

REIMAGINE 2020 - Transaction Rescue & STEPS Toward Homeownership

October 12th – 14th, 2020

Transaction Rescue

California Association of REALTORS®



Transaction Rescue™

CALIFORNIA
ASSOCIATION OF
REALTORS®

FREE Member Benefit



Your Direct Line To All Finance
And Mortgage Related Questions

(213) 739-8383

MORTGAGE.CAR.ORG

TransactionRescue@car.org

A Member Benefit of C.A.R.

SAVE Transactions at Risk of Failing

Direct Problem SOLVING with Lenders

ONE-ON-ONE Assistance for REALTORS®



CALIFORNIA
ASSOCIATION
OF REALTORS

Website:

<http://Mortgage.car.org>

Email:

TransactionRescue@car.org

Phone:

(213) 739-8383

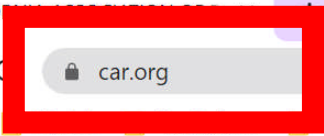




**Overall Market –
Research & Economics
Through the Years**

California Association of REALTORS® – Through the Years (Stats)

Indicator	1995	2000	2005	2010	2015	2018	2019	Source
Cash Out (% of Refinanced \$ Volume)	7.5%	11.5%	21.5%	4.6%	8.7%	21.6%	12.9%	Freddie Mac Quarterly Refinance Statistics
Cash Out Refi/HELOCs (\$ billions)	\$ 21.73	\$ 60.40	\$ 301.17	\$ 62.40	\$ 64.86	\$ 101.35	\$ 116.25	Freddie Mac Quarterly Refinance Statistics
Existing SFR 90% + LTV	28.0%	22.0%	16.0%	9.0%	20.0%	24.6%		FHFA MIRS
ARM % of Applications	27.4%	24.0%	33.5%	5.0%	7.0%	6.6%	7.1%	MBA
ARM % of \$ Volume	33.8%	37.6%	47.3%	8.6%	16.2%	14.5%	15.6%	MBA
30-Year FRM %	7.9%	8.1%	5.9%	4.7%	3.9%	4.5%	3.9%	Freddie Mac
Household Financial Obligations Ratio (% of disposable income)	16.4%	16.8%	17.3%	16.4%	15.4%	15.1%	15.1%	Federal Reserve Board of Governors
Household Debt Service Ratio (% of disposable income)	11.1%	11.8%	12.6%	11.3%	9.9%	9.7%	9.7%	Federal Reserve Board of Governors
Personal Saving Rate (% of disposable income)	7.0%	4.8%	3.2%	6.6%	7.6%	7.7%	7.9%	U.S. Bureau of Economic Analysis
Median Payment /Median Income (Existing SFR, Current Rates, 20% down)	37.0%	42.4%	69.2%	33.7%	43.4%	47.6%	44.5%	California Association of REALTORS®



MARKET DATA

MLS / PROFESSIONAL STANDARDS

POLITICAL ADVOCACY

LEGAL

CLOSE X

Market Data

Be trendy -- stay current with our latest market forecasts and data analyses.



[VIEW MORE](#)

Housing Market Forecast

The latest market forecast and projection to what lays ahead.

Data & Statistics

View the latest sales and price numbers. Find out where sales will be in upcoming months.

- [Current Sales & Price Statistics](#)
- [Housing Affordability Index - Traditional](#)
- [Housing Affordability Index - First-Time Buyer](#)
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- [Annual Historical Data Summary](#)

Housing Matters Podcast

Your housing hub for market analysis, economic trends, and housing news.

Market Minute - May 18, 2020

Get a roundup of weekly economic and market news that matters to real estate and your business.

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Speeches & Presentations

Catch up with the latest outreaches and webinars by the Research and Economics team.

Surveys & Reports

Californians are surveyed annually to gain insights on the housing market from their perspective.

FEEDBACK



Down Payment Assistance

FindDownPayment.car.org

○ <https://www.car.org/marketing/clients/downpaymentresource>

Down Payment Resource Directory

HOME > MARKETING > CLIENTS > DOWNPAYMENTRESOURCE

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 Information | Household Information | Special 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)

Estimated sales price

Is this a Multi-Family Home?
 Single-Family Multi-Family

Is the home in foreclosure?
 Yes No

Matched Programs
53
View Programs

Continue

Within the C.A.R Tool, you can find:

- Participating Lenders
- Program Guide/Flyer
- Filters/Guidelines:
 - Special Groups (Teachers, Protectors, etc.)
 - Eligible Properties
 - Maximum Sales Price
 - Eligible Borrowers
 - Maximum Household Income
 - Loan Terms
- Benefits
- Latest Updates



California Association of REALTORS®

- Free Member Benefit:

- **Transaction Rescue™**
 - Assist you with Communication & Escalations with Your Lender
 - Property Concerns with Valuations, Title, & Vesting.
 - Provide Insights to Lender & Down Payment Assistance
 - **Website** <http://Mortgage.car.org>
 - **Email** TransactionRescue@car.org
 - **Hotline** (213) 739-8383
 - **Webinars** <http://car.org/FinWebinars>
- **Coronavirus Microsite** car.org/coronavirus



CAR Resources: Financial Webinars

California Association of REALTORS® Free Member Benefit:

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

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

Transaction Rescue™ Webinars

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Hard to Qualify Borrowers and Non-Traditional Properties

Transaction Rescue - Back to Basics Webinar - Hard to Qualify Borrowers and Non-Traditional Properties - "Out-of-the-Box" Lending Options

Insights by Yong Choi, Abel... and Faramarz Moen-Zial

December 5th, 2020
9:30 a.m. – 10:30 a.m.

mortgage.car.org
TransactionRescue@car.org
(213) 739-8383

Transaction Rescue

Hard to Qualify Borrowers and Non-Traditional Properties

Transaction Rescue - Back to Basics Webinar - Hard to Qualify Borrowers and Non-Traditional Properties - Out-of-the-Box Loan Options - 12-5-19

PLAY VIDEO

◀ ▶



Mortgage Lending Terms

General 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**

Mortgage Loan Programs



General Guidelines: Jumbo Program

Loan Program's - Pre-COVID & Status Today

- 90% LTV Jumbo loan to max loan amount of \$1,500,000
- 1-unit primary residence purchase only
- 30 – year fixed rate only
- Min loan amount is \$1.00 more than current conforming/high balance limit set by FHFA
- Mortgage insurance is not required
- Subordinate financing and gift funds not allowed
- Escrow/impound account and residual income required
- Reserves requirements: <\$1,000,000 – 18 months PITIA;
> \$1,000,000 – 24 months PITIA
- First time homebuyer's ineligible

General Guidelines: FHA Loan Programs

Loan Program's - Pre-COVID & Status Today

- Designed for Purchase or Refinance and Renovation of Older, Distressed or Homes in Need of Cosmetic Repairs.
- Purchase or Refinance
- Max LTV 96.5% Value
- FICO – Minimum 580 (< 600 requires 10% down) (However many overlays ranging from 620-640 as minimum)
- DTI – Maximum 56.9% or per AUS / DU Findings (lenders may lower the DTI to 43% when the range is (is lower than 640))
- Income: W-2 or Self-Employed, No Less than 2 Years
- Down Payment Sources: Savings, Gifts from Family Member, Non-Profit or Employer
- Max Loan Limit: Varies by Each County Limit
- Property Condition: Below Average or in Poor (No Structural Damage)
- Owner Occupied Only (Non-Owner Occupied Co-Borrower)
- General Notes
 - No Minimum Repair Budget with a 35k Maximum Including Soft Costs
 - Loan based on LTV of Value at Completion
 - 6 months Max Renovation Period
 - Property Types 1 -4 units, FHA Approved Condos, Mixed Use, Manufactured
 - No Cash-Out Possible

General Guidelines: USDA Loans

Loan Program's - Pre-COVID & Status Today

- 100% financing, borrowers without savings or who wish to retain their savings qualify
- Generous income limits based on 115% AMI and deductions are available for dependents, daycare, elderly households, etc. to help qualify
- Minimum credit score 680 and max DTI 41%
- No max loan amount or purchase price
- No cash contribution or cash reserves required
- Primary residence only and not limited to first-time homebuyers
- Properties are typically in rural areas
- Must be property eligible: **<http://eligibility.sc.egov.usda.gov>**
- Income limits search: **<http://eligibility.sc.egov.usda.gov>**

General Guidelines: VA Loans

Loan Program's - Pre-COVID & Status Today

- Purchase or Refinance
- Max LTV 100%
- FICO – Minimum 620 (However, Overlays to 640 may exist)
- DTI – Maximum 41% or per AUS / DU with Acceptable Reserves
- Income: W-2 or Self-Employed, No Less than 2 Years
- Down Payment Sources: Savings, Gifts from Family Member, Non-Profit or Employer
- Max Loan Limit: Conforming Limit @100%LTV; \$1,500,000 Max; 25% DP Over Conforming limits
- Property Condition: Any Condition
- Owner Occupied Only
- General Notes
 - Property Types 1 -4 units, PUDs, VA Approved Condos
 - No Cash-Out Possible

General Guidelines: GSE Conforming & High Balance

Loan Program's - Pre-COVID & Status Today

- Purchase or Refinance GSE's Government Sponsored Enterprises Provide a Secondary Market in Home Mortgage, The GSEs Purchase Mortgages from the Lender that Originates Them with Balances Over the Conforming Loan Limits
- **Max LTV 95% Value**
- FICO – Minimum 620
- **DTI – Maximum 48%** or per AUS / DU or LPA Findings
- 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
- 2018 Max Loan Limit: Conforming \$453,100 & High Balance \$689,350, Varies by Each County Limit
- 2019 Max Loan Limit: Conforming \$484,350 & High Balance \$726,525, Varies by Each County Limit
- Property Condition: C4 Appraiser Condition Rating or Better (C1-C4)
- Occupancy can be as Primary Residence, 2nd Home, and Investment Property
- General Notes
 - Fannie Mae (FNMA) & Freddie Mac (FHLMC) are the GSE's that make up our (Conforming & High Balance) Secondary Market.
 - Follow-up with Lender for More Specific Details

