Acronyms in the Mortgage World:

- MI = Mortgage Insurance MI Insures the lender, NOT the buyer/borrower against default
    - It is typically required when there is less than 20% equity in the property based on appraised value and purchase price
- HELOC = Home Equity Line of Credit Typically based on Prime with an attached margin Payments are usually interest only for a specific term and then fully amortize for the remainder
- LTV = Loan to Value – i.e. 20% down payment = 80% LTV
- CLTV = Combined Loan to Value – i.e. when a 1st and 2nd mortgage are utilized for the transaction or a 2nd subordinates
- ARM = Adjustable Rate Mortgage
    - Rate can adjust based on a specific index and Margin
- Delayed ARM's are products which are fixed for a specific period of time and then switch to an adjustable rate mortgage – i.e. 3/1, 5/1, 7/1 or 10/1
- PITI = Principal, Interest, Taxes and Insurance
- DTI = Debt-to-Income ratio
    - Front End Ratio = The ratio of your house payment (PITI) against gross income
    - Back End Ratio = (Total minimum monthly payments + PITI) against gross income
- FHA = Federal Housing Administration
    - Developed during the Great Depression to allow lower income Americans to borrow money
- USDA = United States Department of Agriculture
    - Provides 100% financing for those homes/buyers which qualify
- VA = Veterans Administration
- FNMA = Fannie Mae or the Federal National Mortgage Association was established in 1938
    - FNMA provides financial products and services increasing the availability and affordability of housing for low, moderate and middle income Americans
    - Typically allows for up to 10 total financed properties
- DU = Desktop Underwriting is an automated program utilized by Loan Originators to qualify a borrower through FNMA guidelines for a Conventional Loan
- FHLMC = Freddie Mac was created in 1970 to expand the secondary market for mortgages
    - Sometimes more lenient with automated approvals
    - Can allow for 1 years Tax Returns for self-employed vs 2
- LP = Loan Prospector is the automated underwriting program for FHLMC
- HUD = Department of Housing and Urban Development created in 1965 to expand funding for existing federal housing programs
- GNMA = Ginnie Mae or Government National Mortgage Association
    - Was established in 1968 to promote home ownership
    - Wholly owned government corporation within HUD
- Closing Costs:
    - Title fees
    - Loan origination or Discount Points
    - Appraisal
    - Underwriting
    - Processing
    - Administration
    - Recording

- Pre-Paids/Escrow Costs:
  - Home Owners Insurance
  - Property Taxes
  - Interim Interest

Types of Lenders

- Mortgage Broker
  a. They are the middle man who connects the buyer with a loan and outside lending institution
  b. Sell other companies products
  c. Limited control over the transaction
     i. Appraisals are ordered through the lending institutions AMC
     ii. At the mercy of their underwriters and turn times
     iii. If the deal falls apart, the broker is forced to start the process completely over

- Mortgage Banker
  a. Correspondent Mortgage Banker
     i. Lend their own money or have access to warehouse lines of credit
     ii. Typically sell the servicing of the loan
        1. Receive a Service Release Premium (SRP) – a financial gain paid upon delivery of the loan
     iii. Normally have to adhere to investor overlays
        1. Some Typical Overlays:
           a. Credit score limitation
           b. Debt-to-Income (DTI) ratios have a maximum
           c. Tax Transcripts are required
           d. Number of properties financed

  b. Direct Seller/Servicer
     i. Can retain the servicing of their loans or sell the servicing
     ii. Typically adhere to specific DU or LP findings – i.e. NO overlays
     iii. NO overlays help to reduce the amount of information required for loan approval
     iv. Primary Residential Mortgage, Inc. (PRMI) is a Direct Seller/Servicer

  c. FDIC or Federal Deposit Insurance Corporation
     i. These are represented by most of the larger banking institutions
        1. Chase, US Bank, B of A, etc.

