



Transaction Rescue - Case Studies in Non-QM Lending in 1-4 units

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Welcome



STEPS to Financing the Dream of Homeownership – Lending Arena Speakers



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CALIFORNIA ASSOCIATION OF REALTORS®

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What can Transaction Rescue™ help you with?

- Issue with a Lender
- Finding a Lender
- Loan Qualifications
- Financing Assistance
- Down Payment Assistance
- Closing Delays
- Title and Escrow
- Short Sale
- Forbearance
- Foreclosure
- Lending Discrimination
- Appraisals
- SBA Loans, PUA



Please be advised that you aren't required to seek services from any of the speakers in the presentation

They were chosen because we believe they'll be helpful in providing education without requiring you to give them business. Having said that, we're not making any representations or warranties regarding the quality of their services.

We understand that you may have your own preferred companies and ultimately, it's your decision as to whose services you will seek.



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- Keep statements focused on the topic or question before the group.
- Avoid mention of irrelevant demographic information like age or unrelated leadership experience.
- Refrain from saying or doing anything that could lead anyone to feel excluded or belittled.

C.A.R.'s Transaction Rescue Leadership may interject, as needed, to promote full and respectful dialogue.



Thank You

C.A.R. Policies



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Case Studies in Non-QM Lending for 2024

2024 Key Elements for Today



- Loan Terms & Loan Limits
- The Pillars of Qualifying (4-C's)
- Non-QM Examples, Scenario's and Alternatives
 - (Missing Pillar/County Limits/Range of Rates/FICOs/LTV/Cash)
- Additional Options Available to Individually Address
- 2-4 Unit Financing
 - 95% LTV on 2-4 Units up to conforming loan Limit \$766,550 (January 1st)
 - Owner Occupied
 - Investment Property
- Down Payment Assistance
- Other Questions



Lending Terms /Abbreviations

- **AUS – Automated Underwriting System**
- **LPA – Loan Prospect Advisor (previously – Loan Prospector LP) (Freddie)**
- **DU – Desktop Underwriter (Fannie)**
- **GUS – Government Underwriting System**
- **FICO – Fair Isaac Company (Loan Scoring Model Used By a Majority of Lenders / Investors)**
- **DPA – Down Payment Assistance**
- **MI – Mortgage Insurance**
 - **UFMIP - Up-Front Mortgage Insurance (FHA Loans)**
 - **MMI – Monthly Mortgage Insurance (FHA Loans)**
 - **PMI – Private Mortgage Insurance (Conventional Loans) - LPMI – Lender Paid Mortgage Insurance**
- **OO - Owner Occupied Borrower / Co-Borrower**
- **NOO – Non-Owner-Occupied Borrower / Co-Borrower**
- **FTHB – First Time Home Buyer**
- **CalHFA – California Housing Finance Agency**
- **GSFA – Golden State Finance Authority (Platinum)**
- **Flipping – Selling within 3 months, with large value increase, may trigger Lender RED Flags**
- **Calculations**
 - **DTI – Debt to Income LTV – Loan to Value and Combined Loan to Value (CLTV)**
 - **PITIA w/MI – Principal, Interest, Taxes, (Hazard) Insurance, Association Fees, and Mortgage Insurance**

2024 Conforming & High Balance Loan Limits by County for Freddie & Fannie (As of 1/01/2024)

The Federal Housing Finance Agency's (FHFA) announcement to increase the 2024 conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac to **\$766,550** on one-unit properties and a cap of **\$1,149,825** in high-cost areas. The previous loan limits were \$726,200 and \$1,089,300, respectively. Higher Loan Limits = More Properties Available to Entry Level Buyers

Loan Limit Counties

\$1,149,825 –	Alameda, Contra Costa, Los Angeles, Marin, Orange San Benito, Santa Clara, Santa Cruz, San Mateo
\$766,550 > < 1,149,825	San Diego, Ventura, Santa Barbara, San Luis Obispo, Monterey Napa, Sonoma, Yolo
\$766,550 –	All Remaining Counties for FHLMC/FNMA