General Guidelines: Freddie Mac Home Possible Program

Loan Program's - Pre-COVID & Status Today

- Freddie Mac's Home Possible mortgage offer outstanding flexibility and options to meet variety of borrower's needs in low & moderate income borrowers looking for low down payments and flexible source of funds
 - Primary Residence only
 - 1 unit 97% LTV and 2 -4 units 95% LTV with reduced coverage on Mortgage Insurance
 - Purchase and no cash out refinance transactions
 - Super conforming Max LTV 1-unit 95% LTV, 2-unit, 3-4 unit 80%LTV
 - Non-occupying co-borrowers are permitted at 95% LTV
 - The borrower(s) must meet income limits. Loan Product Advisor (LPA) will determine the income eligibility of the Mortgage and will indicate the eligibility in its findings.
 - To determine whether the Borrower's income exceeds the income limits, HBFS must rely on the income used to qualify the borrower and submitted to LPA.
 - There is no income limit if the Mortgaged Premises is located in an underserved area or properties located in federally declared disaster areas.
- **NOTE:** Effective for Mortgages with Application Received Dates on and after 7/28/2019, the income limit requirements for ALL Home Possible loans may not exceed 80% AMI for the property's location (including those in low-income census tracts).

General Guidelines: Freddie Mac Home One Program

Loan Program's - Pre-COVID & Status Today

- Home one offers low down payment options with **NO** specific income or geographic restrictions **unlike** those needed for HomePossible
- 1-unit Primary Residences Only (No Manufactured Homes & No non-occupying co-borrowers allowed)
- Up to 97% LTV/CLTV (cltv can go up to 105% with affordable second)
- Purchase and no cash out refinances available
- MI standard rates LTV > 95% requires 35% coverage (LPMI is acceptable)
- Fixed rate only
- LPA accept only not manual UW allowed

General Guidelines: Fannie Mae HomeReady Program

Loan Program's - Pre-COVID & Status Today

- FNMA HomeReady is designed for creditworthy, low to moderate income borrowers with expanded eligibility in designated low-income communities
 - 1 unit 97% LTV purchase and limited cash out refinance
 - Primary residence only
 - Total annual qualifying income may not exceed 100% of the AMI for the property's location
 - 25% MI coverage for LTV's 90.01 – 97%
 - No income limits in low income census tracts, defined as those census tracts where the median tract income is no greater than 80% AMI
 - » FNMA Income Limits: <https://homeready-eligibility.fanniemae.com/homeready>
- **NOTE:** Effective for loan casefiles submitted to DU on or after 7/20/2019, the income limit requirements for ALL HomeReady loans may not exceed 80% AMI for the property's location (including those in low-income census tracts).

General Guidelines: High Balance GSE Program

Loan Program's - Pre-COVID & Status Today

- Purchase or Refinance GSE's Government Sponsored Enterprises Provide a Secondary Market in Home Mortgage, The GSEs Purchase Mortgages from the Lender that Originates Them with Balances Over the Conforming Loan Limits
- Max LTV 95% Value
- FICO – Minimum 620
- DTI – Maximum 48% or per AUS / DU or LPA Findings
- 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
- 2018 Max Loan Limit: Conforming \$453,100 & High Balance \$689,350, Varies by Each County Limit
- 2019 Max Loan Limit: Conforming \$484,350 & High Balance \$726,525, Varies by Each County Limit
- Property Condition: C4 Appraiser Condition Rating or Better (C1-C4)
- Occupancy can be as Primary Residence, 2nd Home, and Investment Property
- General Notes
 - Fannie Mae (FNMA) & Freddie Mac (FHLMC) are the GSE's that make up our (Conforming & High Balance) Secondary Market.
 - Follow-up with Lender for More Specific Details

General Guidelines: Freddie Mac w/DPA Programs

Loan Program's - Pre-COVID & Status Today

- Purchase or Refinance GSE's Government Sponsored Enterprises Provide a Secondary Market in Home Mortgage, The GSEs Purchase Mortgages from the Lender that Originates them.
- Max LTV 97% Value
- FICO – Minimum 640
- 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
- Max Loan Limit: 484,350 max
- Property Condition: C4 Appraiser Condition Rating or Better (C1-C4)
- Occupancy can be as Primary Residence, 2nd Home, and Investment Property
- General Notes
 - Fannie Mae (FNMA) & Freddie Mac (FHLMC) are the GSE's that make up our (Conforming & High Balance) Secondary Market.
 - Follow-up with Lender for More Specific Details

General Guidelines: FHA Loan w/DPA (GSFA)

Loan Program's - Pre-COVID & Status Today

- Designed for Purchase only on primary residence
- Max LTV 96.5% Value with CLTV 102%
- FICO – Minimum 640
- DTI – Maximum 45%
- Income: W-2 or Self-Employed, No Less than 2 Years
- Down Payment Sources: Savings, Gifts from Family Member, Non-Profit or Employer
- Max Loan Limit: \$726,525 Varies by Each County Limit
- Property Condition: Any Condition
- Owner Occupied Only (Non-Owner occupied Co-Borrower not allowed)
- General Notes
 - Property Types 1 -4 units, FHA Approved Condos, Mixed Use, Manufactured
 - No Cash-Out Possible

General Guidelines: High Balance FHA Loan w/DPA (CalHFA)

Loan Program's - Pre-COVID & Status Today

- Purchase only, must be a first-time home buyer or have not owned a property in over 3 years
- Conventional max LTV 96.5% with CLTV 102%
- FICO – minimum 640, DTI – max 45%
- Income limits varies by each county
- Maximum sales price \$765,000
- 2019 max loan limits: conforming \$314,827 & high balance \$726,525 varies by each county
 - High Balance fee on FHA ranges from .628% to .658%

General Guidelines: “Niche” – Non-QM (Alternative Mortgage Options)

Foreign National Programs to 75% LTV

2nd Chance Lending / ALT “A”

Bank Statement Loans for Self Employed

Other Property Type Alternatives - Mixed-Use, Land, Builder, Fix & Flip

Non-Warrantable Condos – Non-FHA or Conventional

Asset Depletion Available – Can Use Assets for Income

Investment Properties Using Subject Cashflow for Income - ICFMP Rental Properties

Mixed-Use (50% vs. 25%), Multi-Unit

Assets - Jumbo (10%)

~~Jumbo with 2nd TD (Unison Equity Share Option) – Not Yet Available Again~~

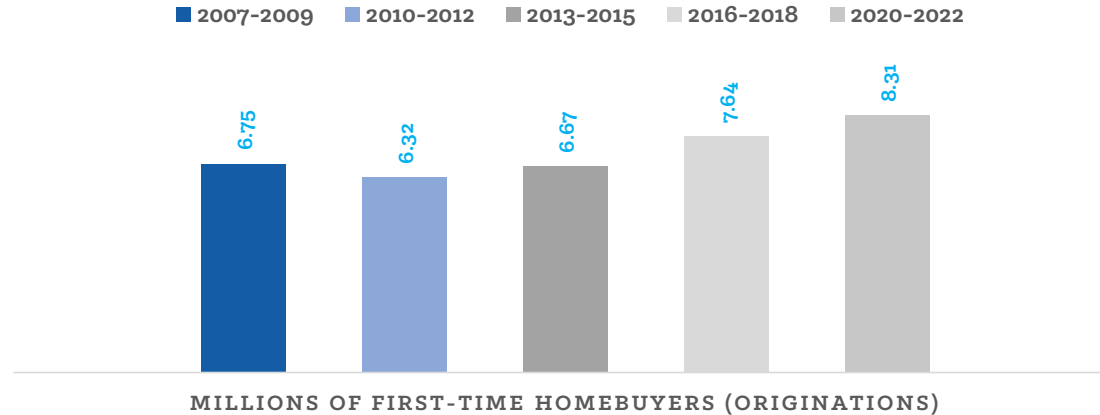
Alt – Doc Programs



Why Homeownership Matters...

Did you know?

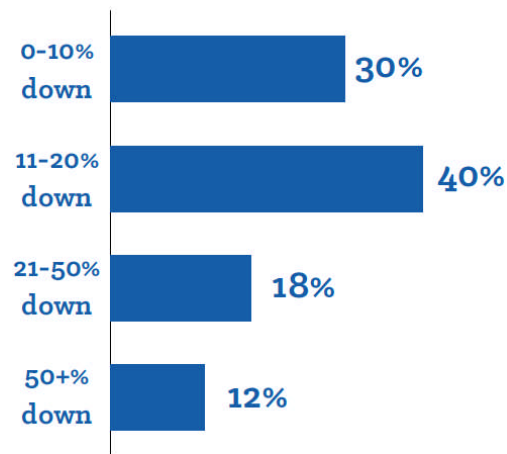
TransUnion analysis projects at least **8.3 million** first-time homebuyers will enter the mortgage market between 2020 and 2022



Source: TransUnion LLC

Did you know?

Many renters overestimate how much down payment is required



In your estimation, how much down payment is required to purchase a home?

