STEPS Towards Homeownership

SKILLS and TOOLS EDUCATING PEOPLE for SUCCESS

Financial Literacy Resources and Strategies for REALTORS®

STEPS Towards Homeownership
Skills and Tools Educating People for Success

California Association of REALTORS® Mortgage™ Rescue

CALIFORNIA ASSOCIATION OF REALTORS®

Key Objectives for Our REALTOR® Members in the Sharing of STEPS

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This presentation provides REALTORS® with an overview of California's housing finance system, mortgage readiness guidelines and the most critical aspects of mortgage finance.

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**

Mortgage Finance Essentials

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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!

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Mortgage Finance Essentials

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

- How and why the 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

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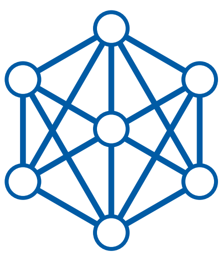
REALTORS® are often the first contact for questions related to mortgage finance

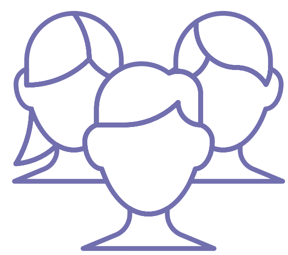


NETWORK

The State's housing finance system is a sophisticated network of private entities and public agencies that work together to connect buyers of residential real estate to the world-wide capital markets

BENEFITS

This efficient system expands access to low-cost mortgage credit, increases home ownership rates, and improves and stabilizes neighborhoods and the economy as a whole



REALTORS®

REALTORS® who understand the housing finance system and the rolls and responsibilities of the various players will be in a stronger position to help their clients access its benefits

Key Participants in California's Housing Finance System

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LENDERS

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

LOAN ORIGINATORS

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

Working together to expand access to low-cost mortgage credit

SECONDARY MORTGAGE MARKET

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 and private investors

STATE AND LOCAL HOUSING AGENCIES

State and local housing agencies incorporate public and private subsides to increase affordability for low- and moderate-income borrowers and improve conditions in distressed neighborhoods

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Mortgage Finance Essentials

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

Types of Home Loans

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QUALIFIED MORTGAGE

Loans with no risky features, fees capped at 3% of the loan amount and the borrower's ability to repay has been confirmed with a maximum debt-to-income ratio of 43% or otherwise meeting GSE underwriting guidelines. QM loans are eligible for government guarantees. These loans offer low-down payment options and flexible underwriting designed to help first-time buyers

Examples
Conventional (Freddie Mac, Fannie Mae) FHA, VA, USDA and bank portfolio

NON-QUALIFIED MORTGAGE

Loans where the borrower's ability to repay the loan has been established using non-conforming guidelines and alternative documentation, non-QM loans are not eligible for government guarantees. Larger down payments are generally required, interest rates and fees are higher. Loans may have "risky features" like interest-only and balloon payments

Examples
Loans to self-employed and business owners with strong credit, cash-flow and assets; foreign national and ITIN loans.

PRIVATE MONEY

Equity based lending, the borrower's ability to repay is not a primary consideration, limited and alternative documentation allowed, can not be used for owner-occupied principal residence purchases or refinances. Typically have much higher interest rate and fees. These are short-term bridge loans until permanent financing can be arranged

Examples
Land loans, loans for distressed and commercial properties, and investor flip financing

Basic Requirements for Conventional or Government-Insured Home Loans

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STABLE INCOME

Borrower must have income from sources that are stable and durable and can be documented with pay stubs, bank statements, tax returns and other independent sources.

VERIFIABLE ASSETS

Borrower must have access to equity sufficient to meets that minimum down payment requirements. All assets included on the loan application must be sourced and documented.

POSITIVE CREDIT REPUTATION

The borrower must demonstrate an ability and willingness to satisfy their past and current credit obligations. Generally this is verified with a mortgage credit report and qualifying credit scores.

ADEQUATE COLLATERAL

The value of the property used to secure the mortgage loan must be determined by an independent appraiser looking primarily at recent comparable sales and using standardized adjustments.

Two Key Home Financing Concepts

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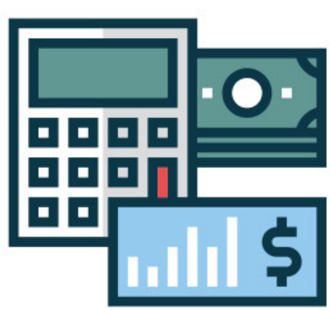
LOAN-TO-VALUE (LTV)

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 55%.