Link to Freddie Mac (FHLMC) / Fannie Mae (FNMA) 2024 Loan Limits

- <https://www.fhfa.gov/DataTools/Tools/Pages/Conforming-Loan-Limit-Map.aspx>

Link to FHA Loan Limits for 2024 Limits by County - range from \$498,257 to the high balance \$1,149,825 max, (for single unit) less in many areas

<https://entp.hud.gov/idapp/html/hicost1.cfm>

2024 Fannie / Freddie / FHA Loan Limits



	Standard FHA*	Standard GSE*	FHA and GSE, High Cost Areas
1-unit	\$498,587	\$766,550	\$1,149,825
2-unit	\$637,950	\$981,500	\$1,472,250
3-unit	\$771,125	\$1,186,350	\$1,779,525
4-unit	\$958,350	\$1,474,400	\$2,211,600

*Continuous States, DC, and Puerto Rico

Fannie/Freddie Mac Loan Limit: Loan Limit [Look-Up Table 2024.xlsx](#) (live.com)

FHA Mortgage Limits by County: (hud.gov) [FHA Mortgage Limits](#) (hud.gov)

Qualified Mortgage (QM) Loans

- Government Loans
 - FHA – 3.5% down
 - VA – 0% down
 - USDA – 0% down
- Conventional Loans
 - Conforming Loans (Fannie Mae & Freddie Mac)
 - Low Down Payment Loans (3% & 5% Down)
 - Fannie Mae Home Ready
 - Freddie Mac Home Possible & Home One
 - Down Payment Assistance 1st TD Loans – Backed by State & Local Housing Finance Groups (w/CalHFA & GSFA 2nd TD's)
- High Balance & Jumbo Loans

Non-Qualified Mortgage (Non-QM) or “Niche” Loans

- For self-employed borrowers
 - Tax Return Issues
 - Timing of Filing, Write-Offs, Income Inconsistencies (banner, up/down, etc.)
- Options for this type of issue
 - 12-month bank statement programs
 - 24-month bank statement programs (Business Name, Ownership interest & Expense Ratio)
 - 1 yr. Tax Return (rather than normal 2 years needed)
- Asset Allocation/Depletion/Qualifier Loans (utilizing cash assets)
- Land, Renovation & Other Portfolio Loans
- Credit Event Loans – Recent Foreclosure, BK, Credit Derogatory, etc.

Pillars of Qualifying – 4 C's

- **Credit**
 - Score, Tradelines, Depth
 - Derogatory Items (collections, charge offs, judgements, BK, Foreclosure)
- **Capital**
 - Checking, Savings, Retirement, Gifts
- **Capacity**
 - Wages, Self Employment, Rental Income
 - Social Security, Disability, Pension
 - Asset Depletion
- **Collateral**
 - Value/Price, Property Condition, Occupancy

Case Scenario's

Bank Statement



Bank Statement

Scenario:

- George has been self-employed for 5 years. He is ready to purchase a home, but his tax returns shows very little net profit. He also filed for BK two years ago. His credit score is not very good but has 20% down payment. Purchase price is \$3.0 Mil.

Solution:

- Non-QM solution
- 12 or 24 months business bank statements with >50% ownership of the business.
- Credit scores as low as 640
- No tax returns required
- Up to 80% LTV
- Two years seasoning for foreclosure, BK, Short sale or deed in lieu.



Bank Statement - Sacramento



Scenario:

- Jose is self-employed as a contractor for over 5 years but his income from 2020 to 2022 wasn't very good due to COVID-19. But his business in 2023 really picked up and his bank statements show average deposits of over \$12,000 per month over the past 12 months. Jose has a 680 credit score and has 20% down in verified assets. He is looking to purchase a home in Elk Grove as a primary residence for \$579,000.

Solution:

- Non-QM bank statement loan utilizing the last 12 months of bank statements and adding up all of his deposits and averaging it out for 12 months to qualify and using his bank statement deposits as income.
- Loan Amount of \$463,200 with Interest Rate at 8.499% on a 30 year fixed with APR of 8.848% with no prepayment penalty. Program requires 6 months of reserves.