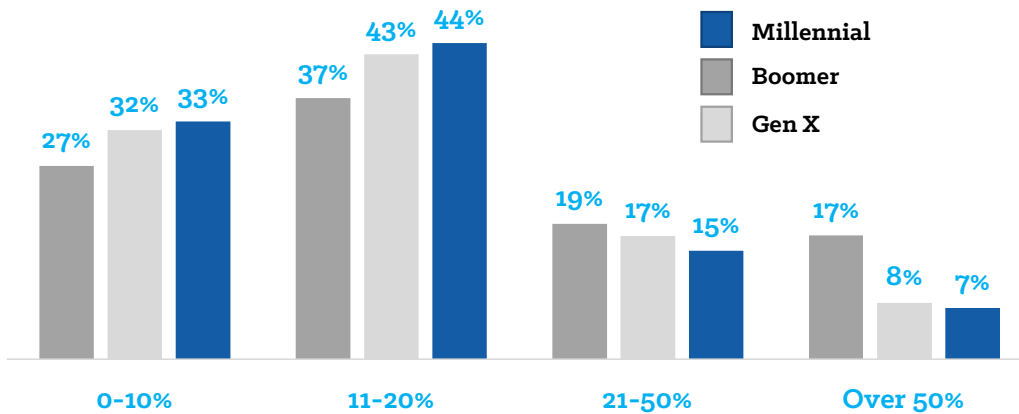
(n=998)

Source: 2019 C.A.R. Consumer Survey

Median: 20% Down

Did you know?

Many renters, especially **Millennials**, overestimate how much down payment is required



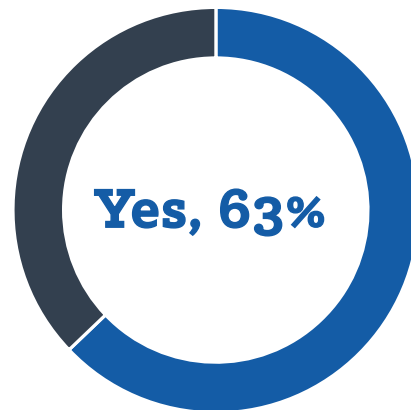
In your estimation, how much down payment is required to purchase a home?

(n=947)

Source: 2019 C.A.R. Consumer Survey

Did you know?

63% would start searching if they knew they could qualify for a low-down payment



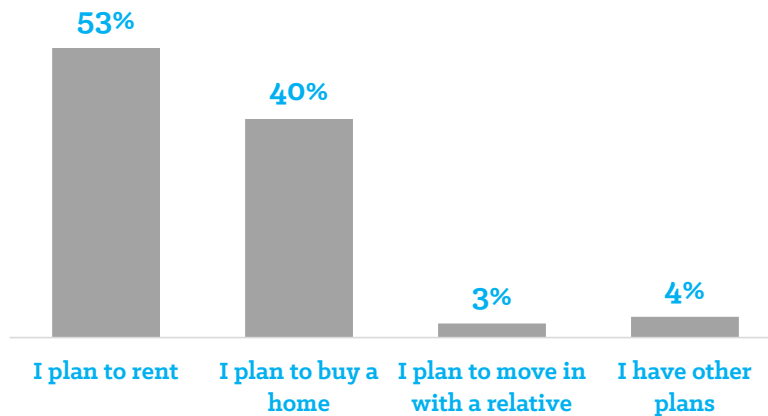
If you knew you could qualify for a mortgage with a much lower down payment, would you start to look for a house?

(n=1,008)

Source: 2019 C.A.R. Consumer Survey

Did you know?

2 in 5 renters plan to buy after moving from current residence



Do you plan to rent again after you move from your current residence?

(n=1,001)

Source: 2019 C.A.R. Consumer Survey

How America Views Homeownership

% Agree	Gen. Pop.
Homeownership is an achievement to be proud of.	93%
Owing a home is a good way to acquire equity/more assets	91%
Homeownership is a dream come true.	86%
Owing a home is essential to building a family.	57%
Homeownership is a huge burden.	56%
Homeownership is not for me, I prefer renting.	27%

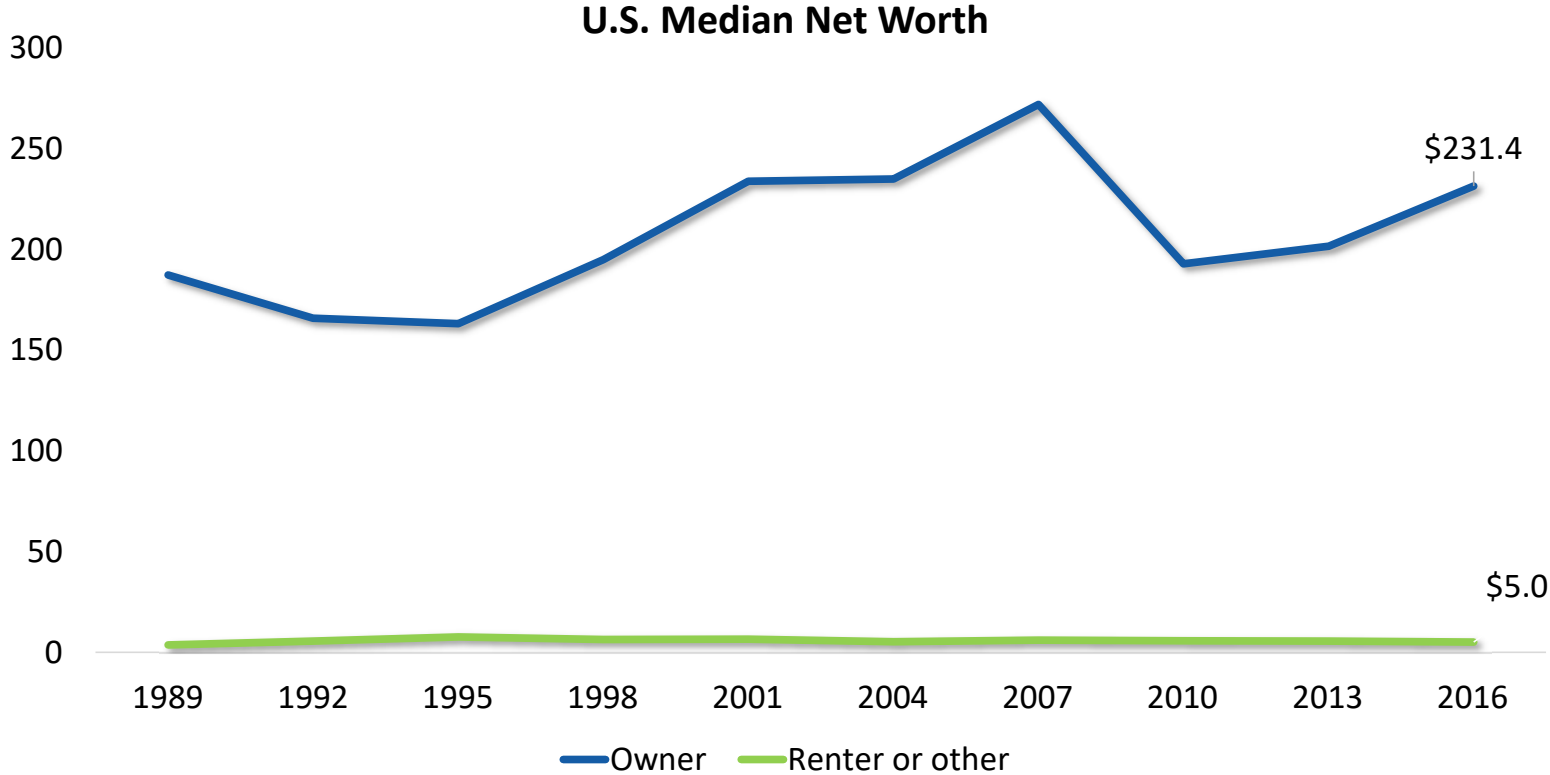
Q. Please indicate to what extent you agree or disagree with each of the above statements (n =1,005)

SOURCE: Ipsos Public Affairs, Wells Fargo

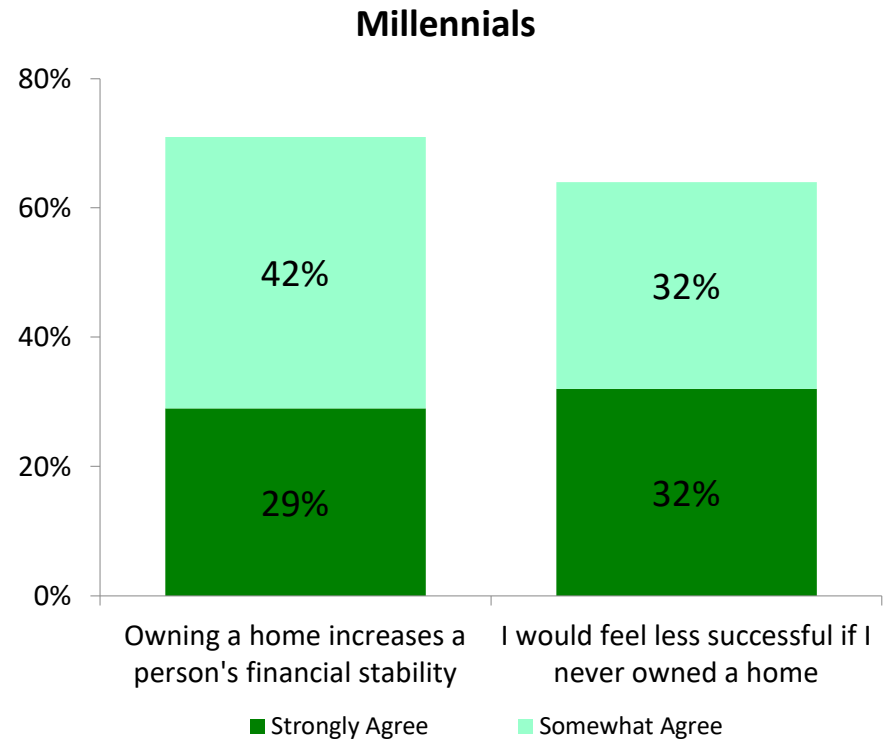
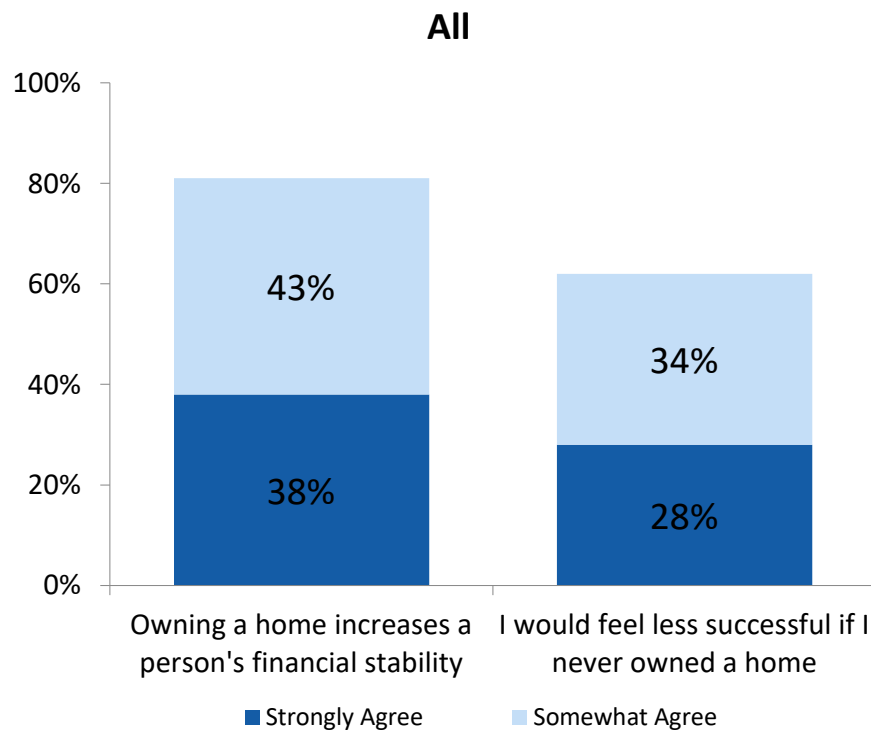