Basic Credit Requirements

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CONVENTIONAL AND GOVERNMENT-INSURED LOANS

CREDIT SCORES

Lenders use a mortgage credit report that have scores from all three national credit bureaus. The high and low scores are excluded and the middle credit score is used to determine eligibility. Generally conventional loans require a middle score of 620. Some FHA lenders will accept scores as low as 500 but 580 is more typical.

CREDIT HARDSHIPS

Borrowers with prior bankruptcies must have a two year credit reestablishment period for an FHA loan and four years for a conventional loan. Prior foreclosures require 3 years for an FHA loan and 7 years for a conventional loan. Prior short sales generally require a 3 year waiting period.

NON-TRADITIONAL CREDIT

Borrowers without established tradeline credit histories may qualify for a conventional or FHA loan using documented non-traditional credit references which must include an on-time rental history, and three other payment references (e.g. utilities). Non-traditional credit can not be used to offset a derogatory tradeline or credit history.

Loan Program Comparison Chart

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	LOAN TYPE			
	CONVENTIONAL	**FHA**	**VA**	**USDA**
MINIMUM DOWN PAYMENT REQUIREMENT	3% for Home Possible and Home Ready - 5% for standard conventional loans	3.5% for 1-2 units and 5% for 3-4 units	100%	100%
MORTGAGE INSURANCE	Required with LTVs above 80%	Required at all LTV levels	VA Guaranteed	USDA Guaranteed
CREDIT SCORE	620 minimum credit score	500 is the technical minimum, most lenders set a 580 minimum score.	580	580
TOTAL DEBT-TO-INCOME RATIO	45% to 50%	Up to 55%	Generally around 45%	41%
ELIGIBLE PROPERTY TYPES	1-4 units	1-4 units	1-4 units	1-4 units

Benefits of Mortgage Insurance

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- 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

WHAT

Mortgage insurance is a form of down payment assistance because it is an alternative to a large down payment

PMI

Monthly premiums for private mortgage insurance can be cancelled when the owner has sufficient equity

FHA

FHA is government mortgage insurance that is required regardless of the LTV and stays in place for the life of the loan

Using Interested-Party Contributions To Pay For Closing Costs

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Interested Party Contributions (IPC) are an eligible source of funds and can be used toward the buyer's settlement or closing costs. Interested parties are generally considered to include the home seller, listing or selling agent, lender, home builder or other party that has a financial interest in the transaction

5 KEY THINGS REALTORS® NEED TO KNOW REGARDING INTERESTED PARTY CONTRIBUTIONS

1. IPCs can only be applied to the buyer's closing costs, they can not be used as down payment funds
2. FHA loans allow for a maximum IPC from eligible sources up to 6% of the sales price. High LTV conventional loans allow a 3% maximum credit from all interested parties
3. All IPCs should be documented in the purchase agreement
4. The buyer may not receive cash back at closing as a result of an IPC. Any overage resulting from an IPC would be applied to the principal balance of the loan
5. Generally speaking IPCs can not be used to pay for post-closing repairs and improvements

Understanding the Appraisal Process

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The Home Value Code of Conduct regulates the residential appraisal process. Most lenders now use an Appraisal Management Company (AMC) for appraisals. The AMC selects the appraiser, reviews their work and issues the appraisal report to the lender. Loan originators are prohibited from directly interacting with the appraiser.

5 THINGS REALTORS® NEED TO KNOW ABOUT THE APPRAISAL PROCESS
1. The final decision regarding property value is made by the underwriter. The underwriter is not required to accept the appraiser's determination of value.
2. The initial appraised value can be appealed through a Reconsideration of Value submitted to the AMC identifying comparable sales that should have been considered and/or corrections to the adjustments made by the appraiser.
3. Due to concerns about inflated property values, FHA loans require a 90 day waiting period before a seller can enter into a purchase agreement with a buyer ("90 Day Flip Rule"). Conventional loans may require a second appraisal to support the increased value.
4. Listing and selling agents can be present during the appraisal inspection and provide the appraiser with suggested comparable sales and information about the property condition (e.g. recent improvements, repairs and additions).
5. All financing is based on the **lesser of** the contract price or the appraised value. So if the appraised value is lower than the contract price, the buyer will not be able to finance the difference – it will have to be paid by the buyer with eligible funds.

