

HOW FOUR MORTGAGE PRODUCTS OF TODAY CAN HELP YOU SELL HOMES AND CREDIT SCORING

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EQUITY
RESOURCES, INC.
mortgages

WHO IS PA EQUITY RESOURCES?

- Direct mortgage banker - Fannie Mae & 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 DEREK BAYER?

- Licensed loan officer with PA Equity Resources, Inc.
- Over 15 years experience
- Has worked as both an originator and branch manager
- Owned his own company for 8 years
- Dedicated to providing Raving Fan Customer Service

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

FHA



VA



Conventional



RD



Compare and Contrast Programs

	FHA	VA	CONV	RD
Min Credit Score	(580) 640	(580) 620	620 Need to watch MI restrictions	640+ 600-639 Exe
Down Payment	3.5%	Zero Down	3%	Zero Down
Bankruptcy 7	2 Years	2 Years	4 Years, <i>or</i> 2 Years w/ extenuating circumstances	3 Years
Foreclosure	3 Years	2 Years	7 Years, <i>or</i> 3 Years w/ extenuating circumstances <i>and</i> max LTV 90% on a purchase of primary residence <u>OR</u> limited cash-out refinance	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
Seller Contribution	6%	Contributions = No Max VA Concession = 4%	<10% down = 3% 10%-25% down = 6% 25 down = 9%	6%
Qualifying Ratio	31 / 43% Exceptions	41% Exceptions	Per automated system Must be under 45%	29/41% Exceptions
Occupancy	OO Only	OO Only	OO / 2 nd Homes / NOO (down pmt varies on 2 nd & NOO)	OO Only
Income Requirement	None	Residual Income Requirements	None	Varies – According to County
First Time Home Buyer	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
Geographical Restriction	No	No	No	Only Rural Areas Qualify
Lender Overlays	Yes	Yes	Yes	Yes

FHA Loan Example: FHA Loan for \$171,830 with 3.5% down payment for 30-Years with a fixed 4.25% rate/5.86% APR has a monthly payment of \$1,420.19 (includes taxes, insurance and MI). Conventional Loan Example: Conventional loan with 5% down payment on a \$125,000 purchase price with a 4.75% fixed interest rate/5.438% APR for 30 years = \$1027.42 monthly payment (including Principle, Interest, Taxes, Insurance and Association dues of \$150.00 per month).

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

FHA Facts

- Inspection needed as per contract or as required by appraiser
- Max loan amount varies by county
- Condos have to be approved by HUD
 - * Go to website to check if eligible:
<https://entp.hud.gov/idapp/html/condlook.cfm>

VA

VA Myths

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

VA Facts

- VA Interest Rate is LESS than the Conventional Rate
- No monthly mortgage insurance
- Goes up to 100% market value (No down payment)
- Condos must be VA approved
 - <https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch>
- Veteran can not pay for Pest inspection
- Mortgages are assumable
- 100% Cash Out Refinance Permitted

CONVENTIONAL

Conv. Myths

- Best rates
- Lower costs
- Need 20% down

Conv. Facts

- Minimum down payment is 3%
 - 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 receipt
- DTI is 43%*
- Can only have 10 financed properties

Conventional Gift Funds Program



HIGHLIGHTS



- ❑ All 3% of down payment funds can be a gift
- ❑ 3% Seller Contribution
- ★ Loan amounts to \$417,000
- ❑ Primary residences only
- ❑ Fixed rate options
- ❑ 1 unit homes, Townhomes, and Warrantable Condos available
- ❑ At least one borrower must be first-time home buyer (not owned in 3 years)
- ❑ MI Premiums are still eligible for cancellation (unlike FHA!)
- ❑ 680 minimum FICO
- ❑ 45% maximum DTI



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USDA/RD

RD Myths

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

USDA Facts

- Zero money down
- 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

USDA Updates as of 12/1/14

- Homes are now allowed to be in a flood zone
- Outbuildings are allowed as long as not used for income producing activities
- Max closing costs and prepaid items allowed to be paid by seller is 6% of purchase price
- Homes with in-ground pools are now eligible

