

MORTGAGE 101

Sponsored by:

EQUITY
RESOURCES, INC.
mortgages

WHO IS EQUITY RESOURCES, INC?

- Direct mortgage banker - Fannie Mae and Ginnie Mae Seller Servicer
- FHA/VA/Conventional/RD loans
- Underwrite in our main office
- Company began in 1993
- Consumer Choice Award winner and A+ BBB standing
- Core Purpose: To Improve the Lives of Families

WHO IS ART VIOLI?

- Licensed Mortgage Specialist with Equity Resources, Inc.
- In the Real Estate & Mortgage Business since 1978
- Extensive experience including owning a real estate company, selling residential & commercial properties, handling property management, & originating loans
- I will close your loans quickly & stress-free!

MORTGAGES 101

Mortgage: creates a lien against real property as security for the payment of a note.

- Different types: First, second, purchase money, cash-out, refinance, home equity, blanket, bridge, budget (PITI), package, reserve, wraparound, adjustable, lot loans, interest only, construction.
- We will mainly cover the Budget loan PITI.

MORTGAGES 101 CONT.

Lenders: companies that supply borrowers with funds.

- Can be banks, mortgage bankers or mortgage brokers. Mortgage bankers sell loans to larger banks or retain the loans themselves (this is Equity Resources, Inc.). Mortgage brokers have access to both large banks and other loan lenders.
- Largest in the country: Wells Fargo, Chase and Bank of America.
- Many of the community banks or credit unions will make a loan initially and then sell it to one of these larger institutions.
- Government loans are available through the Federal Housing Administration/Veterans Administration/USDA via Ginnie Mae.
- Mortgage lenders do not just lend to anyone. A borrower's credit score, income and assets are used to determine whether they are likely to pay back the money in full.

Breaking Down Your Mortgage Payment

P

Principal

The amount that pays back and reduces the loan balance

I

Interest

The ongoing cost of borrowing the money

T

Taxes

Real estate or property taxes, held in an escrow account

I

Insurance

Homeowners or hazard insurance, held in an escrow account. Can also include mortgage and/or flood insurance



These are the components of your typical mortgage payment. Some loans can be "interest only" and exclude principal. Some loans have private mortgage insurance (PMI) or mortgage insurance (MI). Some properties have a common/maintenance charge (condos & co-ops), and some homes will have a homeowner's association fee (HOA).

Beyond your payment, it is wise to budget for some maintenance expense. The cost of upkeep for your home will vary with the age, type, size, structure and materials used.

MORTGAGES 101 CONT.

- Mortgages are structured that most of the payments go toward interest at the beginning and as you make payments it shifts toward principle. This is referred to as amortization.
- Escrows: normally all mortgages have an escrow account in order to pay taxes and insurance when they become due. There are situations where the lender will not require escrows to be included in the monthly payment.
- Mortgage Insurance: Protects lender from the buyer defaulting on the loan.
- Points: upfront fees charged by lender to buy down a rate.

Understanding the HOW and WHY of Escrow Accounts

Escrow accounts provide for the timely payment of taxes and insurance on your home. This prevents tax liens, loss of property and any lapse of insurance coverage.



HOW DOES IT WORK? As part of your regular mortgage payment, 1/12th of the annual cost is collected. These funds are held and paid out as bills come due. If taxes are \$5,000 and insurance is \$1,000 for a total of \$6,000, you'll pay \$500 into escrow each month. The balance will build until an outgoing payment is made.

WHAT IS THE MINIMUM REQUIRED BALANCE?

It is usually a two month cushion to assure that sufficient funds are in the account even if payments are interrupted.

WHY IS THE MINIMUM DIFFERENT FROM THE STARTING AMOUNT?

To begin, you need your minimum plus sufficient funds to make the first tax or insurance payment when due.

HOW DOES AN ESCROW ACCOUNT HELP YOU?

- You have a consistent monthly expense instead of large bills a few times per year.
- The money in the account is always yours. You receive any remaining balance at sale or refinance.
- You might enjoy more competitive interest rates. Loans without an escrow account will often incur a price adjustment.

What Exactly Is



Private Mortgage Insurance

PMI allows you to finance a home with less than a 20% down payment. For an extra monthly cost to you, PMI provides default insurance to the lender.

Thinking of saving more to avoid PMI? Accumulating what can be tens or even hundreds of thousands of dollars for a down payment is a challenge

for even the most industrious savers. Delaying a purchase while rates and prices rise may be more costly than PMI in the long run.