Financing Homes with a Home Owners Association

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Condominiums and town homes are the preferred housing choice for many buyers and in some markets the only affordable option. REALTORS® who understand the special financing issues associated with Home Owners Associations (HOA) can help facilitate purchase transactions.

6 THINGS REALTORS® NEED TO KNOW ABOUT FINANCING HOMES WITH AN HOA

1. The HOA forms part of the collateral to the mortgage loan. Therefore, the HOA must be "warrantable" meaning it must meet the underwriting requirements for a conventional or government insured loan. Non-warrantable HOAs are not eligible.

2. Warrantable HOAs have adequate reserves, low levels of delinquencies, are at least 50% owner-occupied, have no pending litigation, and proper insurance.

3. Generally, FHA requires the HOA be on their approved project list, unfortunately most are not: (https://entp.hud.gov/idapp/html/condlook.cfm).

4. Conventional loans allow for HOA "spot approvals" but typically the underwriter will need to review all of the HOA documents including articles of incorporation, bylaws, financials, insurance and a current certification from the HOA manager.

5. Unfortunately, some HOAs have non-responsive management companies which can delay the HOA approval process. REALTORS® can help by getting the HOA contact information and documents as early as possible when the transaction opens.

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Student Loan Debt

Student Loan Debt - In today's market REALTORS® will encounter many buyers struggling with student loan debt. Lenders are required to consider a borrower's student loan payment in the debt-to-income calculation **even if the student loan is currently in forbearance or deferral**. As a result, home buying power can be seriously eroded - sometimes to the point where it is not feasible to purchase a home. Fortunately, new conventional underwriting guidelines can help.

5 THINGS REALTORS® NEED TO KNOW ABOUT FINANCING HOMES WHEN PROSPECTIVE BORROWERS MIGHT HAVE STUDENT LOANS

1. The buyer can be relieved of the student loan payment for underwriting purposes if the loan has been paid successfully by someone else (e.g. a parent) for the last 12 months, even if that person is not actually obligated on the student loan debt. Documentation of the third-party payment history is required.

2. If the buyer's employer has agreed to repay the student loan debt at the end of the deferral or forbearance period, lenders do not need to consider the monthly payment. Public safety employees, medical professionals, social workers and teachers sometimes have this benefit. Documentation of the employer's repayment commitment is required.

3. If the loan is currently in repayment status, lenders can use the buyer's approved Income Driven Repayment (IDR) plan payment even if that plan payment is $0. IDR plans consider the buyer's current financial ability to repay the loan.

4. If the loan is not currently in repayment and the future payment amount is not known, lenders can use 50% of the loan balance as the payment or calculate a payment that will payoff the loan during the standard repayment term.

5. FHA has the most restrictive underwriting guideline relative to student loan debt – the flexible options described above are not available. FHA uses the greater of 1% of the loan balance or the stated monthly payment.

Gift Funds and Non-Occupant Co-Signers

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REALTORS® can open doors for more buyers by understanding the rules related to gift funds and co-signers.

5 THINGS REALTORS® NEED TO KNOW ABOUT GIFT FUNDS AND CO-SIGNERS

1. Gift funds must come from a someone who would likely make a gift to the buyer such as a family member - friends and co-workers are not eligible donors.

2. Both conventional and FHA loans allow all of the minimum down payment requirement to come from properly documented gift sources. There is no limit to the amount of gift funds the buyer can receive.

3. Documenting gift funds as the buyer's asset on the loan application requires a signed gift letter, evidence of the donor's capacity to make the gift (e.g. a bank statement) and a paper trail from the donor's account to the buyer's account (or the escrow account). Cash gifts can not be used.

4. FHA loans allow closely related family members (e.g. parents) to act as non-occupant co-signers and co-buyers to the buyer's loan application. All of the qualifying income, assets and credit can come from the co-signor or the co-buyer.

5. Conventional loans underwritten to Freddie Mac's guidelines allow for non-occupant co-buyers, but loan-to-value restrictions apply.

