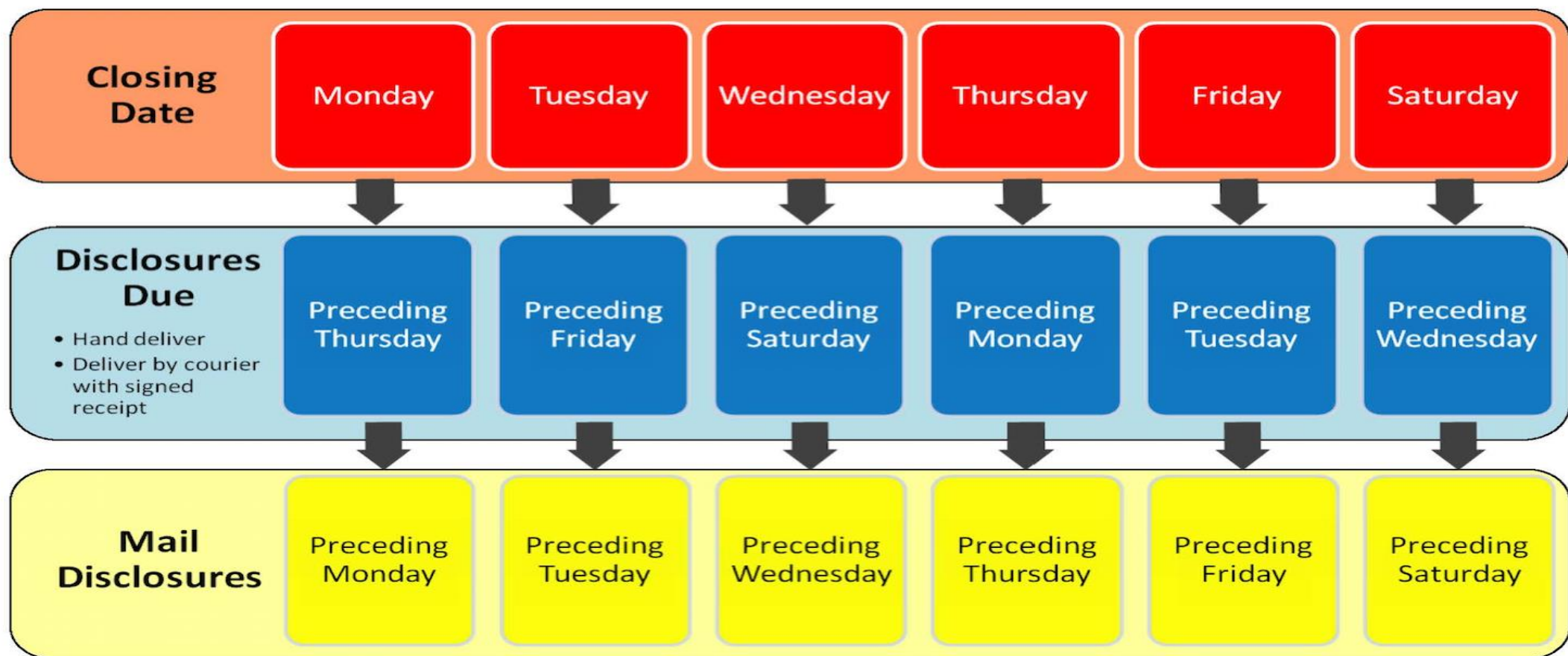
Home Warranty and NHD are not in the escrow instruction – NHD we need seller funds; home warranty can be called incorrectly.

TRID in Short

❖ Truth and Lending Act & Disclosure Requirements Briefly

- **Borrower** Must receive Lenders Estimate (**LE**) **3** business days after loan application submitted and return of “**Notice of Intent to Proceed**” before a transaction can advance to next step.
- **Borrower** must receive closing disclosure (**CD**) **3** business days before they can sign the loan docs
- **Lenders** will protect delivery **deadline** by sending it and themselves and giving a total of **7** business days from send out allowing docs to be signed.

*** With these items noted, the “Perfect” TRID Escrow Timeline can be reduced or lengthened, based on experience and the working relationship with all the parties involved.



Note: If a federal holiday falls in the three-day period, add a day for disclosure delivery.