Bank Statement – Inland Empire



Scenario:

- My borrower, Janet, has been a consultant for over 3 years but doesn't show enough income on her taxes to qualify but she has been depositing consistently around \$25,000 per month over the past 24 months in her bank account. Janet has excellent credit with 760+ credit score and wanted to purchase a \$1.25 million primary home with 20% down in Temecula (Riverside County) and we could verify her funds for her down payment in her bank account.

Solution:

- Non-QM bank statement loan utilizing the last 24 months of bank statements and adding up all of her deposits and averaging it out for 24 months to qualify and using her bank statement deposits as income.
- Loan amount of \$1,000,000 at Interest Rate at 7.375% on a 30 year fixed with APR of 7.562% with no prepayment penalty. Program requires 6 months of reserves.



Bank Statement – Fresno



Scenario:

- Rick and Elena own a home cleaning service and they have great credit with over 740+ credit scores. They want to buy their first home in the \$375,000 price range and they have enough for 10% down. Their tax returns doesn't show enough income to qualify as they write off most of their income but they do have deposits showing roughly \$10,000 per month in average deposits over the past 24 months.

Solution:

- Non-QM bank statement loan utilizing the last 24 months of bank statements and adding up all of her deposits and averaging it out for 24 months to qualify and using her bank statement deposits as income.
- Loan Amount of \$337,500 with Interest Rate at 9.875% on a 30 year fixed with APR of 10.263% with no prepayment penalty with 10% down. Program requires 6 months of reserves.



Bank Statement – Contra Costa



Scenario:

- Phillip and Jane are both self-employed. Phillip is a Realtor and Jane is a childcare provider. They are in the process of selling their home and want to move up and buy a bigger home as they have 3 kids and want to buy in Walnut Creek. They are looking in the \$1,500,000 price range with 40% down. Both Phillip and Jane won't qualify for a traditional mortgage but they do have 24 month bank statements to show that they average about \$20,000 per month in deposits. They also have excellent credit history with over 760 credit scores

Solution:

- Non-QM bank statement loan utilizing the last 24 months of bank statements and adding up all of their deposits and averaging it out for 24 months to qualify and using their bank statement deposits as income.
- Loan amount of \$900,000 with Interest Rate at 7.375% on a 30 year fixed with APR of 7.573% with no prepayment penalty.
- Program requires 6 months of reserves.





**Debt Service Coverage (DSCR)
Or
Investor Cashflow**



Investor Cashflow “No Income”

Scenario:

- Roger has been a property investor for 10 years. He owns close to 20 properties. He lives off the rental income. His properties are all vested in an LLC (limited liability corporation). As such, his tax returns show a loss due to all the write offs. Credit is good and only owes the mortgages on the properties. Would like to purchase another property but lenders won't lend to him because of the number of properties he currently owns and because they are in the LLC.

Solution:

- Non-QM solution (Investor Cash flow)
- Up to 75% LTV
- Credit score starting at 680
- No personal income used to qualify
- No limit on number of properties financed
- No employment required
- Qualification based on property cash flow (minimum DSCR 1.0)
- Properties can be in LLC's name.

Debt Service Coverage (DSCR) – Contra Costa



Scenario:

- Phillip and Jane are both self-employed. Phillip is a Realtor and Jane is a childcare provider. They are in the process of selling their home and want to move up and buy a bigger home as they have 3 kids and want to buy in Walnut Creek. They are looking in the \$1,500,000 price range with 40% down. Both Phillip and Jane won't qualify for a traditional mortgage but they do have 24 month bank statements to show that they average about \$20,000 per month in deposits. They also have excellent credit history with over 760 credit scores

Solution:

- Non-QM bank statement loan utilizing the last 24 months of bank statements and adding up all of their deposits and averaging it out for 24 months to qualify and using their bank statement deposits as income.
- Loan amount of \$900,000 with Interest Rate at 7.375% on a 30 year fixed with APR of 7.573% with no prepayment penalty.
- Program requires 6 months of reserves.



