

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

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# MIND EXERCISES

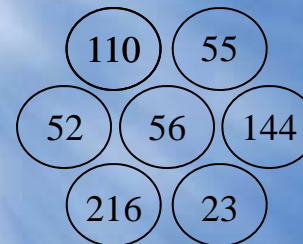
Replace each dot with either 1, 2, 4, 5 or 6 to make the problem add up correctly. Each number can be used only once.

$$\begin{array}{r} 5 \ . \ . \ . \\ + \ 8 \ 7 \ 4 \ 3 \\ \hline 1 \ . \ 3 \ 5 \ . \end{array}$$

Add contiguous numbers (horizontally and vertically) so that they total 43. Each number may be used only once.

1	3	6
7	5	8
4	9	2

These numbers have many properties in common but do not share the same traits. Find seven different reasons for determining what makes one or more of these numbers distinct from the rest.



## ANSWERS:

$$\begin{array}{r} 5612 \\ +8743 \\ \hline 14355 \end{array}$$

$$\begin{array}{r} 1 + 3 + 6 + 8 + 5 \\ + 7 + 4 + 9 = 43 \end{array}$$

- 23 is the only prime number
- 56 is the only multiple of 7
- 144 is the only square and the only multiple of 12
- 55 is the only one composed of one repeated digit
- 110 is the only multiple of 10
- 216 is the only cube





How five mortgage products of today can help you sell homes!

# WHO IS GREENTREE MORTGAGE?

- Direct mortgage banker - Fannie Mae Seller Servicer
- FHA/VA/Conventional/RD & OFHA loans
- Underwrite in our main office
- Company began in 1999
- Consumer Choice Award winner and AAA + BBB standing
- Core Purpose: To Improve the Lives of Families

# WHO IS SHANE MARZULLO?

- Licensed loan officer with Greentree Mortgage
- Over 16 years experience
- Lives in Perrysburg, Ohio
- Goal is to create relationships based upon mutual respect and a passion for “raving fan” customer service.
- Can close your loans quickly and stress-free!

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

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FHA



VA



Conventional



RD



OHFA





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

	FHA	VA	CONV	RD	OHFA
<b>Credit Collections / Charge Off</b>	None (580)	None (640)	700+ 660-719	640+ 580-639 by exception	None (620 w/out grant) (640 w/ grant)
<b>Down Payment</b>	3.5%	Zero Down	5% w/ 680 Score 20% w/ 660 Score	Zero Down	3.5% (2.5% grant)
<b>Bankruptcy 7</b>	2 years	2 years	4 years	2 years	2 years
<b>Foreclosure</b>	3 years	2 years	7 years (max ltv) 2/4 years (80/90% ltv deed in lieu)	3 years	3 years
<b>Mortgage Insurance</b>	30 yr: 1.75% 1.25 per month	2.15% 2.4% (reserve/Nat GD) 2 <sup>nd</sup> time users 3.3% VA disability Zero	Varies on credit score and LTV .59-1.20% 95% ltv .44-.76% 90% ltv .28-.44% 85% ltv	2% upfront .40 annually based on loan balance	Follows FHA or Conv. MI guidelines
<b>Seller Contribution</b>	6%	4%	3%(Varies w/ LTV)	6%	Varies by Program
<b>Qualifying Ratio</b>	31/43% Exceptions to 55% or per AUS	41% Exceptions allowed	AUS	29/41% Exceptions to 47.99%	AUS
<b>Occupancy</b>	O/O Only	O/O Only	OO/ 2 <sup>nd</sup> homes/ NOO	O/O Only	O/O Only
<b>Income Requirement</b>	<b>None</b>	None	None	Varies by Family Size \$74900- 104,150	Per County and Family size
<b>First Time Home Buyer Only</b>	No	No	No	No	No
<b>Miscellaneous</b>	Loan Limit \$270,250 FHA 203k Streamline	100% purchase Vet. Not allowed to pay for Pest inspection	Interest rate based off credit and Loan to Value	Acreage limit No working farms	Can't own a home for last 3 years

# 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
- GFI plugs are needed
- Hand rails on stairs
- Crack in sidewalk
- Garage door safety sensor
- Fuse box