The three-day period is measured by days, not hours. Thus, disclosures must be delivered three days before closing, and not 72 hours prior to closing.

Disclosures may also be delivered electronically on the disclosures due date in compliance with E-Sign requirements.



Online Tools & Local Resources



Mortgage Rescue™

Offering REALTORS® Assistance With:

- Direct Access to Lenders
- Assist with Underwriting & Loan Qualifications
 - Down Payment Assistance
- Answers to all Mortgage Related Questions
- Saving Stalled Transactions

213-739-8383 • MORTGAGE.CAR.ORG

FORMERLY known as THE FINANCE HELPLINE

**MEMBER BENEFIT OF
THE CALIFORNIA ASSOCIATION OF REALTORS®**



Mortgage Calculator With Taxes And Insurance

Use this PITI calculator to calculate your estimated mortgage payment. Quickly see how much interest you could pay and your estimated principal balances. Easily determine the impact of taxes and insurance on your total monthly mortgage payment.

CALCULATE

VIEW REPORT

Monthly payment is \$1,950.82

Loan information:

? Mortgage amount: \$0k \$200k \$500k \$1m
 ? Term in years: 1 10 19 40
 ? Interest rate: 0% 8% 16% 25%
 ? Annual property taxes: \$0 \$1k \$5k \$20k
 ? Annual home insurance: \$0 \$1k \$5k \$20k
 ? Monthly payment (PI): **\$1,475.82**
 ? Monthly payment (PITI): **\$1,950.82**
 ? Report amortization: ☐ Annually ☒ Monthly

Prepayments:

none

Total Payments \$531,295
Total Interest \$231,295

Recommended



Two Savings Accounts That Pay 10 Times What Your Bank Pays



An Outrageous Card Offering 0% Interest Until June 2019

Mortgage Rescue™

HOME ▸ HELPLINES ▸ MORTGAGE RESCUE™

[PRINT](#) | [EMAIL](#) | [SAVE](#)

SHARE 

The CALIFORNIA ASSOCIATION OF REALTORS® Mortgage Rescue™ is a FREE C.A.R. member benefit, providing both answers and assistance with moving your stalled real estate transactions forward. It provides you with invaluable one-on-one assistance with finding a Lender, loan qualifications, Down Payment Assistance, closing transactions, underwriting, short sales, funding, payoffs, REOs, Deeds in Lieu, and overall preparing your Clients for homeownership, for any of your mortgage related questions or issues.



Join us, try out our new **Mortgage Rescue™ Automated Virtual Assistant**. Please give it a try and give us your feedback.

Simply, click on the button below to submit an inquiry and fill out the pertinent information needed to assess your current needs, and a lender liaison will contact you within one business day.

[SUBMIT INQUIRY](#)

Helpline Information

Calls answered on a first come first serve basis at (213) 739-8383 only. You must be a C.A.R. member to use this service.

Monday - Friday

8:30 a.m. - 4:45 p.m.

C.A.R. Members Only

Phone – (213) 739-8383

Email - financehelpline@car.org

Additional Information

NOW AVAILABLE in your zipForm® library. Look for "CARFIN" under your library options for a range of knowledge based documents as well as the Mortgage Rescue™ inquiry form.

Visit our **success stories & testimonials** page to learn more about how C.A.R.'s Mortgage Rescue™ has saved the day for our member REALTORS®.

Please feel free to visit the Mortgage Rescue™'s **Relevant News & Articles, Tools You Can Use, Finance Q&As, Down Payment Assistance, Finance Webinars**, and **Additional Resources** page(s) for more helpful information.

A Little Mistake that Cost this Agent \$767,463.38 in GCI (and almost his family)

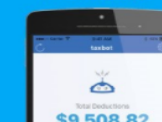
"My name is Rudy Kusuma, and while I've worked hard to get to my current level of success, hard work didn't



always translate into the kind of life I yearned for. I may have achieved a level of financial success, but what it took from me and my family in terms of time was, quite frankly, unforgiveable.