Debt Service Coverage (DSCR) – Riverside



Scenario:

- My borrower, Ricardo, has been an investor for over 10 years and owns multiple investment properties. He wants to buy a 4 unit investment property in Moreno Valley for \$1,125,000 with 20% down. He has a 724 credit score and doesn't qualify based on his tax returns but does have enough funds for down payment and reserves.

Solution:

- Non-QM investor cash flow program under the DSCR program where no personal income is required to qualify. DSCR is a measurement of a property's expected cash flow to determine ability to repay a mortgage loan. Total rents must be more than the mortgage PITIA payment to be approved for mortgage.
- Rate at 9.75% on a 30 year fixed with APR of 10.041% with 1 year prepayment penalty. Rents for the 4 units were \$2,500 per unit (\$10,000 for 4 units) and PITIA \$9,304.27. DSCR 1.07 which is above 1 that is required for this program.

Debt Service Coverage (DSCR) – Alameda



Scenario:

- Steve wants to buy 4 plex as an investment in Piedmont (Oakland area) as he just inherited money and wants to have another income stream. He doesn't know if he can qualify based on his income. He does have good credit with a 730 credit score and he wants to put down 30% on \$1,325,000 purchase.

Solution:

- Non-QM investor cash flow program under the DSCR program where no personal income is required to qualify. DSCR is a measurement of a property's expected cash flow to determine ability to repay a mortgage loan. Total rents must be more than the mortgage PITIA payment to be approved for mortgage.
- Loan Amount of \$927,500 with Interest Rate at 8.25% on a 30 year fixed with APR of 8.568% with 1 year prepayment penalty. Rents for the 4 units were \$2,150 per unit (\$8,600 for 4 units) and PITIA \$8580. DSCR 1.002 which is above 1 that is required for this program.

Debt Service Coverage (DSCR) – San Luis Obispo



Scenario:

- Jack and Janet has a son that will be graduating from Cal Poly San Luis Obispo. After spending a lot of money for room and board for their son, they decided to purchase a 4 plex and rent it out to the students at Cal Poly. They have 20% down and looking at \$1,449,000 sales price.

Solution:

- Non-QM investor cash flow program under the DSCR program where no personal income is required to qualify. DSCR is a measurement of a property's expected cash flow to determine ability to repay a mortgage loan. Total rents must be more than the mortgage PITIA payment to be approved for mortgage.
- Loan Amount of \$1,159,200 with Interest Rate at 9.75% on a 30 year fixed with APR of 10.041% with 1 year prepayment penalty. Each unit is 2 bd, 1 ba and Rents for the 4 units are \$3,250 per unit (\$13,000 for 4 units) and PITIA \$11,971. DSCR 1.09 which is above 1 that is required for this program.



Debt Service Coverage (DSCR) – Los Angeles



Scenario:

- Joan recently received a large settlement and wants to utilize some of her funds to buy an investment property. She wants to put down 25% on a 4 plex that she will manage in the Mid-City area of Los Angeles since she lives in the neighborhood. She is looking at purchasing \$1,545,000 and she has a 685 credit score.

Solution:

- Non-QM investor cash flow program under the DSCR program where no personal income is required to qualify. DSCR is a measurement of a property's expected cash flow to determine ability to repay a mortgage loan. Total rents must be more than the mortgage PITIA payment to be approved for mortgage.
- Loan Amount of \$1,158,750 with Interest Rate at 9.50% on a 30 year fixed with APR of 9.84% with 1 year prepayment penalty. Rents for 2 of the units at 2 bd, 2ba units are \$3,500 per unit and 2 other units of 1 bd, 1 ba are \$2,500. (\$12,000 for 4 units) and PITIA \$11,642. DSCR 1.03 which is above 1 that is required for this program.





ITIN
Individual Tax Identification Number



ITIN

Scenario:

- Tony has lived in the United States for 20 years. He files full tax returns every year. He has established a credit history and pays his bills on time. He has saved up some money and wants to purchase a property as his primary residence; however, Tony only has an ITIN (Individual tax identification number). No Social Security number or permanent residence status.