Financial Benefits

Homeowners accumulate wealth faster



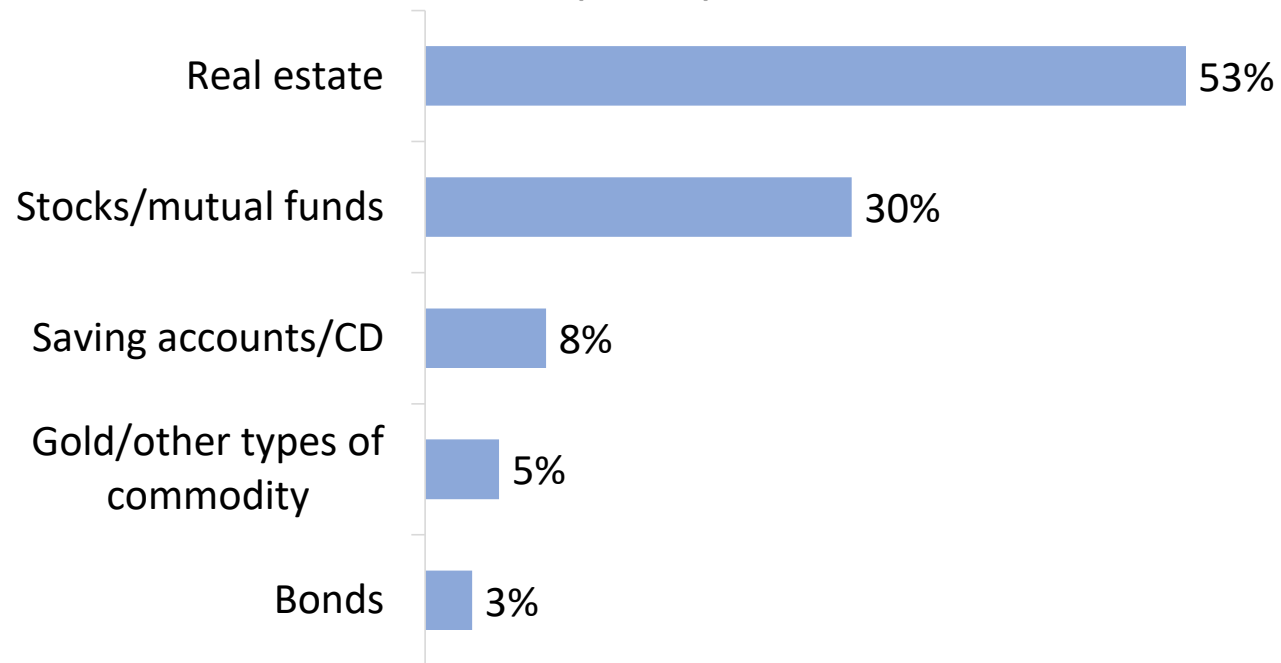
Americans, specifically Millennials, believe owning a home contributes to financial stability



SOURCE: Neighbor Works America

More than half of **homeowners** think real estate is the best long-term investment

Which of the following do you think is the best long-term investment?
(n=1,005)



SOURCE: CALIFORNIA ASSOCIATION OF REALTORS® - 2019 Consumer Survey





Social Benefits

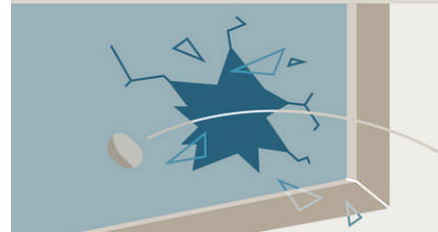
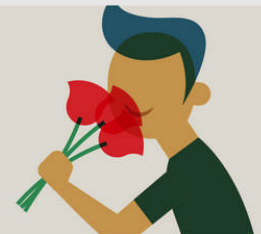
Homeownership enhances quality of life in a variety of ways

- Homeownership leads to better health
- Homeownership lowers crime rates and improves safety
- Homeownership results in higher educational achievement

Spill-over Benefits of Homeownership

HEALTH

Homeowners and their children tend to be happier and healthier than nonowners. One reason may be the wealth-building effect of homeownership and the sense of control it brings.



CRIME

Research has confirmed homeowners have a lower instance of involvement in crime than nonowners.

EDUCATION

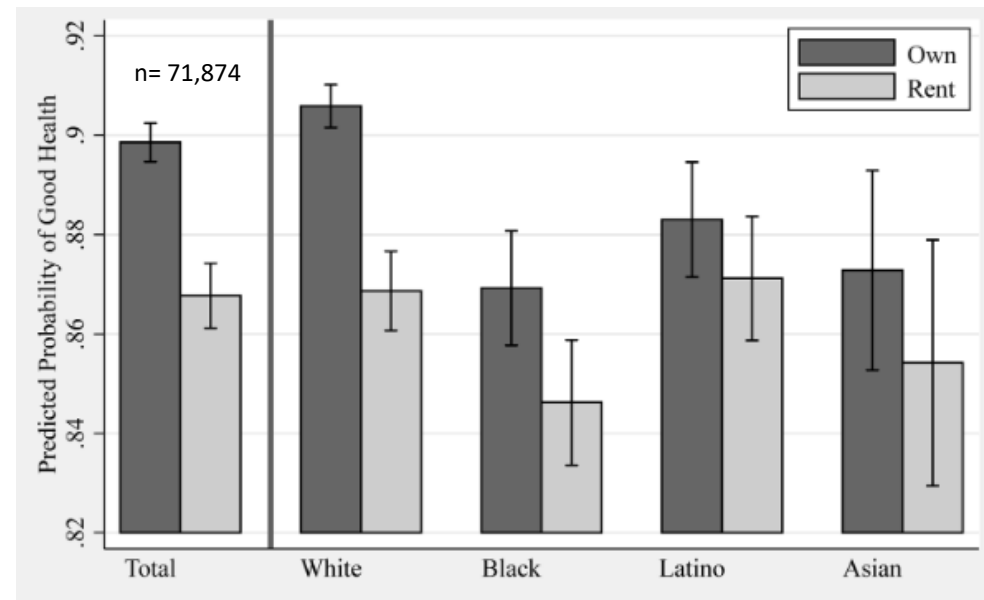
Homeowners tend to accrue more wealth and save more money – such financial practices are associated with lower rates of homeowners' children dropping out of school.



Homeowners are better off- health wise

- A study done in 2014 found that homeowners have a significant health advantage over renters in general. Based on the analysis homeowners are 2.5 percent more likely to have good health.
- The advantage for homeowners is even larger – 3.1 percent, when adjusting for an array of demographic, socioeconomic, and house-related characteristics.