PMI allows you to buy what you want now vs. what could end up being far less of a home after you've managed to save a larger down payment later.

The acronym LPMI is displayed in large, bold, sans-serif letters. Each letter is a different color: 'L' is light blue, 'P' is yellow, 'M' is orange, and 'I' is light green. Below each letter is its corresponding word in a smaller, matching color: 'lender' under 'L', 'paid' under 'P', 'mortgage' under 'M', and 'insurance' under 'I'.

LPMI

lender paid mortgage insurance

LPMI is exactly what it sounds like—the lender pays for the mortgage insurance. The fact that someone else is paying for it doesn't make it free, but depending on your circumstance, it could save you some cash.

A price adjustment for LPMI is typically reflected in a higher interest rate. Still, some borrowers can benefit from lower monthly payments and greater potential tax deductibility. Plus, the overall loan cost can be lower than for loans with conventional mortgage insurance.

PRE-APPROVAL VS. PRE-QUAL

Pre-Approval

- Collect documentation
- Verify income to be sure all income will qualify
- Know exactly what a buyer can afford
- No surprises near closing
- Will close on time

Pre-Qualification

- Based on what a buyer supplies on application
- No verifications of income
- Buyer could be out looking for a price range that turns out to be too high
- Could have big surprises prior to closing
- Closing could be delayed

PRE-APPROVAL

Here is a **very important** question:

Do you have a Ready, Willing and Able buyer?

Most are ready and willing, but are they ABLE?

Get a Pre-Approval on all Buyers! Why?

It is to the Buyer's advantage!

WHY GET A PRE-APPROVAL

It takes all the guesswork out of buying a home:

- Buyer knows what they are approved for.
- REALTOR® knows what price range to show.
- Loan Officer can tell REALTOR® what to negotiate for buyer since each buyer is different.

Uncovers any potential problems before you even enter into a purchase contract.

Have a pre-approval letter to submit with purchase contract. *Very important in today's market.*

QUALIFICATION RATIOS

It's actually not rocket science.
The math is simple, and the concept is sound.

INCOME RATIO

This is your total monthly housing payment as a percentage of your gross monthly income. Your total housing payment consists of principal, interest, property taxes, hazard insurance, mortgage insurance (if applicable) and any condo/co-op or association fees.

DEBT RATIO

This is your total monthly housing payment plus any recurring monthly debts as a percentage of your gross monthly income. Other debts include all other payments such as cars, credit cards, student loans, personal loans, retirement savings loans, etc.

HOW HIGH CAN THEY GO?

It varies by loan program and other factors, but the approximate range for your debt ratio is from approximately 33% to 43%.

Example

If your total gross income is \$5,000 per month, your total housing payment plus recurring debt payments should not exceed approx. \$2,150 for a 43% ratio or \$1,650 for 33% ratio.

WHAT'S RIGHT FOR ME?

Truth is, everyone is different. Some people are comfortable using a higher percentage of their income, and others are not. Family size, other expenses and lifestyle can all have an impact.

THE POWER OF A 2nd OPINION



Do you have Buyers Already Pre-Approved?

Free Loan Review: Give your buyers peace of mind that the decision they are making is the best one for their family.

*24-Hour Pre-Approval * Free Application * Honest Answers*

Even More Benefits:

- In-house underwriting (quick turn times)
- Loan programs available down to a 580 credit score
- Gift money as a down payment acceptable with all programs, even Conventional Loans
- No money down programs
- We offer Conventional, FHA, VA & USDA loan programs
- Doctor Program with expanded DTI criteria & no MI
- Road maps to Qualifying

Unsure if your Buyer qualifies? Have them call me today!

A+ RATING WITH THE
BETTER BUSINESS BUREAU

PEACE OF MIND.

3 C'S OF LENDING IS NOW 4 C'S

1. Credit
2. Collateral
3. Capacity (QM)
4. Credit Score

How Five Mortgage Products of Today Can Help You Sell Homes!