WHAT TO LOOK OUT FOR:

FHA/VA/RD

- Peeling paint – window, doors, sheds, garages, porches, trim, basements...
- Electric covers
- Exposed wires
- Cracked window
- Holes in wall
- Mold
- Upper level porch - needs railing or sealed door
- Access to crawl space and attic
- Safety issues: Smoke detectors and rails at steps

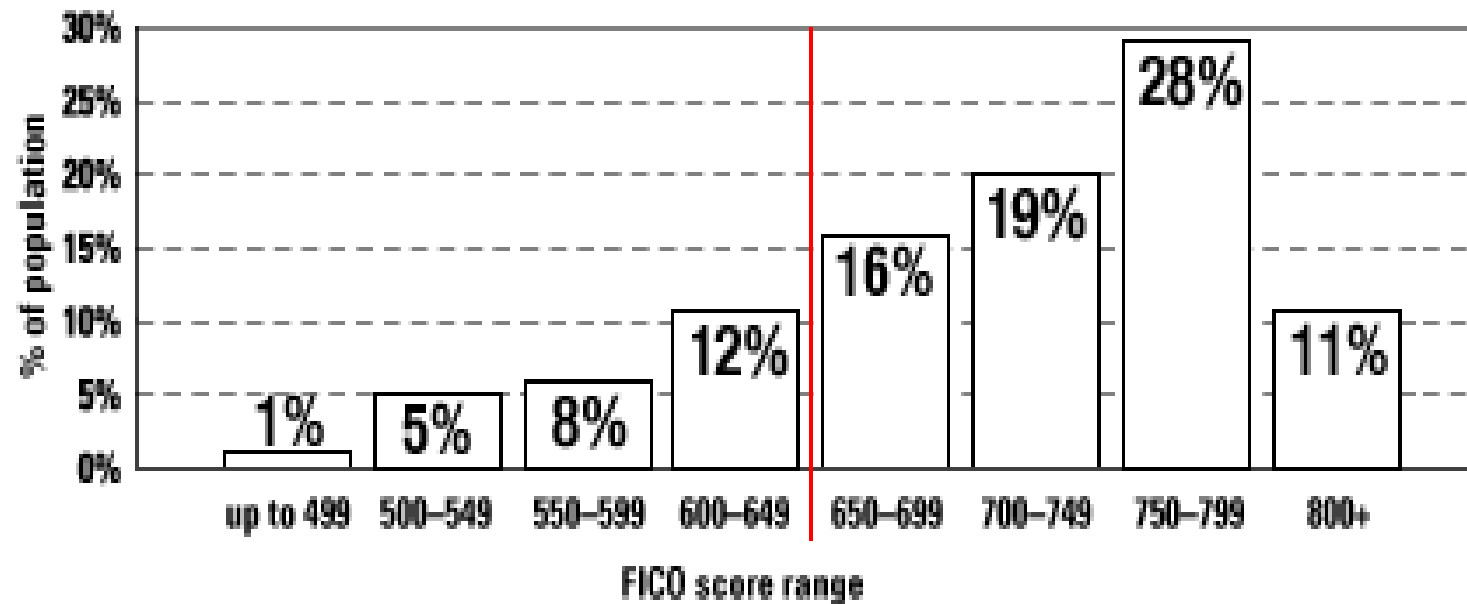
Give it the old up and down look!

YOUR 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



MILLIONS OF AMERICANS HAVE INACCURATE CREDIT SCORES

- FTC survey from Feb 2013 showed 21% had inaccuracies in their credit report.
 - 5.2% of reports had serious errors
 - 15k J = 34 points (true consumer example)
- How to fix errors?
- Watch out for “Free” Credit Reports
- Good news – July 2012 the CFPB stated they will monitor the nation’s credit reporting industry.

Annual free credit report: www.freecreditreport.gov

How the Credit Score Affects Loan Programs



660-850

620-659

600-619

580-599

540-579

500-539

300-499

No Score



QUESTIONS & ANSWERS

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