## FHA Facts

- Only require water test
- Max loan amount \$271,050
- Condos have to be approved by HUD
  - Go to website to check if eligible: <https://entp.hud.gov/idapp/html/condlook.cfm>
- Buyer with previous shorts sale
  - Can buy now if was current for last 12 months on previous mortgage
    - Previous loan can not be a FHA
    - Borrowers who pursued a short sale agreement on their principal residence to take advantage of declining market conditions and purchase a similar or superior property within a reasonable commuting distance are not eligible

# 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

# 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 45%\*
- Can only have 10 financed properties



# USDA/RD

## RD Myths

- Farm loan, isn't it?
- Cant be in the city
- To many inspections

## USDA Facts

- Zero money down
- Drinking water from well, pond, storage tanks, and cisterns are acceptable
- Mechanicals and living area can not be in flood zone.
- Only need water test
- Follows FHA appraisal guidelines
- Has to be approved by us then sent to USDA for there approval
- Pools cannot be given value
- Land limitations
  - *Generally, the value of the site must not exceed 30 percent of the total value of the property.*
- No working farm outbuildings

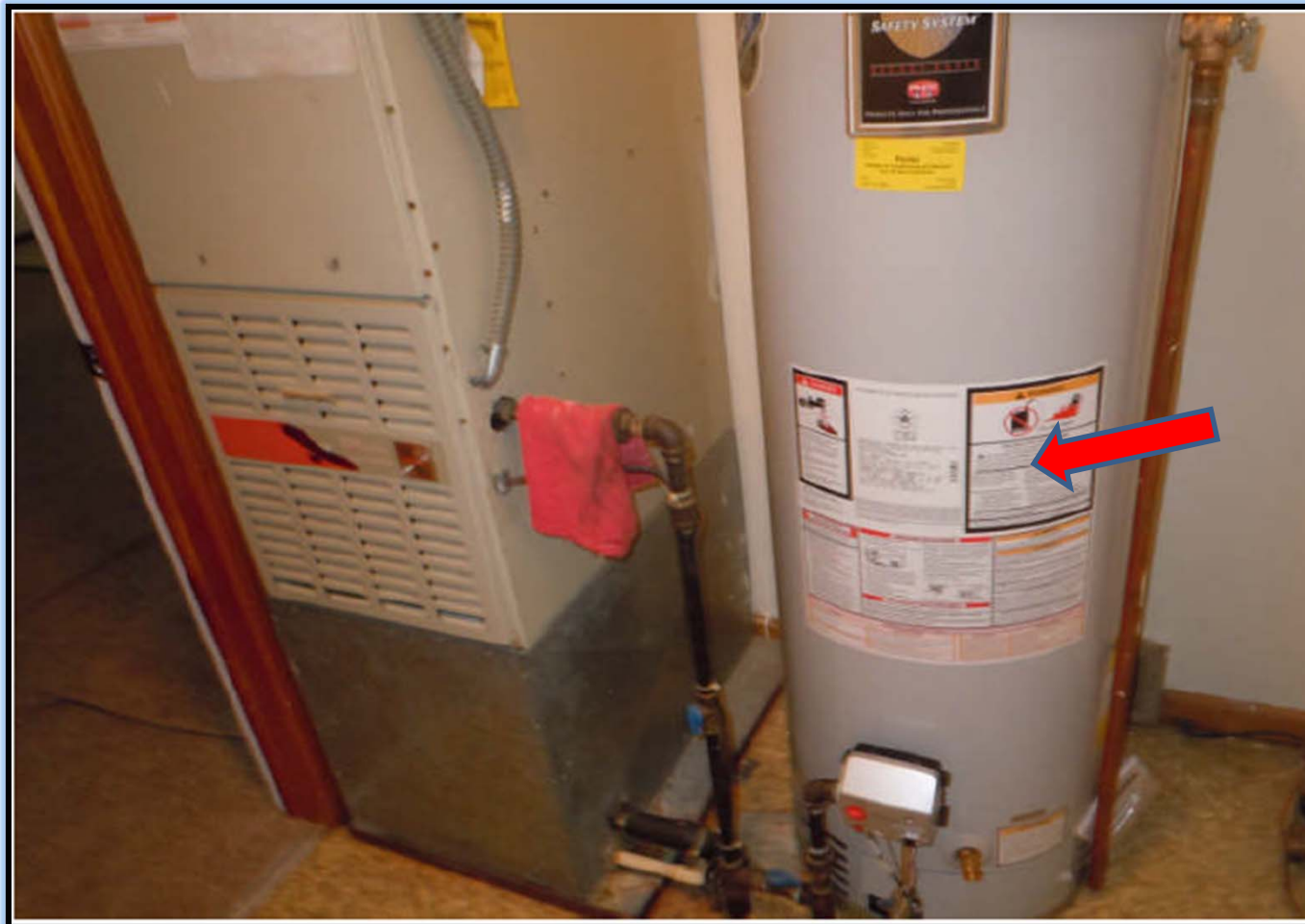
# WHAT TO LOOK OUT FOR:

## FHA/VA/RD/OHFA

- Peeling paint – window, doors, sheds, garages, porches, trim, basements...
- Drip leg on hot water tank
- 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*

# DRIP LEG



# WHICH CONSUMER FITS THE PROGRAM?

➤ Example 1

Circle Product Available

FHA   VA   CONV   RD   OHFA

➤ Example 2

➤ Example 3

Bottom Line: Each consumer has their own needs and specific goals. The loan officer should present all options – the pros and cons of each (educating the consumer) and let the consumer decide which mortgage product is best for them.



# CREDIT SCORING

Disclaimer: Don't shoot the messenger

*Don't shoot  
the messenger!*



- Some of the things I will review will upset you.
- Sometimes the best financial decision can hurt your score!
- Again, I am only the messenger – not the designer of credit scoring!

# WHAT IS CREDIT SCORING?

- It's the use of a statistical model to objectively evaluate all the credit information available in a single repository
- What is a repository?
- There are three repositories in the US:
  - Equifax: Beacon Score
  - TransUnion: Emperica Score
  - Experian (FKA: TRW): Fair Isaac Score (FICO)

## WHAT IS A CREDIT SCORE?

- A credit score can change daily. Anytime information is updated on a credit report your score changes.
- Make sure you're using the most recent versions.
- 5 key parts we will discuss that make up your credit score.
- How will knowing this help me?

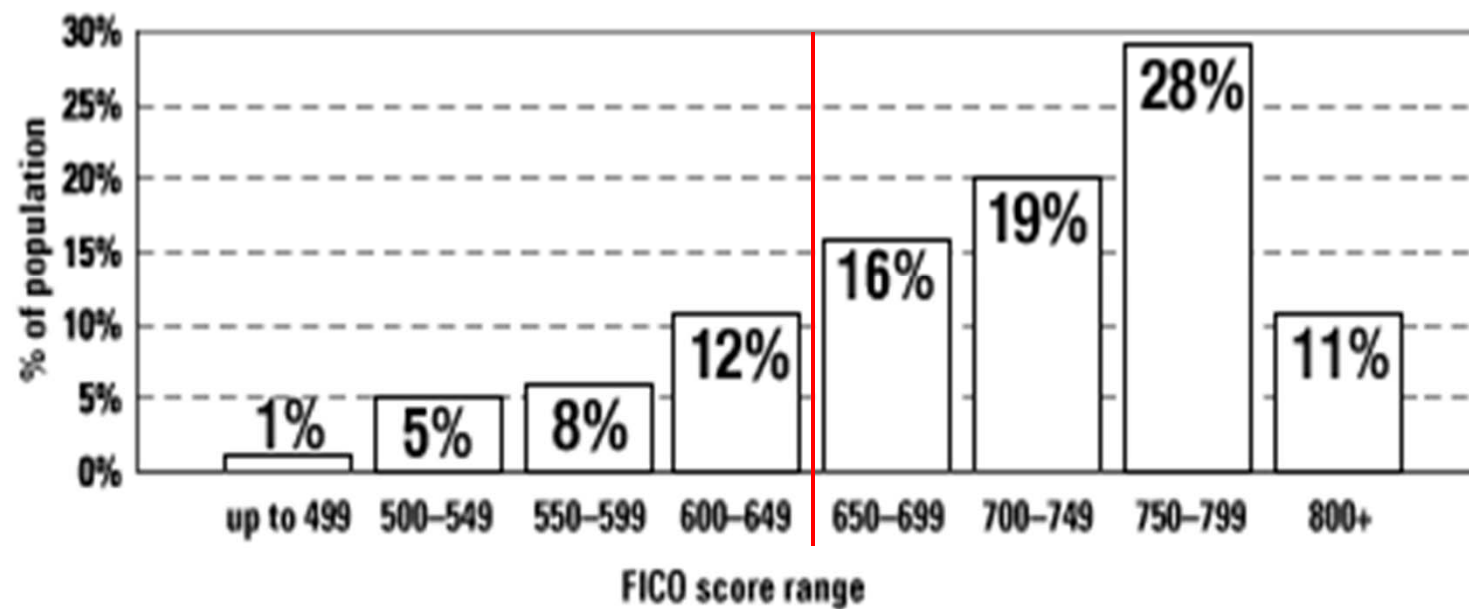
# YOUR CREDIT SCORE AFFECTS?