- Loan Programs
  a. FHA
     i. Typically referred to as, "The First Time Home Buyers Program"
     ii. Requires 3.5% down payment
     iii. Allows for scores as low as 580 but prefer 620 or higher
     iv. Rates are very LOW
     v. Higher qualifying DTI

vi. 30 and 15 year fixed products as well as ARM and Delayed ARM's
vii. Requires MI
1. There is an upfront financed MI = 1.75% of the loan amount
2. The monthly MI = 0.85% of the loan amount
viii. The seller can contribute up to 4% towards a buyers closing costs and/or pre-paids
1. Typically a buyer will only have to come to closing with the 3.5% down payment if the purchase is structured such that all closing costs and pre-paids are paid via the seller – i.e. the buyer is essentially financing them in

- FHA 203k
  a. Rehabilitation loan
  b. Allows a buyer to purchase a home requiring work
  c. The cost of the work required is financed into the loan
     i. Purchase Price = Base Price of home + Cost of repairs

- FINANCIAL FACT – For Every $1,000 a buyer utilizes for down payment, his/her monthly Principal & Interest will be reduced by____________?

- 100% Grant Program combined with FHA
  a. Need a 620 credit score or higher
  b. Can provide the 3.5% down payment
  c. Max DTI = 45%
  d. 30 year fixed rate (Currently the rate is 4.625%)
  e. No repayment necessary
  f. With seller paid costs, you can generate a 100% Loan Program (ZERO out of pocket)

- USDA
  a. Provides 100% financing
  b. Rates are extremely low – follow FHA and VA loan rates
  c. MI is required
     i. There is a 2+% financed up front MI
     ii. The monthly MI is 0.5% of the loan amount
  d. Typically for rural areas (parts of Wilsonville, Canby, Sherwood, Newberg, Banks, Molalla, Sandy, etc.)
  e. There are income limits
  f. Credit score must be 640 or higher
  g. Lower Qualifying DTI – thus more stringent than FHA
  h. Utilizes a different Automated Underwriting System call "GUS"

- VA
  a. Best Loan Available on the market
  b. Provides 100% financing
     i. NOTE: You still need to have the seller contribute towards buyers closing costs and pre-paids
  c. The financed upfront MI varies depending on what military branch and if the veteran has utilized the VA benefit in the past
     i. If a Veteran has any type of VA disability income, the upfront MI premium is waived
     ii. There is NO monthly MI

d. Rates are extremely LOW
e. Current Appraisal turn-times are SLOW 6 to 9 weeks out
f. A Veteran can use over and over
g. The two key pieces of information requested from the Veteran is a copy of their dd214 (i.e. discharge paperwork) and Certificate of Eligibility (although we can obtain this online quickly as well)

- Conventional or Conforming Lending
    a. All FNMA and FLHMC loans
    b. Loan Amounts $417,000 or less
    c. MI is required for loans with 80% or less LTV
        i. The amount of MI is determined via down payment, credit score, type of property, location and DTI

- Jumbo Loans
    a. All loans above $417,000
    b. Typically require at least 10% down
    c. FDIC banks target these types of loans and compete heavily against one another on rate
    d. Stricter Underwriting Guidelines
    e. Credit score of 700+ typically required

- Piggy Backed 2nd's
    a. Creative method to alter the financing to a conventional loan
    b. Helps to eliminate MI
        i. For Example, if a buyer only has 10% to put down – this requires MI
        ii. If we make the 1st mortgage an 80% LTV and then attach a 10% 2nd this creates a 90% CLTV
    c. Two type of 2nds
        i. Closed end – providing a fixed rate and specific term
        ii. HELOC – Typically based on Prime + Margin
            1. Provides an interest only payment option
            2. You only pay on the balance outstanding
            3. Rate will adjust with PRIME

- A Buyers First Step
    a. Get "Pre Approved" – NOT "Pre Qualified"
    b. A lender should have enough information to run DU/LP or GUS to provide Pre Approval
    c. "Buyers are __________"
    d. Don't waste your time showing a buyer homes without a Pre-Approval
    e. Be cautious of the Automated Approvals generated by many of the banks
    f. General Information required from a buyer for lender approval
        i. W2 Wage Earner
            1. Last 2 years Tax Returns, W2's
            2. Most recent pay stubs for the month
            3. Last 2 months banking/investment/retirement statements – all pages
            4. Copy of driver's license
            5. Copy of current mortgage statement(s)
            6. Divorce Decree (if applicable)

    7. Bankruptcy Paperwork including discharge (if applicable)
  ii. Self Employed Buyer
    1. All of the above (items applicable)
    2. Corporate Tax Returns – all pages including k1's (if applicable)
    3. YTD P&L

There are a number of slides we could keep – I will leave this up to Gary

- How To Interview
- Role of the Lender
- Do's and Don'ts
- How Lenders View Agents