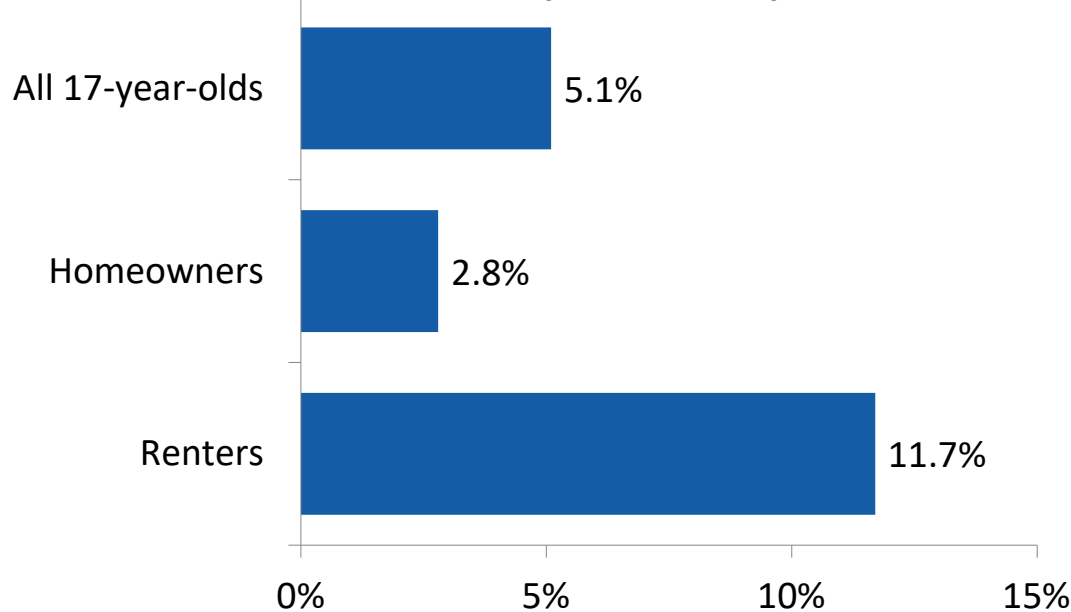
Predicted Probability of Good Health by Race/Ethnicity and Homeownership



SOURCE: Racial and ethnic stratification in the relationship between homeownership and self-rated health (*Social Science & Medicine*), NAR

Lower dropout rates for children of homeowners

Average Dropout Rates for 17-Year-Olds
(1980-2007 Panel Survey of Income Dynamics)



- Study shows that children of homeowners are more likely to remain in school than children of renters
- Owning produce better educational achievement for children than renting partly because owners generally move less frequently
- Other research suggest that wealth accumulation - another benefit of homeownership, could be another reason for children's success

SOURCE: *Measuring the Benefits of Homeowning: Effects on Children Redux*

Homeownership lowers crime rates

Impact of House Ownership on Crime (Regression Analysis)

	Property Crime		Violent Crime	
	1991	1992	1991	1992
Log of Homeownership Residual	-1.253	-1.516	-1.041	-1.127
Log of the Unemployment Rate	0.320	0.315	0.311	0.0191
Log of Poverty Rate	-0.004	-0.034	0.393	0.419
	2001	2002	2001	2002
Log of Homeownership Residual	-1.191	-1.049	-0.792	-0.769
Log of the Unemployment Rate	0.232	0.241	0.187	0.312
Log of Poverty Rate	0.143	0.217	0.549	0.574

- Study shows that homeownership has a strong negative effect on both violent and property crime rates
- Research suggest that the rate of increase in criminal activity is significantly slower in areas with higher homeownership rate