What is TRID and What REALTORS® Should Know

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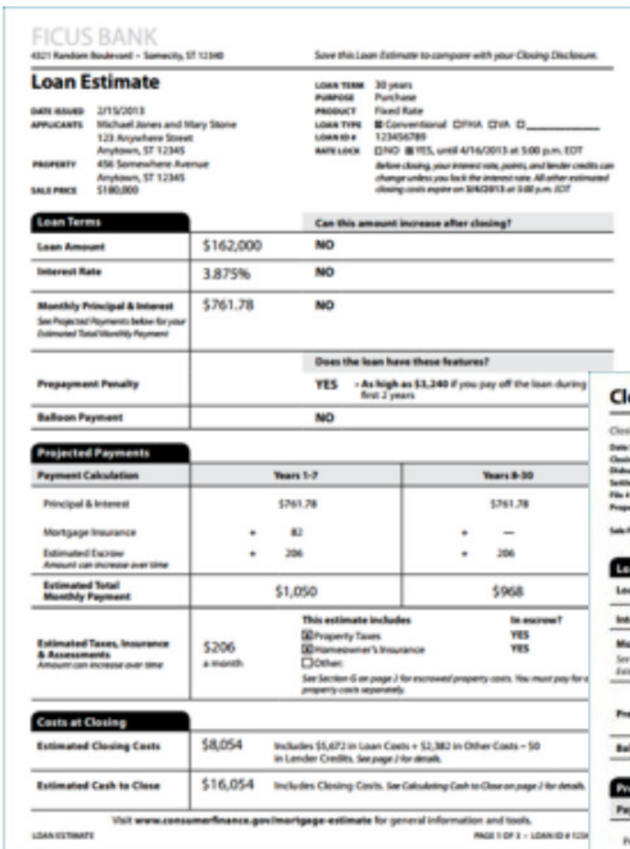
FICUS BANK

4321 Random Boulevard • Somecity, 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

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest	$761.78	NO
		Does the loan have these features?
Prepayment Penalty		YES • As high as $3,240 if you pay off the loan during the first 2 years
Balloon Payment		NO

Projected Payments Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow *Amount can increase over time*	+ 206	+ 206
Estimated Total Monthly Payment	$1,050	$968
Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$206 a month	This estimate includes: ☒ Property Taxes (In escrow? YES) ☒ Homeowner's Insurance (YES) ☐ Other:

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

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/owning-a-home


Closing Disclosure

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

Closing Information		Transaction Information		Loan Information	
Date Issued	4/15/2013	Borrower	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345	Loan Term	30 years
Closing Date	4/15/2013			Purpose	Purchase
Disbursement Date	4/15/2013			Product	Fixed Rate
Settlement Agent	Epsilon Title Co.	Seller	Steve Cole and Amy Doe 321 Somewhere Drive Anytown, ST 12345	Loan Type	☒ Conventional ☐ FHA ☐ VA ☐
File #	12-3456				
Property	456 Somewhere Ave Anytown, ST 12345	Lender	Ficus Bank	Loan ID #	123456789
Sale Price	$180,000			MIC #	000654321

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest	$761.78	NO
		Does the loan have these features?
Prepayment Penalty		YES • As high as $3,240 if you pay off the loan during the first 2 years
Balloon Payment		NO

Projected Payments Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82.35	+ —
Estimated Escrow *Amount can increase over time*	+ 206.13	+ 206.13
Estimated Total Monthly Payment	$1,050.26	$967.91
Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$356.13 a month	This estimate includes: ☒ Property Taxes (In escrow? YES) ☒ Homeowner's Insurance (YES) ☒ Other: Homeowner's Association Dues (NO)

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

Loan Approval and Closing Steps

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PREQUALIFICATION

Lender provides an estimate of buying power based on unverified information.

PREAPPROVAL

Income, asset and Credit Documents have been reviewed, file scored by Automated Underwriting System (AUS) and as needed by an Underwriter.

PRE-CONTRACT STAGES

CONTRACT STAGES

CONDITIONAL APPROVAL

Underwriter has approved the file with conditions to be satisfied prior to closing.

CLEAR TO CLOSE

Underwriter has signed-off on all closing conditions prior to release of loan docs.

FUNDING CONDITIONS

Borrower's credit, income, and assets are updated and reviewed prior to funding.

LOAN CLOSES!