Solution:

- Non-QM ITIN solution
- Up to 85% LTV (loan to value)
- 640 credit score
- Full doc income or 12/24 bank statement loan
- No Social Security number or permanent residence required
- DTI (debt to income ratios) up to 50%
- No reserves required
- Not eligible for down payment assistance programs



ITIN - Riverside



Scenario:

- My borrowers, Ernesto and Dulce, wants to buy their 1st home in Perris for \$499,000. Both of them do NOT have Social Security Numbers yet but they do have ITINs and have been filing tax returns for the past 5 years. Both borrowers are 1099 independent contractors with credit established with lowest credit score being 701.

Solution:

- Non-QM ITIN Program utilizing their tax returns to prove income.
- Rate at 10.25% on a 30-year fixed with APR of 10.653% with no prepayment penalty with 15% down.

ITIN – San Diego



Scenario:

- Javier and Sara want to buy a home for \$750,000 in Santee. Both of them do NOT have Social Security Numbers yet but they do have ITINs and have been filing tax returns for the past 2 years and can prove their income. Both borrowers are 1099 independent contractors with credit established with lowest credit score being 680.

Solution:

- Non-QM ITIN Program utilizing their tax returns to prove income.
- Loan Amount of \$600,000 with Interest Rate at 9.499% on a 30-year fixed with APR of 9.862% with no prepayment penalty with 20% down.

ITIN - Sonoma



Scenario:

- Pablo and Julietta want to buy a home in Healdsburg for \$725,000 with 20% down. Both of them do NOT have Social Security Numbers yet but they do have ITINs and have been filing tax returns for the past 3 years. Pablo owns a landscaping company with credit established with lowest credit score being 722.

Solution:

- Non-QM ITIN Program utilizing their tax returns to prove income.
- Loan Amount of \$580,000 with Interest Rate at 8.875% on a 30 year fixed with APR of 9.9223% with no prepayment penalty with 20% down.

ITIN - Tulare

Scenario:

- Juan and Esther have been saving up money to buy their first home for \$350,000 in Visalia with 20% down. Both of them do NOT have Social Security Numbers yet but they do have ITINs and have been filing tax returns for the past 3 years. Juan and Esther own a mobile detailing business with credit established with lowest credit score being 660.

Solution:

- Non-QM ITIN Program utilizing their tax returns to prove income.
- Loan Amount of \$280,000 with Interest Rate at 9.999% on a 30 year fixed with APR of 10.433% with no prepayment penalty with 20% down.



2-4 unit



Lending Update – 5% Down (Multi-unit)

5% down multi unit

New guideline change from Fannie Mae as of 11/18/2023. Fannie now allows 5% down on 2-4 unit properties. Previous guideline was 15% down on 2 unit and 25% down on 3-4 unit. Limitations and features –

1. Borrowers can use 75% of collected rents on the units they are not occupying to help qualify for higher loan amounts.
2. Must be owner occupied
3. Only available to national conventional limits – no high balance.
 - a. 2 unit – 981,500
 - b. 3 unit – 1,186,350
 - c. 4 unit – 1,474,400

New Conventional Limits Announced

FHFA has announced the new lending limits for 2024 –

Units	National Limit	High Balance Limit
1	\$766,550	\$1,149,825
2	\$981,500	\$1,472,250
3	\$1,186,350	\$1,779,525
4	\$1,474,400	\$2,211,600

Additional Noteworthy Conventional Changes



Fannie and Freddie Rental Income update

This update will require the borrower to have a primary housing expense and at least a one-year history of property management experience to use the full amount of rental income towards qualifying, otherwise the amount may be limited.



Fannie Mae Self-Employed Income

LESS THAN 2 YEARS IS OK STARTING 1/1/2024
Minimum 12 month reflected on the tax return
Does not require the 5 yr history like Freddie Mac

TIP: Consider GIG Economy workers again such as Uber, Lyft, Deliveries. Consider clients switching from W2s to Self-employed again. Consider Self-employed in general.