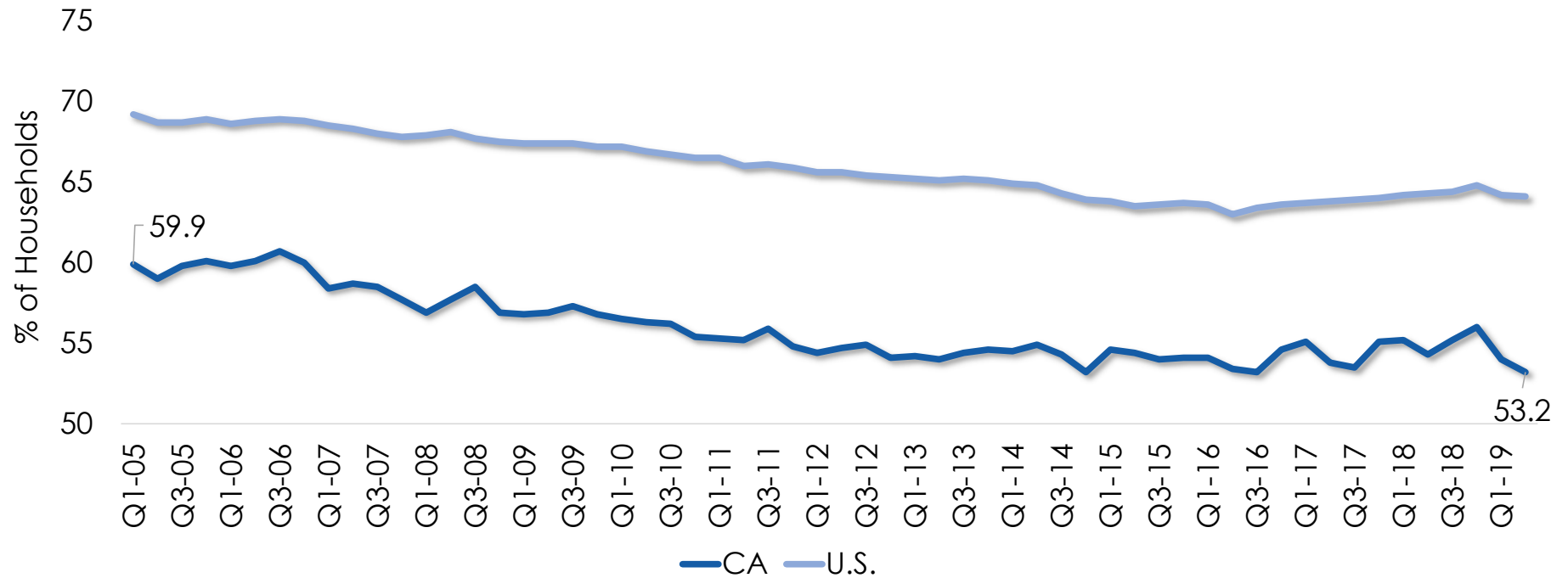
SOURCE: University of Nebraska at Omaha



Homeownership on the decline

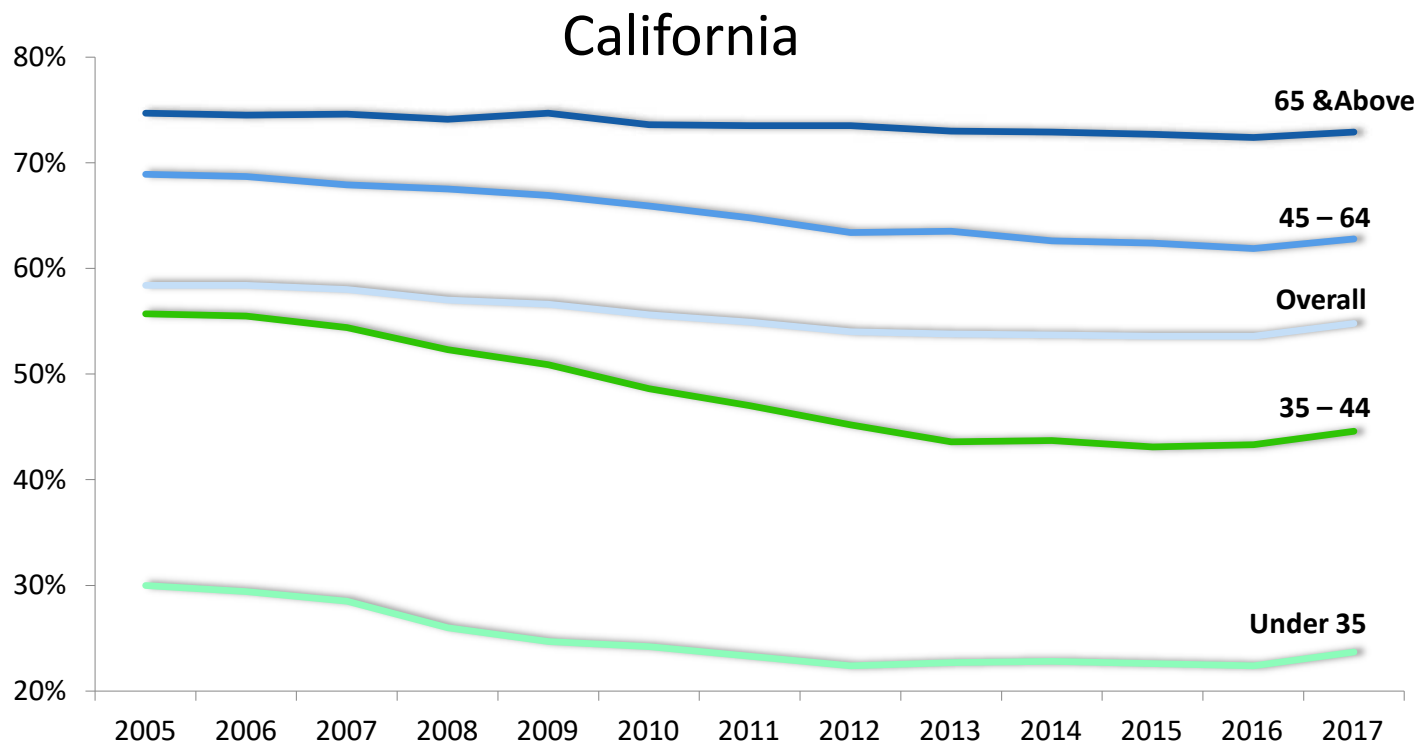
Homeownership is not rebounding

Homeownership Rate



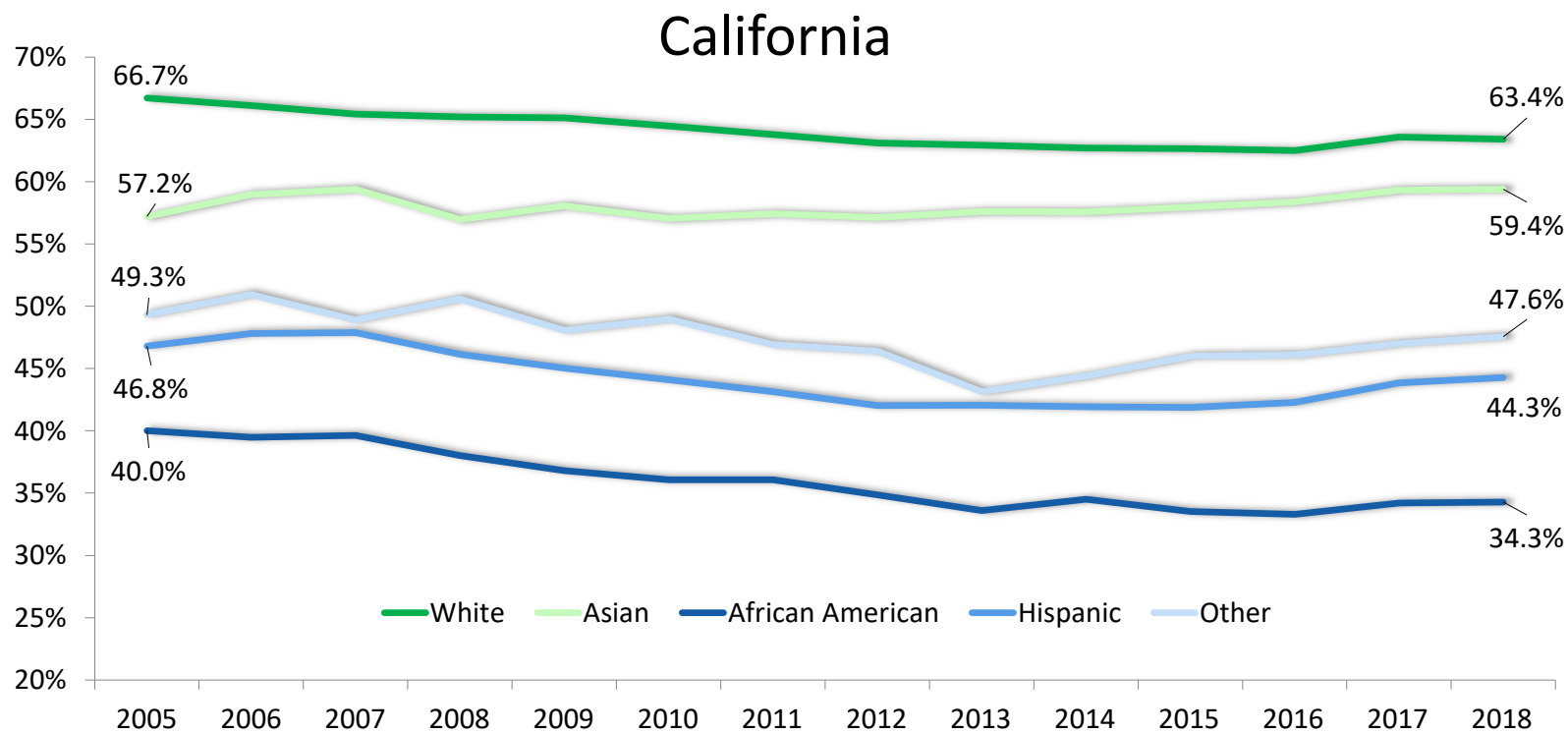
SOURCE: Current Population Survey – U.S. Census Bureau

Homeownership rates declined the most for younger generations



SOURCE: U.S. Census Bureau, American Community Survey

Homeownership by ethnicity (over time)



SOURCE: U.S. Census Bureau, American Community Survey

California Association of REALTORS®

CAR Resources:

<http://on.car.org/STEPS>

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

<http://mortgage.car.org>

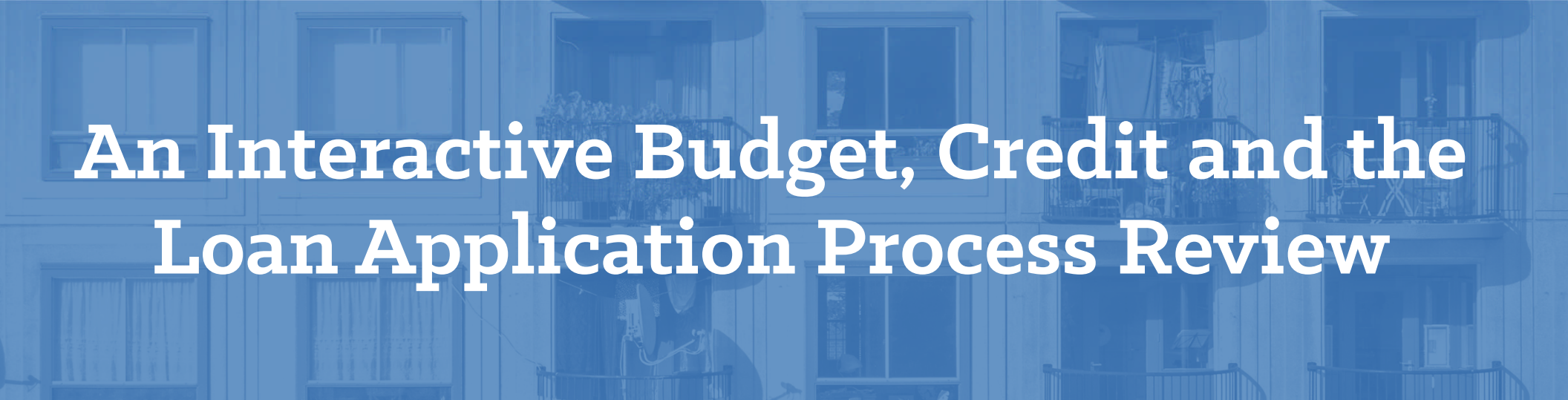




STEPS Toward Homeownership



STEPPIN' Toward Financial Planning



An Interactive Budget, Credit and the Loan Application Process Review

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.



According to NeighborWorks: 75% of Americans: “Home Buying Process Complicated”

Benefits of attending a HUD Approved course:

- **Attending a homebuyer class will help determine on the how to shop for a mortgage and shop for a home.**
 - Know how much house to buy
 - How to shop for a mortgage
 - Understand the mortgage process
 - What costs are incurred
- **Understand Down Payment Assistance Programs**
 - Grants
 - Loans
 - Strings attached
- **Pre-purchase counseling**
 - optimizing this service from local HUD-Approved organizations
 - Understanding the importance of being financially healthy pre and post home ownership
- **Enhancing partnerships with lenders and realtors through pre-purchase counseling and preparing families, particularly working families towards homeownership**



Homebuying Team

- **REALTOR®**
- Lender
- Attorney
- Escrow Officer
- Title Insurance Officer
- Housing Inspector
- Appraiser
- Surveyor
- Insurance Agent
- **Housing Counselor**



Elements of Key Classes Offered by Housing Counseling Services

- Advantages/Disadvantages of Homeownership
- Understanding Contingency Periods
- Buyer inspections – Home, Roof, Chimney, Mold, Radon etc.
- What does a Home Inspection cover
- Loan Application Process
- What does a Mortgage include
- Debt to Income/Housing Ratios
- Establishing a budget and why it is important
- Credit and how to review a credit report
- Preventive maintenance
- Home Improvements



Types of Housing Education & Counseling Services Available

- Financial Literacy
- Homebuyer Education
- Affordable Lending Services
- Financial Counseling & Education
 - Pre and Post Purchase
- Credit Counseling & Recovery
- Homeowner Education
- Landlord Education
- Default Intervention Counseling
- Foreclosure Prevention Counseling
- Generational Wealth Building
- Deliver Mortgage-Ready Clients to Lenders and Realtors
- Debt-to-Income Ratio Evaluation
- Down Payments & Closing Costs
- Income and Expenses
- Serves Low-to-Moderate Income Buyers
- First Time Homebuyer *Education & 1:1 Counseling*
- Rental Assistance
- Property Rehabilitation
- Down Payment Assistance Resources



When BUYER brings their own Lender – How to get comfortable Checklist :

- Start Early before House Selection
- Ensure They Will Provide a Conditional Approval Subject to TBD
- Direct Endorsed or Experienced
- Escalation Channels
- Timelines & Expectations Clearly Defined
- Turn-Around Times Clear
- You the REALTOR® are Included Throughout the Process
- The Only Fees They Charge Upfront, Appraisal & Credit (if any?)

Credit Break-Out Factors

1 - Payment History – 35%

- **How recent** is the most recent delinquency, collection or public record item?
- **How severe** was the worst delinquency—30 days, 90 days?
- **How many** credit obligations have been delinquent?

2 – Debt – 30%

- How much does the consumer owe creditors?
- What percentage of available credit card limits is the consumer using?
- What percentage is outstanding on open installment loans?

3 - Credit History – 15%

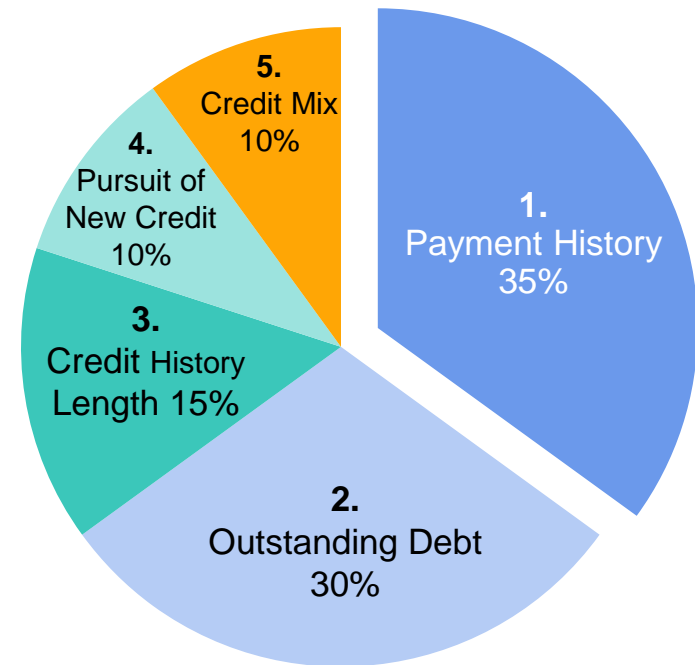
- How long have accounts been established—**average** number of months accounts have been open
- New accounts—number of months since most recent account opening

4 - Pursuit of New Credit – 10%

- Inquiries: Number of recent credit inquiries (12 months)
- New accounts—number of trade lines opened in last year

5 - Credit Mix – 10%

- What is the mix of credit product types?
- Revolving credit—number of bankcard trade lines
- Installment credit—percent of trade lines that are installment loans



Online Education Opportunities Framework & Credit Smart

Preparing the Borrower



CreditSmart®

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

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

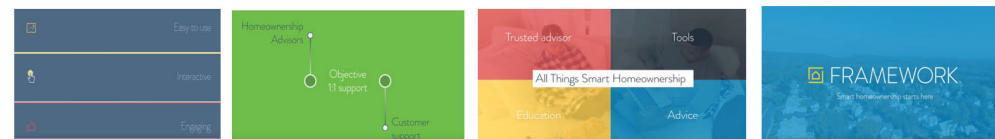


<http://www.freddiemac.com/creditsmart/>

- First Time Home Buyer (FTHB) required Education Programs for Conventional Low-Down Loans where the LTV \geq 95%
- Similar Education Programs exist for other Government (FHA, USDA & VA) loans.