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!***

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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

Resources for First-Time Home Buyers

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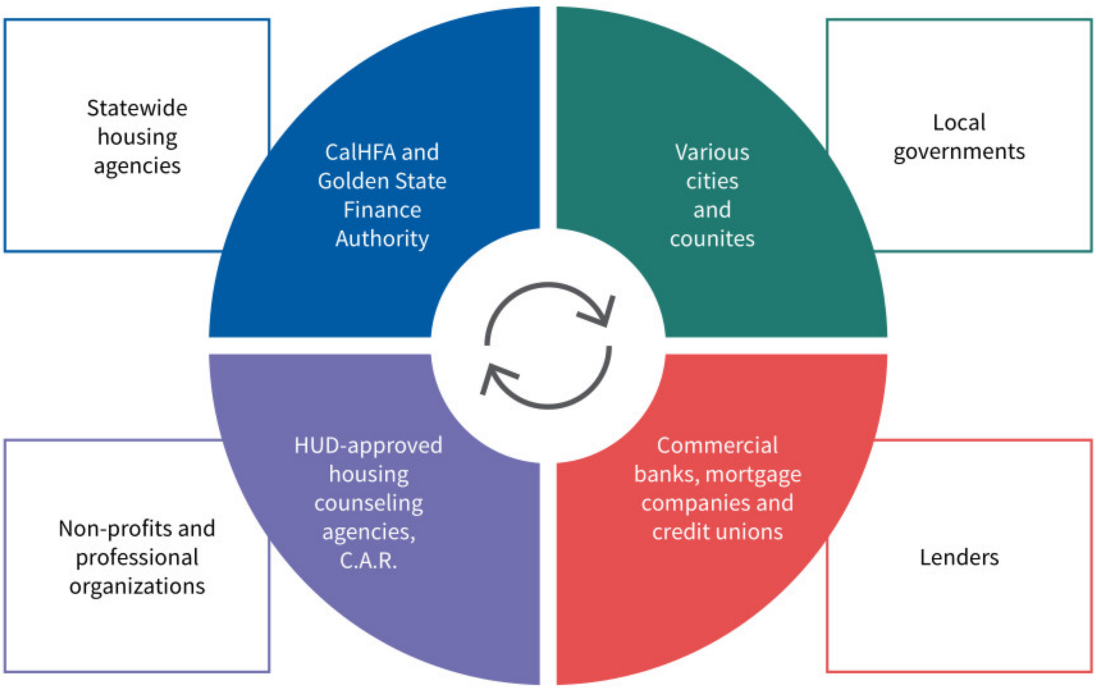

California is fortunate to have a variety of resources offered by federal, state and local government agencies, along with private nonprofit organizations, lenders and trade organizations. They work together to expand home buying opportunities for low- and moderate-income individuals and families. The programs they offer include:

- Down payment assistance gift, grants and loans
- Low interest rate conventional and FHA first mortgages
- Mortgage Credit Certificates
- Home buyer education
- Financial and debt management counseling
- Closing cost assistance programs
- Inclusionary zoning (BMR) programs

Working with Down Payment Assistance Programs (DPA) and Layered Financing Strategies

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LAYERED FINANCING

BUYER'S CONTRIBUTION

Many DPA programs require a minimum buyer contribution toward the purchase, 1% is typical but with some DPA programs there is no minimum borrower contribution required

FIRST MORTGAGE
Conventional or FHA + Mortgage Credit Certificate

The size of this loan is based on conventional or FHA underwriting guidelines

DOWN PAYMENT ASSISTANCE
Grant from nonprofit or silent loan from government agency

DPA loans are deferred repayment “silent” or “soft” loan that require no monthly payments typically for 30 years. They are repayed when title is transferred in the future. DPA loans fill the gap between what the buyer can afford on their own and actual price of the home

CLOSING COST ASSISTANCE

Interest party credits as well as some of the DPA financing can be used (up to 105% CLTV allowed)

REQUIREMENTS FOR DPA PROGRAMS

The requirements for first-time home buyer assistance program can vary but these guidelines generally apply to all programs:

- The buyer may not have owned a home in the last three years
- The household income must fall within the income guidelines for the program
- The home purchased may need to be in an eligible area
- Fee-simple, single unit properties in good condition
- The home must be vacant or owner-occupied at the time the purchased contract is executed
- Purchase price limits may apply
- The buyer must agree to owner-occupy the home – not for investors

Sample Residential Purchase Agreement for Buyer Using Down Payment Assistance Program

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CALIFORNIA ASSOCIATION OF REALTORS®

RESIDENTIAL PURCHASE AGREEMENT AND JOINT ESCROW INSTRUCTIONS
(C.A.R. Form RPA-CA, Revised 12/15)