- 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



## EACH CREDIT REPOSITORY GIVES A SCORE AND ALL ARE DIFFERENT

- Why?
- Which one to use?
- What if it's a joint account?

# MILLIONS OF AMERICANS HAVE INACCURATE CREDIT SCORES

- December 17, 2003 Report by Consumer Federation of America and The National Credit Reporting Association showed...
  - Variance = 33%
  - 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.

# HOW THE CREDIT SCORE AFFECTS LOAN PROGRAMS

660-850

620-659

600-619

580-599

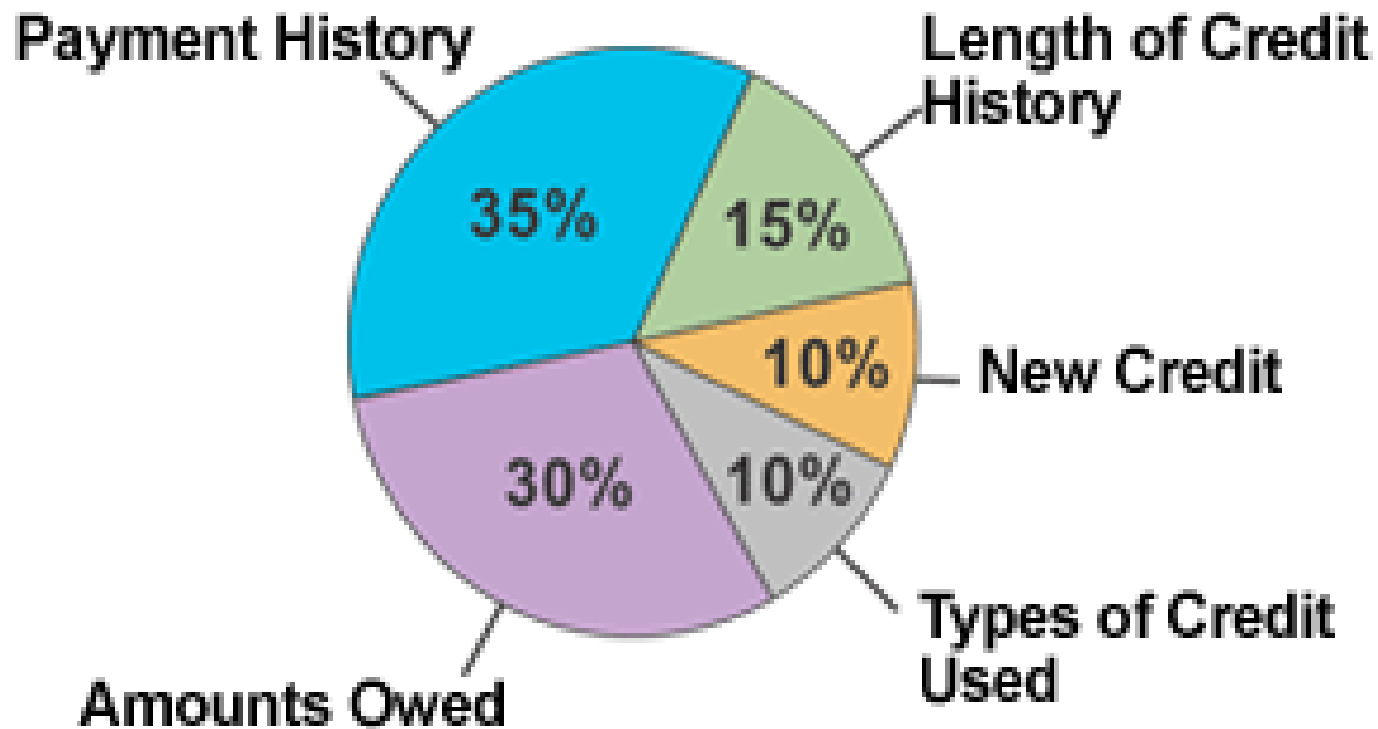
540-579

500-539

300-499

No Score

# TOP 5 ITEMS WHICH AFFECT YOUR CREDIT SCORE





# TOP 5 ITEMS WHICH AFFECT YOUR CREDIT SCORE

## 1. 35% How you pay your bills

- How often it's late, how late it is and when was it late? The majority of focus is placed on last 2 years (most recent 11 months more sensitive with current lates most sensitive) Excluding BK and FC
  - Example: True or False: 30 day late 4 months ago will hurt your score more than a 30 day late 3 years ago.
  - Example: True or False: a current 30 day late will hurt your score more than a 30 day late 4 months ago.
  - Example: True or False: a few 30 day lates 4 months ago will hurt your score more than a 90 day late 26 months ago.
- Time frame items stay on your credit report

## TOP 5 ITEMS WHICH AFFECT YOUR CREDIT SCORE

### 1. 35 % How you pay your bills *(continued)*

- Collections: Caution! (if old leave alone)
- Collections: if purchased by another collection company it will hurt score (ITT, Household, Sherman Acq.)
- Public records (judgments/liens/ bankruptcy etc)- same as bills. The severity and how recent hurts score. (If it's old leave it alone!)
- Public records: use date of last activity
- Stories of paying off collections or public records and score lowering?

# TOP 5 ITEMS WHICH AFFECT YOUR CREDIT SCORE

## 2. 30% Credit Utilization

- The amount owed on all accounts
- Revolving only: amount of current balances in relationship to high credit limit individually and collectively
- The percentage owed on open installment loans
- Amount owing on specific types of accounts

# TOP 5 ITEMS WHICH AFFECT YOUR CREDIT SCORE

## 2. 30% Credit Utilization *(continued)*

- Do check your credit report annually and close any unused cards for security reasons
- Ideally do keep 4-6 accounts open