Rental Income Comparison

Current 2023 Example: \$1000 mortgage payment
Future rental income: \$3000
Lender: 75% of \$3000 minus \$1000 mortgage
Equals= \$2,250-\$1000= POSITIVE \$1,250 CASH FLOW to use to qualify for the future home loan

NEW 2024 GUIDELINE FOR LESS THAN 12 MONTH LANDLORD EXPERIENCE

Same \$1000 mortgage payment
Same Future rental income:\$3000
Lender: Limited amount applies \$1000 minus \$1000= \$0
Break-Even concept, No positive cash-flow calculation

[Guild Advantage](#)

Guild
mortgage



2-4 units w/5% Down - Riverside



Scenario:

- My borrowers, Matt and Cyndi, wanted to purchase an owner occupied 4 unit place in Riverside (Riverside County) for \$1,139,000. They knew about the 5% down program on multi units and they wanted to buy a 4 unit and live in one of the units for couple of years before they started a family. Both are RNs and had great credit with both borrowers over 720+ credit scores and they also had money saved up for down payment and had more than 6 months reserves in their bank accounts.

Solution:

- Fannie Mae 5% down payment option for Multifamily Homes.
- Rate at 7.25% on a 30 year fixed with APR of 8.463% with mortgage insurance.
- Borrowers monthly income \$18,000 per month with monthly debts (including car payment and credit cards) of \$743. Future Rental Income (minus 25% for vacancy) of \$5,850 per month. 2 units rented at \$2,800 per month and 1 unit at \$2,200 per month (\$7,800 total). Total qualifying income \$23,850. PITIA at \$9,626.



2-4 units w/5% Down - Sacramento



Scenario:

- Clients wants to purchase an owner occupied 4 unit place in Sacramento for \$888,000 with each unit being around 900 sq ft with 1 bedroom, 1 bath. Clients have middle credit score of 642 mid FICO score.

Solution:

- Fannie Mae 5% down payment option for Multifamily Homes.
- Rate at 6.125% on a 30 year fixed with APR of 7.648% with mortgage insurance.
- Borrowers monthly income \$13,200 per month with monthly debts (including car payment and credit cards) of \$650. Future Rental Income (minus 25% for vacancy) of \$3,375 per month. Each unit rents for \$1,500 per month (\$4,500 total). Total qualifying income \$16,575. PITIA at \$6,518.



2-4 units w/5% Down - Kern



Scenario:

- Clients wants to purchase an owner occupied triplex (3) unit place in Bakersfield for \$345,000 with 2 units being 1 bedroom, 1 bath and back unit being 2 bedroom, 1 bath. Clients have middle credit score of 665 mid FICO score.

Solution:

- Fannie Mae 5% down payment option for Multifamily Homes.
- Rate at 6.75% on a 30 year fixed with APR of 8.203% with mortgage insurance.
- Borrowers monthly income \$5,387 per month with monthly debts (including car payment and credit cards) of \$450. Future Rental Income (minus 25% for vacancy) of \$1462.50 per month. One unit is rented for \$750 per month, and back unit with 2 bedroom rents for \$1,200 (\$1,950 total). Total qualifying income \$6,850. PITIA at \$2,631.



2-4 units w/5% Down - Alameda



Scenario:

- Clients wants to purchase an owner occupied 4-plex unit place in Oakland for \$949,000 with 2 units being 1 bedroom, 1 bath, one unit being 2 bedroom, 1 bath and largest unit being 3 bedroom, 1 bath. Clients have middle credit score of 683 mid FICO score.

Solution:

- Fannie Mae 5% down payment option for Multifamily Homes.
- Rate at 6% on a 30 year fixed with APR of 7.12% with mortgage insurance.
- Borrowers monthly income \$12,917 per month with monthly debts (including car payment and credit cards) of \$955. Future Rental Income (minus 25% for vacancy) of \$3,937.50 per month. 1 bd, 1 ba is rented for \$1,250 per month, 2 bd, 1 ba is rented for \$1,750 per month and 3 bedroom rents for \$2,250 (\$5,250 total). Total qualifying income \$16,855. PITIA at \$6,502.