"It was only when I decided to investigate >> [READ MORE](#)

AUTOMATIC MILEAGE EXPENSE TRACKING



\$9,508.82

Self Help

Lender Liaison

Additional Resources

Mortgage Rescue

fka FINANCE HELPLINE VIRTUAL ASSISTANT

Welcome to the Mortgage Rescue (fka Finance Helpline) Assistant. I can help you with information regarding Webinars, Down Payment Assistance and Loans. Which can I help you with today?

[Webinars](#) [Down Payment Assistance](#) [Loans](#) [Condo FHA/VA Certification](#) [County Data](#) [Name Change](#) [Feedback](#)

We look forward to providing "by County" data to you for your lending and sales needs. Should you have any further questions, always feel free to reach out us at financehelpline@car.org.

Market County Data changes are provided by the Research unit here and we welcome your feedback, or registration to have such information provided to you on an on-going basis. [Market Data](#) and our [Stay Connected](#) section, for being kept up to date.

FHA / USDA Loan Limits are here for your review [FHA Loan Limits](#) and work in conjunction with a number of Down Payment Assistance Programs as well

Fannie Mae and Freddie Mac Conforming and High Cost Loan Limits are available here for your review [Conventional Loan Limits](#) and work in conjunction with a number of Down Payment Assistance Programs as well

Please feel free to utilize this data for the calculations of [Area Median Income \(AMI\)](#), usually noted in the form of a percentage (%) of your Counties AMI for your Clients inclusion in a low down payment assistance program or Housing Finance Agencies (HFA) participation. The Federal Financial Institutions Examination Council's (FFIEC) website provides insights by MSA, State, and County Tract information for Housing. These are displayed in the form of Median Income, Housing Counts, Population, and Census information. Different programs will note ratios or participation levels that may range from 60% of AMI to 160% of AMI.

If you would like further assistance, please follow the link below or email us at financehelpline@car.org with your name, phone number, email address, address of property, the lender in question (if applicable) and a brief description of your concern.

[Finance Helpline](#)



2018 Conforming & FHA (High Balance) Loan Limits by County (FHLMC/FNMA & FHA)

(As of 1/01/2018)



Higher Loan Limits = More Properties Available to Entry Level Buyers

Loan Limit

Counties


\$679,650 – Alameda; Contra Costa; Marin; Napa; SF; San Mateo; Santa Clara

\$460,000 – Solano

<https://www.fanniemae.com/content/tool/loan-limit-table.xls> (Link to FHLMC/FNMA Loan Limits)