Framework – Online Fannie Mae Education

FRAMEWORK



58



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Transaction Rescue™



REALTOR® Resource: Working with Non-Profit Housing Agencies

TYPICAL SERVICES THEY PROVIDE

Pre-purchase home buyer education

Financial and debt management counseling

Default and foreclosure prevention and counseling

Build or rehab affordable homes for sale to first-time buyers

Administer first-time buyer programs

5 WAYS YOU CAN PARTNER WITH NONPROFIT HOUSING AGENCIES

1. Volunteer as a subject matter expert at their first-time buyer workshops
2. Become a board member
3. Help with fund raising activities and events
4. Volunteer at special events and neighborhood clean-up days
5. Refer clients who need their services

REALTOR® Resource: Working with Non-Profit Housing Agencies

Working with Nonprofit Housing Agencies

REALTORS® can benefit by supporting and working with non-profit housing agencies. These organizations provide valuable services to your buyers and can become important referral partners.

HOW TO FIND HOUSING ORGANIZATIONS IN YOUR AREA

- ▶ HUD-approved agencies can be found at: www.hud.gov/findacounselor
- ▶ NeighborWorks organizations can be found at: www.neighborworks.org/Our-Network/Network-Directory
- ▶ Credit counseling organizations can be found at: www.nfcc.org



2020 Conforming & High Balance Loan Limits by County for Freddie & Fannie (As of 1/01/2020)

The Federal Housing Finance Agency's (FHFA) announcement to increase the 2020 conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac to **\$510,400** on one-unit properties and a cap of **\$765,600** in high-cost areas. The previous loan limits were \$484,350 and \$726,525, respectively. Higher Loan Limits = More Properties Available to Entry Level Buyers

Loan Limit Counties

\$765,600 –	Alameda, Contra Costa, Los Angeles, Marin, Orange San Benito, Santa Clara, Santa Cruz, San Mateo
\$510,000 > < 765.600	San Diego, Ventura , Santa Barbara, San Luis Obispo, Monterey Napa, Sonoma, Yolo, Sacramento, Placer, El Dorado
\$510,400 –	All Remaining Counties for FHLMC/FNMA, FHA are less.

Link to Freddie Mac (FHLMC) / Fannie Mae (FNMA) 2020 Loan Limits


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

Link to FHA Loan Limits just changed for 2020 Limits – Conforming \$510,400 max, less in many areas



REALTOR® Resource: Financial Literacy Tool





Getting Started with Lending

Mortgage Application Checklist / Needs List

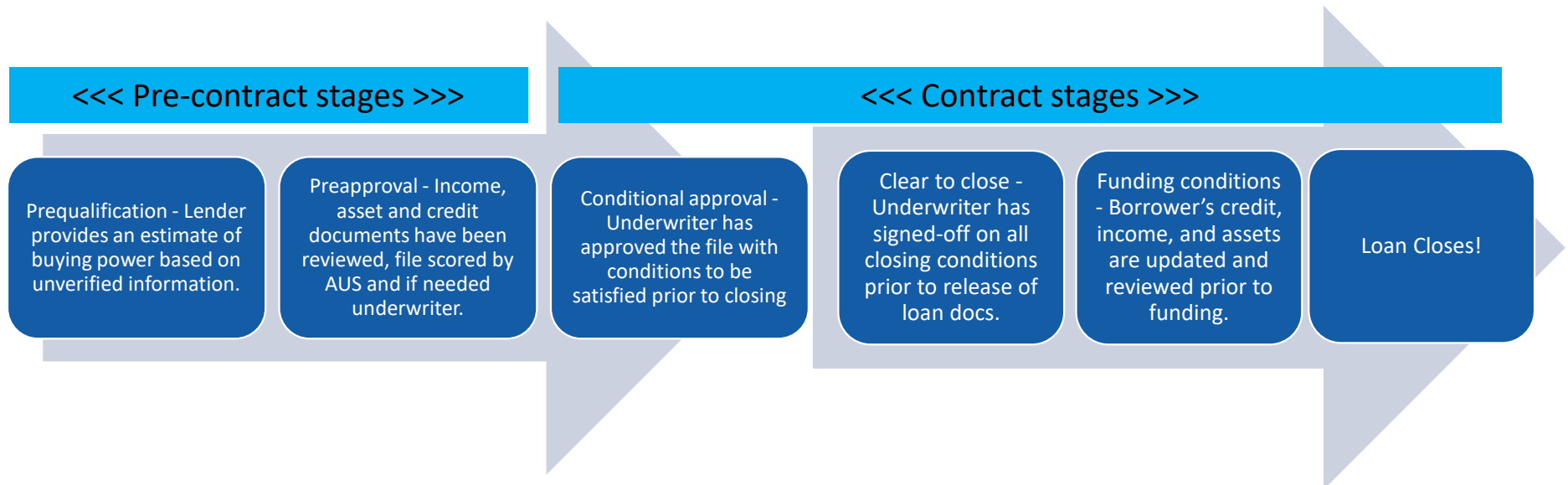
Purchasing a home can be a complex process. However, knowing what you need before you apply for a mortgage loan can help make the process smooth and stress-free. Here's what you will need to have available when applying for a mortgage loan:

- ID
 - Driver's license or passport
- Residency
 - Complete address for each residence you've resided in the past 24 months
- Purchase contract
 - Sales contract (all addendums) with original signatures, along with copy of the earnest money check
- Employment
 - Name, address and phone numbers of all employers for the past two years
 - Relocation: Copy of employer relocation agreement
- Income
 - Last 2 years W-2 or 1099 forms
 - Last 30 days pay stubs (including bonus &/or commissions)
 - Last 2 years tax returns (all schedules)
- Assets
 - Last 2 months bank statements (all pages) on all checking, savings, investment accts
- Divorced or Separated
 - Complete divorce petition, recorded final decree &/or separation agreement
- Rental properties
 - Copies of current leases and tax returns
- VA loans
 - Copy of DD214 and certificate of eligibility

Key Elements in Qualification of your Clients - 4 C's (Capital, Capacity, Credit, Collateral) and how to ask

- Credit / FICO
- Capital – Assets Investment, IRA, Down
- Capacity – Income Source/Documentable, Amount
(now for some loans may be AMI Limits), Debt-To-Income Ratios (DTI)
- Collateral – Property - Price / Value of Property, Loan Limits, First Time Homebuyer, # of Properties Owned, Mortgage Insurance, Occupancy, Property Condition

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!***

Getting to the Loan Estimate (LE) - What Constitutes a Valid Loan Application?

1. Name
 2. Income
 3. Social Security Number
 4. Property Address
 5. Estimated Value of Property
 6. Mortgage Loan Amount Sought
- Once these 6 items of information are submitted, Lender MUST supply a Loan Estimate (LE) within 3 business days.



Bank Statements/Tax Returns & Credit Report Review

- Institution
- Large Deposits
- Overall Balances
- Full Pages, No-White-Outs or Blanks
- All Pages of Statements
- Recent Months/Years of Returns
- Corporate & Personal for 1099 Corp



Questions?
 Call 1.800.975.4722
 TTY 1.800.898.5999
 us.hsbc.com
 Or write:
 HSBC
 P.O. Box 9
 Buffalo, New York 14240

For Consumer Accounts Only:
IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC TRANSFERS
 Electronic transfers (called transfers below) means a) deposits, withdrawals, or payments made at an ATM or store terminal, b) bill payer transfers
 c) all other electronic transfers (e.g., payroll deposits, Social Security deposits, insurance payments, etc.)
 If you think your statement or receipt is wrong, or if you need more information about a transfer on the statement or receipt, TELEPHONE US OR
 WRITE TO US AS SOON AS YOU CAN -- USE THE TELEPHONE NUMBER OR ADDRESS ON THE FRONT OF THIS STATEMENT.

We must hear from you no later than 60 days after we sent you the FIRST statement on which the error or problem appeared.
 (1) Tell us your name and account number (if any).
 (2) Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe there is an error or why you need
 more information.
 (3) Tell us the dollar amount of the suspected error.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days to do this, we will credit your account for
 the amount you think is in error, so that you will have the use of the money during the time it takes to complete our investigation.