Date Prepared: *01/01/2017*

1. OFFER:
   A. THIS IS AN OFFER FROM *Sample Homebuyer* ("Buyer").
   B. THE REAL PROPERTY to be acquired is *12345 Main Street, Los Angeles, CA 90012*, situated in *Los Angeles* (City), ________ (County), California, *90012* (Zip Code), Assessor's Parcel No. ________ ("Property").
   C. THE PURCHASE PRICE offered is *Three Hundred Thousand* Dollars $ *300,000.00*.
   D. CLOSE OF ESCROW shall occur on ☐ ________ (date)(or ☒ *45* Days After Acceptance).
   E. Buyer and Seller are referred to herein as the "Parties." Brokers are not Parties to this Agreement.
2. AGENCY:
   A. DISCLOSURE: The Parties each acknowledge receipt of a ☒ "Disclosure Regarding Real Estate Agency Relationships" (C.A.R. Form AD).
   B. CONFIRMATION: The following agency relationships are hereby confirmed for this transaction:
   Listing Agent ________ (Print Firm Name) is the agent of (check one): ☐ the Seller exclusively; or ☐ both the Buyer and Seller.
   Selling Agent ________ (Print Firm Name) (if not the same as the Listing Agent) is the agent of (check one): ☐ the Buyer exclusively; or ☐ the Seller exclusively; or ☐ both the Buyer and Seller.
   C. POTENTIALLY COMPETING BUYERS AND SELLERS: The Parties each acknowledge receipt of a ☒ "Possible Representation of More than One Buyer or Seller - Disclosure and Consent" (C.A.R. Form PRBS).
3. FINANCE TERMS: Buyer represents that funds will be good when deposited with Escrow Holder.
   A. INITIAL DEPOSIT: Deposit shall be in the amount of .... $ *3,000.00*
   (1) Buyer Direct Deposit: Buyer shall deliver deposit directly to Escrow Holder by electronic funds transfer, ☐ cashier's check, ☐ personal check, ☐ other ________ within 3 business days after Acceptance (or ________);
   OR (2) ☐ Buyer Deposit with Agent: Buyer has given the deposit by personal check (or ________) to the agent submitting the offer (or to ________), made payable to ________. The deposit shall be held uncashed until Acceptance and then deposited with Escrow Holder within 3 business days after Acceptance (or ________).
   Deposit checks given to agent shall be an original signed check and not a copy.
   (Note: Initial and increased deposits checks received by agent shall be recorded in Broker's trust fund log.)
   B. INCREASED DEPOSIT: Buyer shall deposit with Escrow Holder an increased deposit in the amount of .... $ ________
   within ____ Days After Acceptance (or ________).
   If the Parties agree to liquidated damages in this Agreement, they also agree to incorporate the increased deposit into the liquidated damages amount in a separate liquidated damages clause (C.A.R. Form RID) at the time the increased deposit is delivered to Escrow Holder.
   C. ☐ ALL CASH OFFER: No loan is needed to purchase the Property. This offer is NOT contingent on Buyer obtaining a loan. Written verification of sufficient funds to close this transaction IS ATTACHED to this offer or ☐ Buyer shall, within 3 (or ____) Days After Acceptance, Deliver to Seller such verification.
   D. LOAN(S):
   (1) FIRST LOAN: in the amount of .... $ *237,000.00*
   This loan will be conventional financing or ☐ FHA, ☐ VA, ☐ Seller financing (C.A.R. Form SFA), ☐ assumed financing (C.A.R. Form AFA), ☐ Other ________. This loan shall be at a fixed rate not to exceed ____ % or, ☐ an adjustable rate loan with initial rate not to exceed ____ %. Regardless of the type of loan, Buyer shall pay points not to exceed ____ % of the loan amount.
   (2) ☐ SECOND LOAN in the amount of .... $ *60,000.00*
   This loan will be conventional financing or ☐ Seller financing (C.A.R. Form SFA), ☐ assumed financing (C.A.R. Form AFA), ☐ Other ________. This loan shall be at a fixed rate not to exceed ____ % or, ☐ an adjustable rate loan with initial rate not to exceed ____ %. Regardless of the type of loan, Buyer shall pay points not to exceed ____ % of the loan amount.
   (3) FHA/VA: For any FHA or VA loan specified in 3D(1), Buyer has 17 (or ____) Days After Acceptance to Deliver to Seller written notice (C.A.R. Form FVA) of any lender-required repairs or costs that Buyer requests Seller to pay for or otherwise correct. Seller has no obligation to pay or satisfy lender requirements unless agreed in writing. A FHA/VA amendatory clause (C.A.R. Form FVAC) shall be a part of this Agreement.