FHA



VA



Conventional



RD



OHFA



COMPARE AND CONTRAST FHA, VA, CONVENTIONAL, RD & OHFA

	FHA	VA	CONV	RD	OHFA
Min Credit Score	(580) 640	(580) 620	620 Need to watch MI restrictions	640+ 600-639 Exe	640+
Down Payment	3.5%	Zero Down	5%	Zero Down	1%
Bankruptcy 7	2 Years	2 Years	4 Years	2 Years	2 Years
Foreclosure	3 Years	2 Years	7 Years	3 Years	3 Years
Mortgage Insurance	Upfront of 1.75% plus monthly	2.15% No Down Pmt 2.4% (Reserve/Nat Gd) 2 nd Time Users 3.3% VA Disability Zero	Monthly amount based on down payment/credit score Max DTI 41% to 45% 2 mos reserves generally required Min score 680 for MI	Upfront of 2% plus monthly	Upfront of 1.75% plus monthly
Seller Contribution	6%	Contributions = No Max VA Concession = 4%	<10% down = 3% 10%-25% down = 6% 25 down = 9%	6%	6%
Qualifying Ratio	31 / 43% Exceptions	41% Exceptions	Per automated system Must be under 45%	29/41% Exceptions	31 / 43% Exceptions
Occupancy	OO Only	OO Only	OO / 2 nd Homes / NOO (down pmt varies on 2 nd & NOO)	OO Only	OO Only
Income Requirement	None	Residual Income Requirements	None	Varies – According to County	Varies – According to County
First Time Home Buyer OK	Yes	Yes	Yes	Yes	Yes
Miscellaneous	Non-Occupied co-borrower allowed	Buy a home with \$0 down No monthly MI	Only option for 2nd home or NOO	Buy a home w/ \$0 down Low monthly MI	Non-Occupied co-borrower allowed
Geographical Restriction	No	No	No	Only Rural Areas Qualify	Varies
Lender Overlays	Yes	Yes	Yes	Yes	Yes

FHA BREAKDOWN

	FHA
Min Credit Score	(580) 640
Down Payment	3.5%
Bankruptcy 7	2 Years
Foreclosure	3 Years
Mortgage Insurance	Upfront of 1.75% plus monthly
Seller Contribution	6%
Qualifying Ratio	31 / 43% Exceptions
Occupancy	OO Only
Income Requirement	None
First Time Home Buyer OK	Yes
Miscellaneous	Non-Occupied co-borrower allowed
Geographical Restriction	No
Lender Overlays	Yes

FHA

FHA Myths

- FTHB only with bad credit
- Appraisals are too picky (drastic revision 12/2005)
- Too many inspections (well/septic/water)
- Takes too long
- Crack in sidewalk
- Fuse box

FHA Facts

- Inspection needed as per contract or as required by appraiser
- Max loan amount for most counties \$271,050
- Condos have to be approved by HUD
 - * Go to website to check if eligible:
<https://entp.hud.gov/idapp/html/condlook.cfm>

FHA Loans



HIGHLIGHTS

- ◆ 96.50% Financing
- ★ Credit Scores as low as 580
- ◆ 6% Seller Contribution
- ◆ Great for buyers with limited down payment
- ◆ In-House Underwriting



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The FHA 203k **Purchase & Rehab in One**

Most mortgage loan programs require a property to be in sound condition with no structural defects or required repairs. Not the 203k. It's made for homes needing anything from a light spruce up to major repairs, improvements or new additions.



Combine Purchase and Improvements

The 203k loan covers your purchase price and the cost of improvements. The proposed work must be supported by a "value upon completion" appraisal. You can save by financing renovation costs into the original mortgage rather than racking up credit card bills or dipping into reserve savings later.

Create the Perfect House

If you're having trouble finding the right house in the right location, the 203k is the perfect solution. Just take a well located home, add your own personalization and improvements, and make it "just right."

Determine Your Eligibility

As with the regular FHA program, credit requirements vary yet can be more flexible than with conventional financing. There are no income limits or first time buyer status requirements.

Minimize Out of Pocket Costs

The 203k can be obtained with as little as a 3.5% down payment. Gifts can be used, sellers can contribute toward closing or costs can be rolled into the loan amount right along with your pre-paid taxes and insurance.

Applying for the 203k requires more work than other loans, but given all the advantages, it is a great option to consider.

VA BREAKDOWN

	VA
Min Credit Score	(580) 620
Down Payment	Zero Down
Bankruptcy 7	2 Years
Foreclosure	2 Years
Mortgage Insurance	2.15% No Down Pmt 2.4% (Reserve/Nat Gd) 2 nd Time Users 3.3% VA Disability Zero
Seller Contribution	Contributions = No Max VA Concession = 4%
Qualifying Ratio	41% Exceptions
Occupancy	OO Only
Income Requirement	Residual Income Requirements
First Time Home Buyer OK	Yes
Miscellaneous	Buy a home with \$0 down No monthly MI
Geographical Restriction	No
Lender Overlays	Yes

VA

VA Myths

- We don't have Veterans in my area
- Takes too long

VA Facts

- No monthly mortgage insurance
- Condos must be VA approved
 - <https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch>
- Veteran can not pay for Pest inspection
- Mortgages are assumable

Loans for Veterans

You've served the U.S.,
now let us serve YOU!