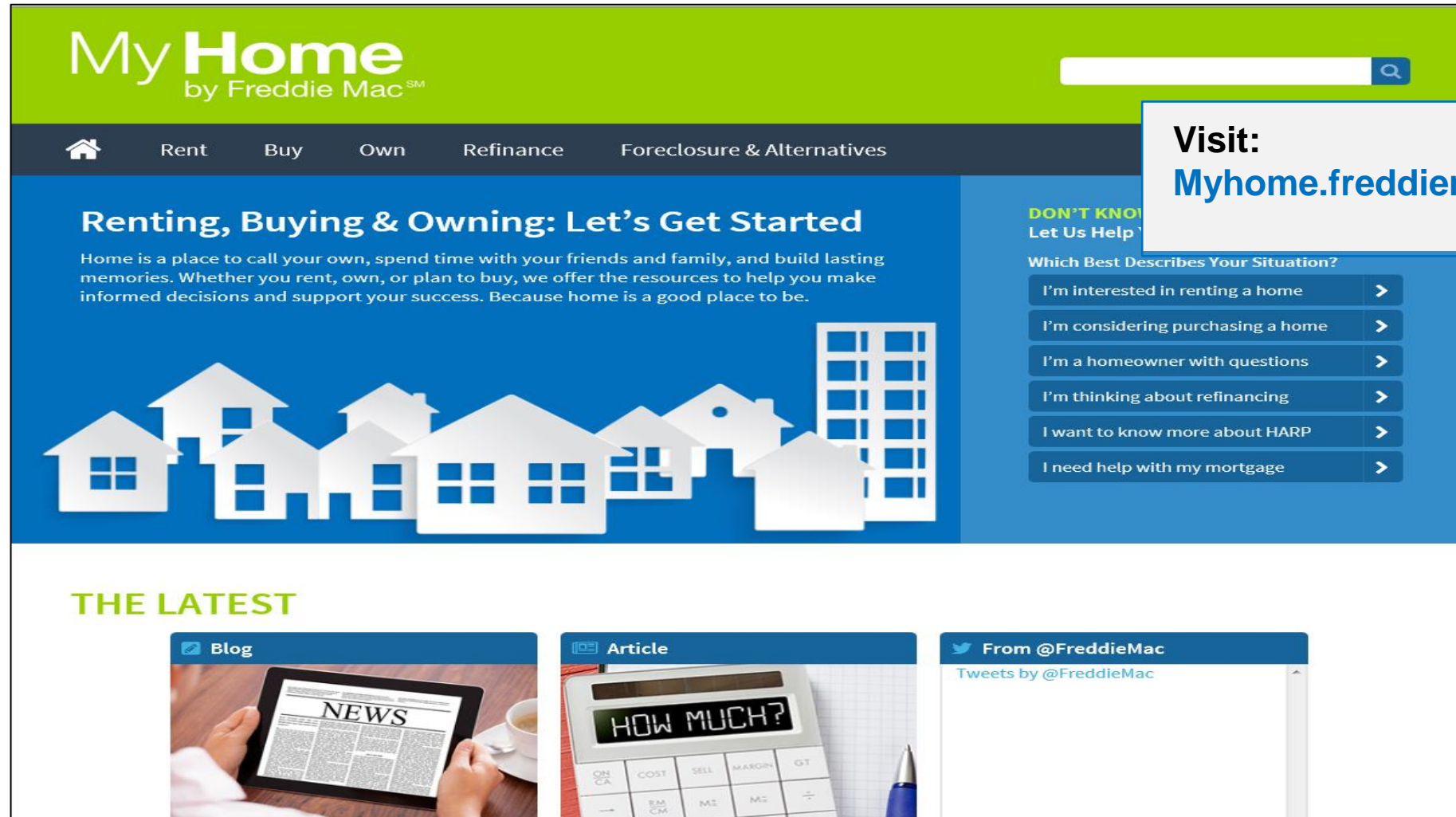
<https://entp.hud.gov/idapp/html/hicost1.cfm> (Link to FHA Loan Limits)

\$453,100 – Conforming Limit in Most Counties



Growing Your Business with Freddie Mac Resources

Website for consumers on renting, buying and owning a home



The screenshot shows the homepage of the My Home by Freddie Mac website. The header is green with the 'My Home by Freddie Mac' logo and a search bar. Below the header is a dark blue navigation bar with icons and links for Rent, Buy, Own, Refinance, and Foreclosure & Alternatives. The main content area has a blue background with the heading 'Renting, Buying & Owning: Let's Get Started' and a paragraph about home ownership. Below this is a row of white house icons. To the right, there's a section titled 'DON'T KNOW? Let Us Help' with a list of six buttons for different user needs, each with a right arrow. At the bottom, there's a 'THE LATEST' section with three columns: 'Blog' (showing a tablet with a news article), 'Article' (showing a calculator with 'HOW MUCH?' on the display), and 'From @FreddieMac' (showing a tweet).

My Home
by Freddie MacSM

Home

Rent Buy Own Refinance Foreclosure & Alternatives

Renting, Buying & Owning: Let's Get Started

Home is a place to call your own, spend time with your friends and family, and build lasting memories. Whether you rent, own, or plan to buy, we offer the resources to help you make informed decisions and support your success. Because home is a good place to be.

DON'T KNOW?
Let Us Help

Which Best Describes Your Situation?

- I'm interested in renting a home
- I'm considering purchasing a home
- I'm a homeowner with questions
- I'm thinking about refinancing
- I want to know more about HARP
- I need help with my mortgage