Please note paragraph E for Additional Financing Terms

   E. ADDITIONAL FINANCING TERMS: *Secondary financing from the Los Angeles City first-time home buyer program.*
   F. BALANCE OF DOWN PAYMENT OR PURCHASE PRICE in the amount of .... $ ________
   to be deposited with Escrow Holder pursuant to Escrow Holder instructions.
   G. PURCHASE PRICE (TOTAL): .... $ *300,000.00*

Buyer's Initials (____) (____) Seller's Initials (____) (____)

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CALIFORNIA RESIDENTIAL PURCHASE AGREEMENT (RPA-CA PAGE 1 OF 10)

Two Trending Affordable Home Ownership Programs

STEPS Towards Homeownership
Skills and Tools Educating People for Success

INCLUSIONARY HOUSING

- Also called Below Marketing Rate (BMR) or resale price deed-restricted housing programs
- As a condition for receiving development rights, home builders are required by local governments to set aside some homes in their project for low- and moderate-income buyers
- Affordability for these buyers is achieved by pricing the homes below their market value
- The home is sold with a deed restriction that limits the future resale of the home at a price deemed affordable at that time
- This affordability covenant can significantly restrict the home owner's ability to build equity resulting from market appreciation

MORTGAGE CREDIT CERTIFICATES

- A federal income tax credit for first-time buyers administered by local and state government agencies
- The tax credit has the effect of increasing your buyer's federal income tax credit for each year they own the home and the mortgage is outstanding
- Lenders can add the value of the tax benefit as income on the buyer's loan application which boosts their buying power
- This first-time buyer program generally has higher income limits than most assistance programs and is available statewide in CA
- Many buyers can qualify for the MCC program

4

STEPS Towards Homeownership
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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

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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.

4 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 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 install-ment 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

5

STEPS Towards Homeownership
Skills and Tools Educating People for Success

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

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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

6

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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

Lender Secrets

STEPS Towards Homeownership
Skills and Tools Educating People for Success

REALTORS® can open more doors for their clients by taking advantage of special financing program offered by various lenders, here is a sample.

SOURCE	LOAN PROGRAM	BENEFITS
Alterra Home Loans	ITIN Loan Program	Provides financing up to 80% LTV for foreign nationals who do not have a Social Security number but have an established work history, verifiable credit references and an Individual Taxpayer Identification Number (ITIN)
Citadel Servicing Corporation	Bank Statement Loans	Helps higher net worth, self-employed borrowers or business owners who can verify the amount and stability of their income through personal or business bank statements
Carrington Mortgage	Structural and non-structural	Provides FHA loans with credit scores as low as 500
HomeBridge Financial	Home Style and 203K Loans	Expertise in purchase-rehabilitation financing using both 203K and Fannie Mae's HomeStyle renovation loans.
Land Home Financial	Manufactured Home Loans	Expertise in lending on fee-simple, manufactured homes
New American Funding	Home Possible	Freddie Mac's conventional loan that finances up 97% of the purchase price and has no minimum buyer contribution requirement
Union Bank	Economic Opportunity Mortgage	A CRA-driven conventional loan that finances up to 97% of the purchase price with no mortgage and offers flexible underwriting guidelines

Review of Our Overall Objective as REALTORS® in the Sharing of STEPS

STEPS Towards Homeownership
Skills and Tools Educating People for Success

1

SECURE YOUR REPUTATION AS A THOUGHT LEADER IN RESOLVING HOME FINANCING BARRIERS

- Because you know how financing works, who the players are and their roles
- You have the resources to help clients through the financing process
- You can help buyers take advantage of little known financing flexibilities

2

LIST AND SELL MORE PROPERTIES

- You know how to address or remove property condition barriers
- You can avoid delays in the appraisal process
- You have resources that make it easier to buy or sell in distressed communities
- You know how to increase the buying power of your clients through their own financing or untapping family equity

3

BUILD AND STRENGTHEN REFERRAL PIPELINES

- Through partnerships with program providers, nonprofits, builders and lenders
- Through relationships with credit or resource challenged buyers and their families
- Through networking with HOAs and helping them know the investor guidelines of their development