Veteran's Administration or "VA" loans are available for active, non-active and retired Army, Air Force, Marine, Navy, National Guard and Coast Guard vets who meet the established service requirements.

The most notable features and benefits for those who qualify are:

- 100% financing/No down payment
- No monthly mortgage insurance (PMI)
- Gift funds acceptable for closing costs
- No cash reserve requirements
- A variety of terms or loan types available
- Available for purchase and refinance
- Reduced costs for disabled veterans
- Seller can pay for closing costs
- Seller pays for any required repairs
- No pre-payment penalty

To determine your ability to participate in this program, just provide your Certificate of Eligibility (COE) or your Discharge/Separation form (DD214). If you do not have your COE, you can request one using form 26-1880.



CONVENTIONAL BREAKDOWN

	CONV
Min Credit Score	620 Need to watch MI restrictions
Down Payment	5%
Bankruptcy 7	4 Years
Foreclosure	7 Years
Mortgage Insurance	Monthly amount based on down payment/credit score Max DTI 41% to 45% 2 mos reserves generally required Min score 680 for MI
Seller Contribution	<10% down = 3% 10%-25% down = 6% 25 down = 9%
Qualifying Ratio	Per automated system Must be under 45%
Occupancy	OO / 2 nd Homes / NOO (down pmt varies on 2 nd & NOO)
Income Requirement	None
First Time Home Buyer OK	Yes
Miscellaneous	Only option for 2nd home or NOO
Geographical Restriction	No
Lender Overlays	Yes

CONVENTIONAL

Conv. Myths

- Best rates
- Lower costs
- Need 20% down

Conv. Facts

- Minimum down payment is 5%
 - Must meet credit score and DTI guidelines
- Condos can be financed with only 5% down
- Need 6 months PITI for each property owned if own more than one
 - If the equity of 30% is documented on other homes, then only 2 months PITI on both homes are required
- Alimony and child support income - will now be required to document 6 months of receipts
- DTI is 43%*
- Can only have 10 financed properties

Conventional Gift Funds Program



HIGHLIGHTS

- ★ All 5% of funds can be a gift
 - 3% Seller Contribution
 - Loan amounts to \$417,000
 - Primary residences only
 - Adjustable and fixed rate options
 - 1-2 unit homes, Townhomes, and Warrantable Condos available



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Doctor Program



HIGHLIGHTS

- Available to medical doctors with a minimum M.D, D.O, D.D.S, or D.M.D Degree
- ★ 100% financing with No Mortgage Insurance up to \$500,000 (One Loan—No MI)
- Loan amounts to \$1,000,000
- Primary residences only
- Adjustable and fixed rate options
- 1-2 unit homes, Townhomes, Condos (warrantable/non-warrantable) available
- Yes, a non-warrantable condo to 100% LTV!
- Expanded debt to income criteria (up to 50%)
- Flexible consideration on student loan debt



Program terms & conditions are subject to change at any time. IN 9940 & 11055, KY 824, MI FL 0017007 dba Equity Resources of Ohio Inc. Final approval is subject to credit review and eligibility. This is not a commitment to lend.

Family Opportunity Loan Program



Offers 3 Home Purchase Scenarios:

1. Adult Buying for Elderly Parent

- Elderly Parent must not have sufficient income to qualify on their own
- 5% Down Payment Required
- Owner Occupied Loan Terms

2. Parent Buying for Disabled Adult Child

- Disabled Adult Child must not have sufficient income to qualify on their own
- 5% Down Payment Required
- Owner Occupied Loan Terms

3. Parent Buying for their Student's Use

- 10% Down Payment Required
- Second Home Loan Terms
- Student must be enrolled in college
- Parents may not own a second home or vacation home in the same area
- Property cannot be rented
- Property must be occupied by the child for a minimum of 1 year

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USDA/RD BREAKDOWN

	RD
Min Credit Score	640+ 600-639 Exe
Down Payment	Zero Down
Bankruptcy 7	2 Years
Foreclosure	3 Years
Mortgage Insurance	Upfront of 2% plus monthly
Seller Contribution	6%
Qualifying Ratio	29/41% Exceptions
Occupancy	OO Only
Income Requirement	Varies – According to County
First Time Home Buyer OK	Yes
Miscellaneous	Buy a home w/ \$0 down Low monthly MI
Geographical Restriction	Only Rural Areas Qualify
Lender Overlays	Yes

USDA/RD

USDA Myths

- It's a Farm loan, isn't it?
- Can't be in the city.
- Too many inspections.