THE LATEST

Blog

Article

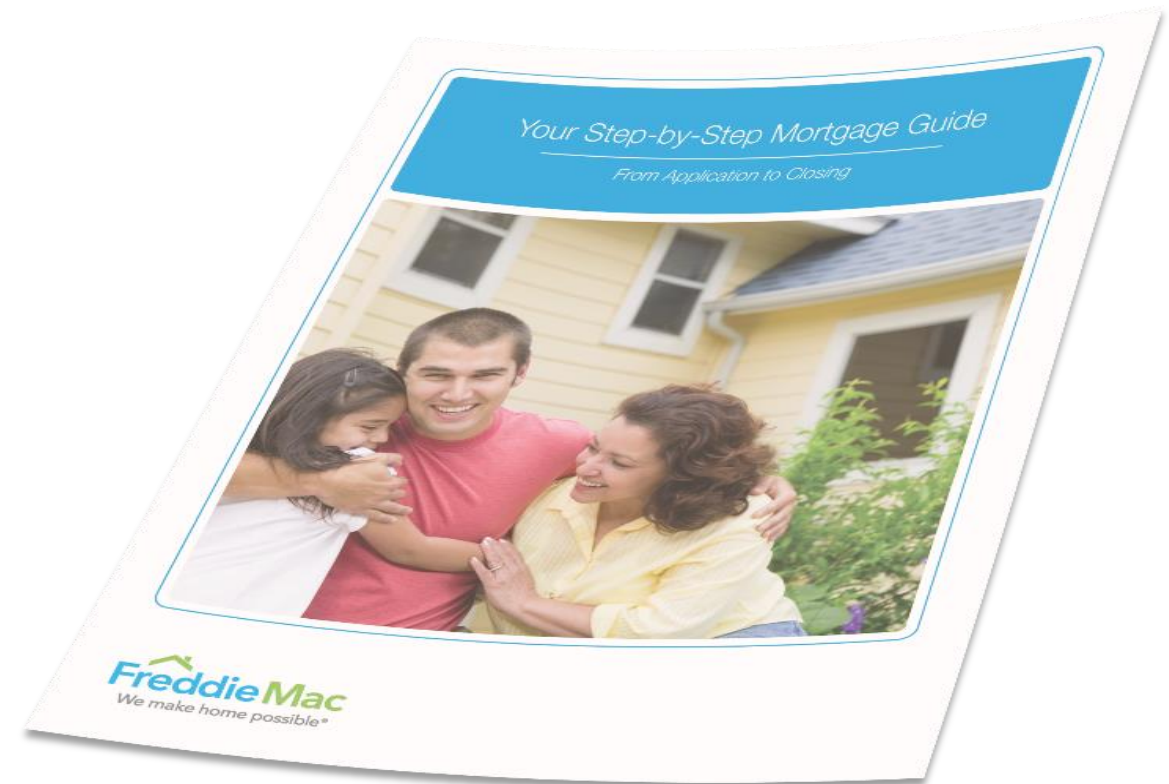
From @FreddieMac
Tweets by @FreddieMac

Visit:
Myhome.freddiemac.com

Borrower Resources On My Home:

[Step-by-Step Mortgage Guide](#)

Guide to help them understand the mortgage process, from application to closing



- Work with trusted **national nonprofit intermediaries**
- Support Freddie Mac's ongoing commitment of:
 - **Preparing prospective buyers** for responsible homeownership
 - **Helping struggling borrowers** with Freddie Mac-owned mortgages avoid foreclosure
- **HUD-certified counselors**
- **14 locations across the country**
- Work with lenders in **minority and underserved communities**

- **YOU** are the critical link to helping well-qualified homebuyers achieve their homeownership objectives:
 - **Provide access to credit**; originate loans to the full extent of Freddie Mac's credit box
 - Utilize your **mortgage finance expertise**
 - Explain the process and **dispel the 20% down payment myth**
 - **Identify and match available financial resources** in your area (government, nonprofit, private sources) with a sustainable mortgage solution
 - **Take advantage of Freddie Mac training and resources** for both you and your borrower
- **First-time homebuyer dream realized**—and more business for you—if you know your market and where to find those affordability gap solutions

Freddie Mac is here to help!



Final Panelist Thoughts?

Key Takeaways from STEPS Towards Responsible Homeownership

- Work Together Early to Reduce delays and meet timelines
- Review Budget & Credit Planning With Your Clients
- Utilize Online & Referral Resources to Assist You as their REALTOR®
- Be in the know: Loan and Down Payment Programs Available



Additional Questions?

STEPS

Towards Homeownership

Skills and Tools Educating People for Success
Oakland / Berkley Association of REALTORS®

brought to you by

THANK YOU FOR YOUR TIME TODAY!