- Do use these accounts at least once every 3 months
- Do try to keep your balances at 30% of high credit limit
- Don't open numerous accounts simply to try to increase your score
- Don't close old accounts just for your credit score
- Don't increase your credit limit just to achieve the 30% target to improve your score (you'll be tempted to use it)
- Bottom line is to show ability to manage credit

## TOP 5 ITEMS WHICH AFFECT YOUR CREDIT SCORE

### 3. 15% Length of credit history

- Length of time account is open
  - Credit opened in the last 24 months viewed as a higher risk (risk increases if other negative factors)
  - Looks at the oldest time an installment account has been open (look at date open on credit report)
  - Looks at the oldest time a revolving account has been open
  - Looks at the average age of all accounts
  - Remember: needs opened 6 months and used once in last 6 months



## TOP 5 ITEMS WHICH AFFECT YOUR CREDIT SCORE

### 4. 10% Type of credit being used

- Number of bankcards you have
- Number of retail or department store cards you have
- Number of installment accounts you have
- Number of finance company loans you have
- Excludes mortgages
- What's the ideal number (of open accounts) to have?

# TOP 5 ITEMS WHICH AFFECT YOUR CREDIT SCORE

## 5. 10% New credit/ Inquiries

- New credit means: inquiries but also how long have you had accounts, how many new accounts and what types all play a factor.
- Inquiries are a subset of new credit- yet the most notorious.
  - How many inquiries do you have?
  - Only consumer authorized inquiries count
  - Fact and myth of inquiries
- What about rate shopping for mortgages or autos?
- Impact of inquiries on 550 credit score vs. 750 credit score
- See the facts

# HOW TO DISPUTE YOUR CREDIT

- Mistakes happen a lot!
- How mistakes happen
  - Applied for credit under different names
  - Clerical error entering information
  - Person gave incorrect SSN
  - Payment was mistakenly applied to wrong account
- Identity theft #1 in 2003
  - In 2002 estimated losses of \$53 Billion
- Free dispute method
- Rapid Re-scoring method

# HOW TO DISPUTE YOUR CREDIT

- [WWW.ANNUALCREDITREPORT.COM](http://WWW.ANNUALCREDITREPORT.COM)
- Borrower can file disputes on line



# QUESTIONS & ANSWERS?

## Contact Information

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