USDA Facts

- Zero money down.
- Mechanicals and living area cannot be in flood zone.
- Only need water test and any stated on contract or as required by appraiser
- Follows FHA appraisal guidelines.
- Has to be approved by us then sent to USDA for their approval.
- Pools cannot be given value.
- Land limitations.
 - *Generally, the value of the site must not exceed 30% of the total value of the property.*
- No working farm outbuildings.



USDA

Rural Development Loans



HIGHLIGHTS

- ★ 100% Financing
 - ◆ Finance closing costs and pre-pays (subject to appraisal)
 - ◆ Great Rates!
 - ◆ Great for sellers who don't want to pay buyer closing costs.
 - ◆ In-House Underwriting
 - ◆ *Many suburban homes in subdivisions are eligible.*



Program terms & conditions are subject to change at any time. Final approval is subject to credit review and eligibility. This is not a commitment to lend.

Top 10 Reasons Why to finance with **RURAL DEVELOPMENT**

Yes! We are still closing USDA loans!

- #1 No down payment needed.**
 - Unlike many other loan programs, this is a true 100% LTV.
 - Up to 102% LTV if entire Guarantee Fee is financed.
- #2 Low monthly mortgage insurance (Guarantee Fee).***
 - Guarantee fee decreases with the loan balance so it goes down every year.
 - One time Guarantee Fee of 2% upfront and .4% annually for purchases and refinances.
- #3 Closing costs can be financed or gifted.**
 - If equity exists between the contract price and the appraised value, closing costs may be financed.
 - Closing costs may be paid by the seller, gifted, borrowed or paid for by a non-profit.
- #4 Qualifying Ratios.**
 - 29% and 41% provide maximum opportunity for applicants to purchase a home.
 - Expanded ratios allowed with good compensating factors.
- #5 No reserve required.**
 - There is no requirement for a 2-month reserve after closing.
- #6 Competitive interest rates on 30 year fixed rate loans.**
 - Buyers will have an interest rate similar to conventional and other government loan programs.
- #7 We understand the special needs of applicants who cannot obtain a conventional loan.**
 - Lack of a credit history is not a reason to deny a loan.
 - Rural Development does not use credit scoring as a sole criterion for loan approval or disapproval.
 - Underwriters are given latitude in underwriting standards to approve loans, not deny them.
- #8 We understand rural properties.**
 - Rural properties often are difficult to appraise due to acreage, distance between comparable sales and lack of similarity between subject and comps.
- #9 Streamline process to insure closings occur in a timely manner.**
- #10 This is a win-win program for REALTORS[®] and buyers who lack funds for a down payment!**

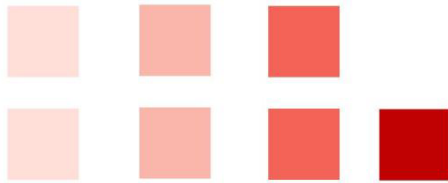
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OHFA BREAKDOWN

	OHFA
Min Credit Score	640+
Down Payment	1%
Bankruptcy 7	2 Years
Foreclosure	3 Years
Mortgage Insurance	Upfront of 1.75% plus monthly
Seller Contribution	6%
Qualifying Ratio	31 / 43% Exceptions
Occupancy	OO Only
Income Requirement	Varies – According to County
First Time Home Buyer OK	Yes
Miscellaneous	Non-Occupied co-borrower allowed
Geographical Restriction	Varies
Lender Overlays	Yes

We're making Ohio first-time homebuyers

■ happy



great rates

great service

great programs!



The OHFA Program

DETAILS

- Cannot own or have ownership interest in a principal residence in the last 3 years
- Income and purchase price limits apply
- Grants available for both Government and Conventional loan programs
- Other qualifications apply, call for details

OPPORTUNITIES

- 30 Year Fixed Rate Mortgage
- 2.5% Down Payment Assistance Grant*
- Buy for as little as 1% down*
- HERO Program for full-time teachers, police officers, medical and military personnel
- Recent college graduate grant programs

Example for Illustrative Purposes Only FHA Loan with 3.5% down payment* on an \$83,000 sales price with a 3.75% fixed interest rate/5.43 APR for 30 years = \$734.10 monthly payment (including taxes & insurance).