**Mobile / Chattel
Land / Other**



Chattel Loans - Requirements

- Mobile Home Financing
- Max LTV 95% Value
- FICO – Minimum 620
- DTI – Maximum 48%
- Income: W-2 or Self-Employed, No Less than 2 Years (Full Documentation, Pay Stubs, etc.)
- Down Payment Sources: Savings, Gifts from Family Member, Non-Profit or Employer
- Leased land is separate and included in the ratio
- Must Be Built AFTER June 15, 1976
- Occupancy can be as Primary Residence or 2nd Home Only
- General Notes
 - Property is NOT eligible for tax write-offs because it is not a real property
 - Loan terms are 20-25 years and not 30 years like traditional mortgages
 - Escrow periods will be approx 45 day due to dealing with the DMV and respective County
 - No ITINs currently, no BKs less than 4 yrs, no Foreclosures less than 5 years

Chattel

Scenario:

- Borrowers, Scott and Nicole, wanted to purchase an owner-occupied home but felt many homes were out of budget or too far away from their employment. The areas they were most interested in happened to offer a variety of more affordable mobile homes which were newer, larger, and fit their budget.

Solution:

- Chattel 5% down payment option for Mobile Homes.
- Rate at 9.35% on a 25-year fixed with APR of 9.986% with NO mortgage insurance.
- Borrowers' monthly income \$6,900 per month with monthly debts (including car payment and credit cards) is \$550. The Land Lease is \$1,200 per month. PITIA at \$2,645 which breaks down to include \$1,230 for the loan, \$125 for the DMV, \$90 for insurance and \$1,200 for the land.



Land Construction

- One Time Close Construction to Permanent Loan: COMBINES Construction Phase + Permanent Phase
- Max LTV 95% Value
- FICO – Minimum 680
- DTI – Maximum 45%
- Income: W-2 or Self-Employed, No Less than 2 Years (Full Documentation, Pay Stubs, etc.)
- Down Payment Sources: Savings, Gifts from Family Member, Non-Profit or Employer
- 2024 Max Loan Limit: Conforming \$766,550 & High Balance \$1,149,825 Varies by Each County Limit
- <https://www.fhfa.gov/DataTools/Tools/Pages/Conforming-Loan-Limit-Map.aspx>
- Property being built must be Single Family; Owner-Occupied or Second Home
- The Lender will Acquire the Land within a purchase OR Payoff the Seller Financing of the land within the Construction loan
- General Notes
 - Construction Phase: 7.5%** (check with lender) Construction Rate, Interest Only payments
 - Customized Draw Schedules to meet the Builder's demands
 - Construction: Stick Built, Modular, Manufactured/Cross-Mods, Log Kits, Panelized Kits
 - Permanent Phase: Fannie Mae (FNMA) & Freddie Mac (FHLMC) Conforming & High Balance loan at current market rate and value

Outside the box with CalHFA & GSFA DPA

- BOTH Programs: Single Family Residences with ADUs are ALLOWED for DPA:
 - Property must be one-unit with ADU by definition
 - City/County Zoning must allow for ADUs
 - Rental income for the ADU is allowed for qualifying, but will also count towards the income limits
- Specific to CalHFA:
 - No First Time Home Buyer Requirements on first mortgages without any subordination financing
- Conforming \$766,550 & High Balance \$1,149,825 loan amounts (varies by each county)
- <https://www.fhfa.gov/DataTools/Tools/Pages/Conforming-Loan-Limit-Map.aspx>
- Specific to GSFA:
 - No First Time Home Buyer Requirement on ALL products
 - No Income Limits on FHA financing in ANY Counties
 - 2-4 Units are OK with the Conforming Loan Limit \$766,550
 - 620 FICOs and 55% ratios on the "GO" Program

Scenario:

- Borrower, Francisco, makes approx. \$240,000 a year. His tax preparer recently advised him that he is single with high income earnings and purchasing a home would allow him to have additional tax write offs which would be huge benefit to him. Francisco really wants to purchase an owner-occupied home but has not been able to save for a down payment. He is also not sure about how strong his credit score is because he is a limited credit user

Solution:

- GSFA Platinum or Golden Opportunities FHA Down Payment Assistant Program
- FHA has no income limits
- Borrower can get up to 5% in down payment assistance to \$766,550

Other Resources



Other Product Types to Review Individually & Resources



2024 Lender Look Ahead – FM



Rates

- Inflation slowly creeping down to FED comfort levels
- FED reduced their rate forecast for 2024 to 4.5% - down 1.00% from where they are now
- Election year politics will play some role in where we are headed

Mortgage News

- CalHFA coming back with revised Dream for All program in Q1
- Conventional loan limits increased again for 2024
- Continued lower rates should push buyer demand higher into tight





Closing Comments





Marc





Spanish Translation of REALTOR Resource Guide

Focus Group for Testing Systems

Survey Needs or Requests



<http://FindDownPayment.car.org>
TransactionRescue@car.org
<http://Mortgage.car.org>



Utilize Key C.A.R Transaction Lending and Legal Resources

TransactionRescue@car.org

<https://Mortgage.car.org>

Transaction Rescue Webinars

<https://www.car.org/FinWebinars>

STEPS Towards Homeownership

<https://on.car.org/steps>

Legal Disclosures & Resources Questions & Answers

<https://www.car.org/riskmanagement/qa>





Contact List



California Association of REALTORS® - Panelist Contact List

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Transaction Rescue / STEPS

Case Studies in Non-QM Lending

Your Feedback is Critical

https://car.qualtrics.com/jfe/form/SV_5sZlp9sx3pVeWOi





Questions



Support Materials - Lending & Down Payment Assistance

Non-Qualified Mortgage (Non-QM) or “Niche” Loans

- For self-employed borrowers
 - Tax Return Issues
 - Timing of Filing, Write-Offs, Income Inconsistencies (banner, up/down, etc.)
- Options for this type of issue
 - 12-month bank statement programs
 - 24-month bank statement programs (Business Name, Ownership interest & Expense Ratio)
 - 1 yr. Tax Return (rather than normal 2 years needed)
- Asset Allocation/Depletion/Qualifier Loans (utilizing cash assets)
- Land, Renovation & Other Portfolio Loans
- Credit Event Loans – Recent Foreclosure, BK, Credit Derogatory, etc.

Non-Qualified Mortgage (Non-QM) or “Niche” Loans cont'd

- Updates of more options, Cynthia, Yong, Abel, FM
- Chattel Financing-Mobile Home
- Options for this type of issue
 - 12-month bank statement programs
 - 24-month bank statement programs (Business Name, Ownership interest & Expense Ratio)
 - 1 yr. Tax Return (rather than normal 2 years needed)
- Asset Allocation/Depletion/Qualifier Loans (utilizing cash assets)
- Land Purchase with Construction (Construction to Permanent)
- Credit Event Loans – Recent Foreclosure, BK, Credit Derogatory, etc.

Non-Qualified Mortgage Business Bank Statement Program

Borrower Profile:

- Self Employed Borrowers
- Businesses with good documented cashflow/high receivables

Non-Qualified Mortgage Business Bank Statement

Program Overview

- Utilize 12 or 24 months of business bank statements
- Based on total deposits into the business
- Requires Expense Ratio Letter – expresses the expenses of the business in a %
- Profit and Loss Statement required
- Exceptions are allowed with strong compensating factors
- Available for 30YF, ARM Products, I/O ARM Products
- 90LTV Purchase / 80LTV Refinance
- 620 Minimum FICO
- Max debt to income ratio – 50%
- Loan Amounts \$100k-\$3 Million
- Primary/second home/investment properties allowed
- Minimum 2 years of self employment



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Case Studies in Non-QM Lending

Your Feedback is Critical

https://car.qualtrics.com/jfe/form/SV_5sZlp9sx3pVeWOi



Thank You!