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 Member FDIC



HSBC DIRECT SAVINGS

ACCOUNT NUMBER
 STATEMENT PERIOD 01/01/20 TO 01/24/20

BEGINNING BALANCE	\$8,862.43
DEPOSITS & OTHER ADDITIONS	\$400.00
WITHDRAWALS & OTHER SUBTRACTIONS	\$2,000.00
ENDING BALANCE	\$7,262.43

ANNUAL PERCENTAGE YIELD EARNED 01/01/20 - 01/24/20 2.03%
 INTEREST EARNED THIS PERIOD \$11.94
 AVERAGE DAILY BALANCE \$8,562.43
 INTEREST NOT AVAILABLE UNTIL CREDITED

DATE POSTED	DESCRIPTION OF TRANSACTIONS	DEPOSITS & OTHER ADDITIONS	WITHDRAWALS & OTHER SUBTRACTIONS	BALANCE
01/01/20	OPENING BALANCE			\$8,862.43
01/09/20	DEPOSIT FROM CHASBK CK WEBXFR-P2P	400.00		\$9,262.43
01/23/20	PAYMENT TO CHASBK CK WEBXFR-TRANSFER		2,000.00	\$7,262.43
01/24/20	ENDING BALANCE			\$7,262.43

All deposited items are credited subject to final payment.

Please examine your statement at once. If you have moved, please notify us of your new address.
 HSBC Bank USA, N.A. (Rev. 6/2018)

Page 1 of 2

Page 2 of 2



68



Transaction Rescue



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Common Additional items that may be needed based on the AUS/DU/LP initial automated review:

- **4506 & ADDITIONAL DISCLOSURES**
- **DIVORCE DECREE**
- **PROFIT & LOSS**
- **BK DISCHARGE**
- **ANY NON-DISCLOSED ITEMS, CALLED OUT FROM AUS OR NOTED ON CREDIT REPORTS**
- **ADDITIONAL BANK STATEMENTS**
- **EXPLANATIONS OF LARGE DEPOSITS**
- **EXPLAINING EMPLOYMENT GAPS**
- **EXPLAINING BONUS, COMMISSION, OVERTIME**



Best Practices for Communication & Timely Closings

THE FOLLOWING STEPS ARE USED TO ENSURE SMOOTH COMMUNICATION THROUGHOUT THE PROCESS:

ENSURE CLIENT RECEIVE AND REVIEWS NEEDS LIST (NOTED EARLIER).

THERE MAY BE DIFFERENT CHECKLIST ITEMS FOR: SELF-EMPLOYED BORROWERS OR VA BORROWERS

COMMUNICATIONS, ON EXPECTATIONS AND DELIVERY OF MATERIALS: HOW TO E CONSENT, E DISCLOSURES, E SIGNING

SET ROUTINE WEEKLY STATUS MEETINGS FOR DOCUMENTS, QUESTIONS, TIMING, AND ADDITIONAL EXPECTATIONS.

SET THESE MEETINGS, EVEN IF THERE ARE NO UPDATES OR CHANGES, SHOWS CONSISTENCY AND INCLUSION OF ALL MEMBERS OF THE TEAM.

THE KEY LOAN MILESTONES SHARED:

- LOAN STARTED
- INITIAL DISCLOSURES WITH LE OUT
- LOAN SUBMITTED TO PROCESSING
- LOAN SUBMITTED TO UNDERWRITER
- LOAN APPROVED
- UPDATED LE OUT, IF NEEDED
- CD OUT
- DOCS ORDERED
- DOC OUT
- WIRE REQUESTED
- LOAN FUNDED



Uniform Residential Loan Application – Form #1003 (Pg.1)

Uniform Residential Loan Application

LOAN #:

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower" as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or the income or assets of the Borrower's spouse or other person who has community property rights pursuant to state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person has community property rights pursuant to applicable law and Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

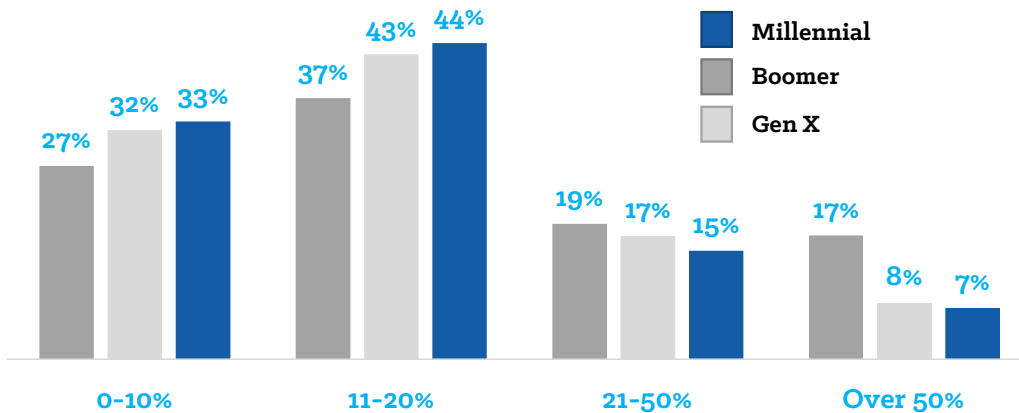
If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower		Co-Borrower	
I. TYPE OF MORTGAGE AND TERMS OF LOAN			
Mortgage <input type="checkbox"/> VA <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> Other (explain):		Agency Case Number	
Applied for: <input type="checkbox"/> FHA <input type="checkbox"/> USDA/Rural Housing Service		Lender Case Number	
Amount	Interest Rate	No. of Months	Amortization Type: <input checked="" type="checkbox"/> Fixed Rate <input type="checkbox"/> Other (explain):
\$ 348,750.00	4.500 %	360	<input type="checkbox"/> GPM <input type="checkbox"/> ARM (type) :
II. PROPERTY INFORMATION AND PURPOSE OF LOAN			
Subject Property Address (street, city, state, & ZIP) TBD, Loma Linda, CA 92354 County: San Bernardino			No. of Units 2
Legal Description of Subject Property (attach description if necessary)			Year Built 1974
Purpose of Loan <input checked="" type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (explain):		Property will be:	
<input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent		<input type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input checked="" type="checkbox"/> Investment	
<i>Complete this line if construction or construction-permanent loan.</i>			
Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot (b) Cost of Improvements Total (a + b)
	\$	\$	\$ \$
<i>Complete this line if this is a refinance loan.</i>			
Year Acquired	Original Cost	Amount Existing Liens	Purpose of Refinance Describe Improvements <input type="checkbox"/> made <input type="checkbox"/> to be made
	\$	\$	Cost: \$
Title will be held in what Name(s) Herman Munster, Darlene L Munster		Manner in which Title will be held To be decided in escrow	
Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain) Checking/Savings		Estate will be held in: <input checked="" type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)	



Consumer Survey – By Generation - Down Payment Needed?

Many renters, especially Millennials, overestimate how much down payment is required



In your estimation, how much down payment is required to purchase a home?

(n=947)

Source: 2019 C.A.R. Consumer Survey

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?		
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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.



Qualified Mortgage (QM) Loans

- 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)
- Government Loans
 - FHA – 3.5% down
 - VA – 0% down
 - USDA – 0% down
- 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.



Credit Do's & Don'ts

Top 10 Credit **Do's** and more importantly **Don'ts** during the loan process

1. **DON'T** apply for new credit
2. **DON'T** pay off collections or “Charge Offs”
3. **DON'T** close credit card accounts
4. **DON'T** max out or over charge credit card accounts
5. **DON'T** consolidate your debt
6. **DON'T** do anything that will cause a red flag to be raised by the scoring system
7. **DO** join a credit watch program
8. **DO** stay current on existing accounts
9. **DO** continue to use your credit as normal
10. **DO** call your Mortgage Loan Originator. A knowledgeable, professional Mortgage Loan Originator should be able to provide you with world-class service you need to choose the loan that's right for your client



REALTOR® Resource: A checklist of serious buyer financing challenges (Red Flags)

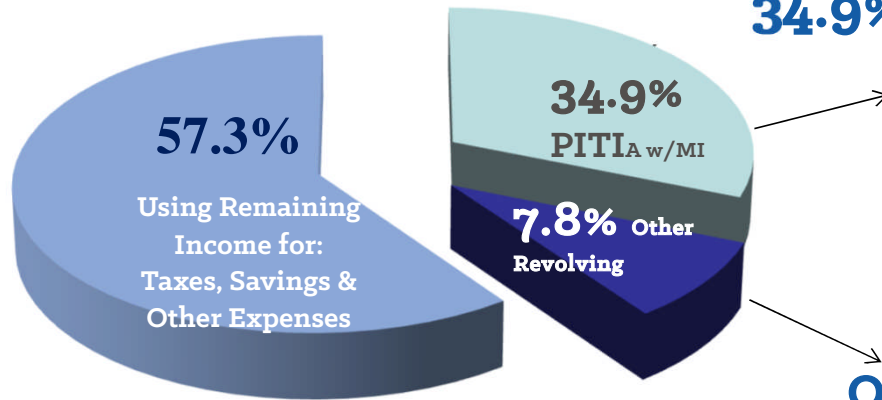
Buyers with one or more of these issues will find it very difficult to qualify for a conventional or government-insured loan. Realtors should proceed with caution before submitting purchase offers for buyer's with these issues:

- ✓ 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



Key Concept: Debt-to-Income Ratios

Income \$ 11,550



Top (Front-End) Ratio

34.9% = \$4,035 (PITI_{A w/MI}) or House Payment
(Assumes \$200 in Homeowners Association fees)

Bottom (Back-End) Ratio

34.9% + 7.8% = 42.7% **42.7% = \$4,935**
Key DTI Ratio is under 43%

Other Monthly Installment & Revolving Payments 7.8% = \$900

Includes : Car Payments, Student loans, Credit Card payments

Total Income may include: W2, 1099, Hourly, Commission, Bonus, Alimony, based on IRS etc.
Example assumes Qualifying with Conventional Loan Debt to Income Ratios under FE 36/ BE 43

Key Takeaways

01 Homeownership enhances quality of life

02 Support from homebuyer team

03 Master the end-to-end loan approval process

04 DPA promotes access to homeownership

05 In “Changing Times”, Education & Available Resources remain the Key Elements to SUCCESS!

06 Free member benefits





Questions

213-739-8383

TransactionRescue@car.org

Thank you!

California Association of
REALTORS[®]