*If loan applicant qualifies, OHFA 2.5% (or \$2,075) down payment assistance grant + 1% (or \$830) down payment from borrower.

Program terms & conditions are subject to change at any time.

OHIO HERO PROGRAM

Ohio heroes make a difference in our lives by working hard in critical jobs every day. Through the Ohio Hero program, Ohio's heroes can receive all the benefits of a special *First-Time Homebuyer program grant!



Active military, veterans, policemen, firemen, medical technicians, healthcare workers, and teachers are all HEROES!

Find out how YOU can purchase a home using this special program.



**For those who qualify.*

WHAT TO LOOK OUT FOR:

FHA/VA/USDA/OHFA

- Peeling paint – window, doors, sheds, garages, porches, trim, basements...
- Electric covers
- Exposed wires
- Seriously cracked window
- Holes in wall
- Mold
- Upper level porch - needs railing or door needs sealed shut
- Access to crawl space and attic

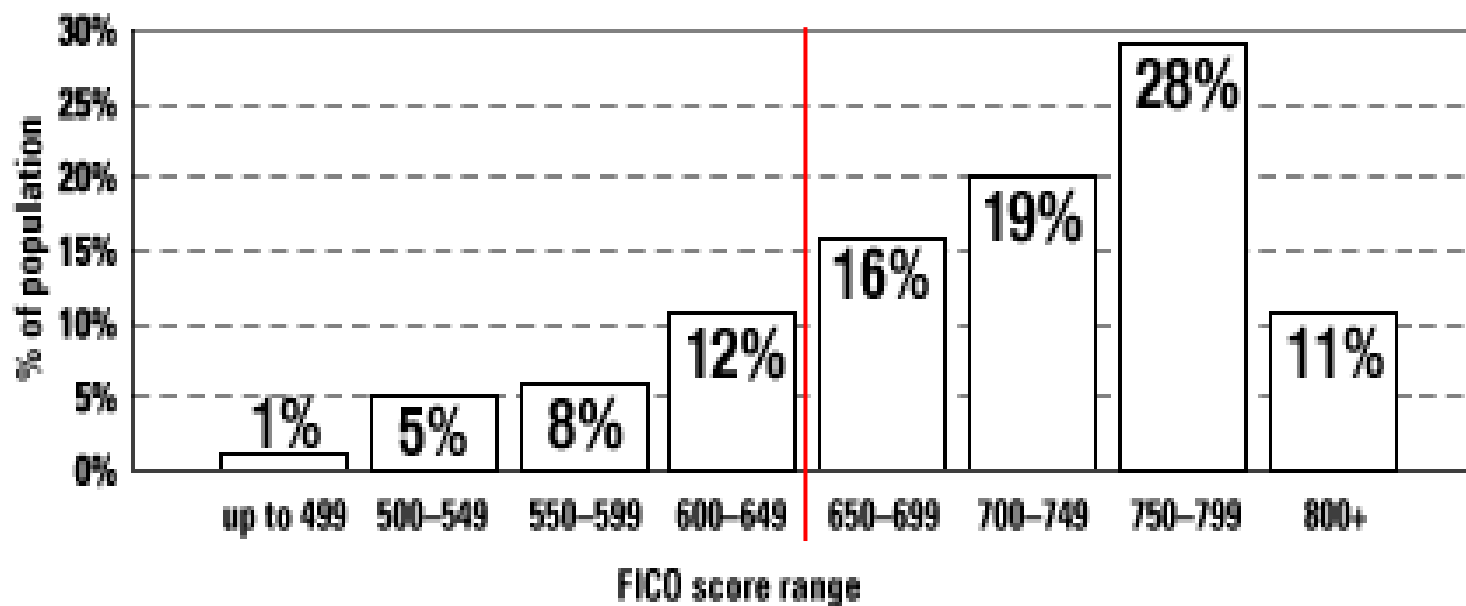
Give it the old up and down look!

WHAT CREDIT SCORE AFFECTS?

- Mortgage loans
- Homeowner's insurance premium
- Car insurance premium
- Car loan rates
- Instant credit card approvals
- Employers - should I hire them or not?
- Mortgage insurance

RANGES OF A CREDIT SCORE

National distribution of FICO scores





QUESTIONS

&

ANSWERS

Contact Information

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