



STEPS
TOWARD
HOMEOWNERSHIP

STEPS to Financing the Dream of Homeownership

Virtual Event

June 21st 2023

Welcome



CALIFORNIA ASSOCIATION OF REALTORS®

Transaction Rescue™

The CALIFORNIA ASSOCIATION OF REALTORS® Transaction Rescue™ is a FREE C.A.R. member benefit providing you with invaluable one-on-one assistance for any of your mortgage related questions or issues.

 (213) 739-8383

 TransactionRescue@car.org

 mortgage.car.org

Your direct line to all finance and mortgage related questions

What can Transaction Rescue™ help you with?

- Issue with a Lender
- Finding a Lender
- Loan Qualifications
- Financing Assistance
- Down Payment Assistance
- Closing Delays
- Title and Escrow
- Short Sale
- Forbearance
- Foreclosure
- Lending Discrimination
- Appraisals
- SBA Loans, PUA

Thank You to Our STEPS Sponsors!



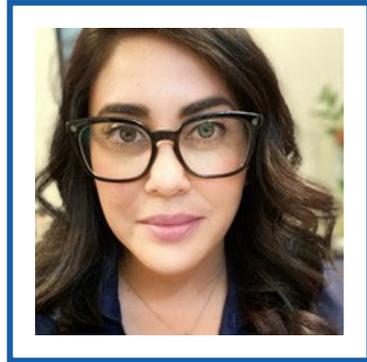
STEPS to Financing the Dream of Homeownership – Lending Arena Speakers



Cynthia Leal

Branch Manager

Guild Mortgage



Monica LaCrue

Affordable Lending
Sr.

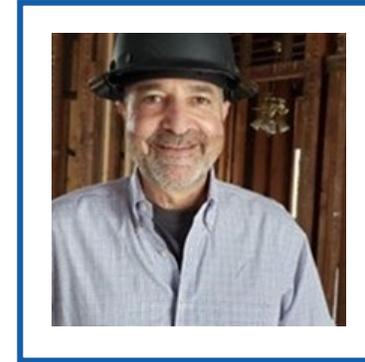
*Freddie Mac Single-
Family*



Yong Choi

Regional Manager

*Barrett Financial
Services*



Skip Schenker

Regional Manager
Renovation Lending

*Guaranteed Rate
Affinity*



Abel Fregoso Jr.

V.P. Loan Originator

CMB Home Loans

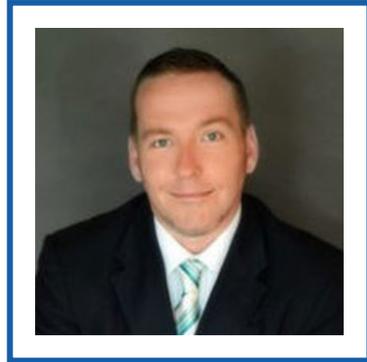
STEPS to Financing the Dream of Homeownership – Lending / DPA Arena Speakers



Rolanda Wilson

**REALTOR® & HUD
Counselor & Board
Member**

***NID HUD
Counseling Services***



Sean Moss

**EVP Customer
Service & Operations**

**Down Payment
Resource**



Faramarz Moeen-Ziai

VP Loan Originator

CrossCountry Mortgage



Molly Ellis

**Housing Finance
Officer**

***California Housing
Finance Agency
(CalHFA)***



Meagan Harris

**Business
Development**

***Golden State
Finance Authority
(GSFA)***

STEPS to Financing the Dream of Homeownership – CALIFORNIA ASSOCIATION OF REALTORS®



Katie Kuang

Industry Relations

**California Association
of REALTORS®**



Melanie McShane

**Industry Relations
Project Manager**

**California Association
of REALTORS®**



Marc Farfel

**Transaction Rescue
Mgr./Lender Liaison**

**California Association
of REALTORS®**



Jordan Levine

Chief Economist

**California Association
of REALTORS®**



DeAnthony Nelson

Industry Relations

**California Association
of REALTORS®**

Did you know?

63% of consumers would start searching for a home 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



Transaction Rescue™

C.A.R.'s Down Payment Resource Directory

<http://FindDownPayment.car.org>

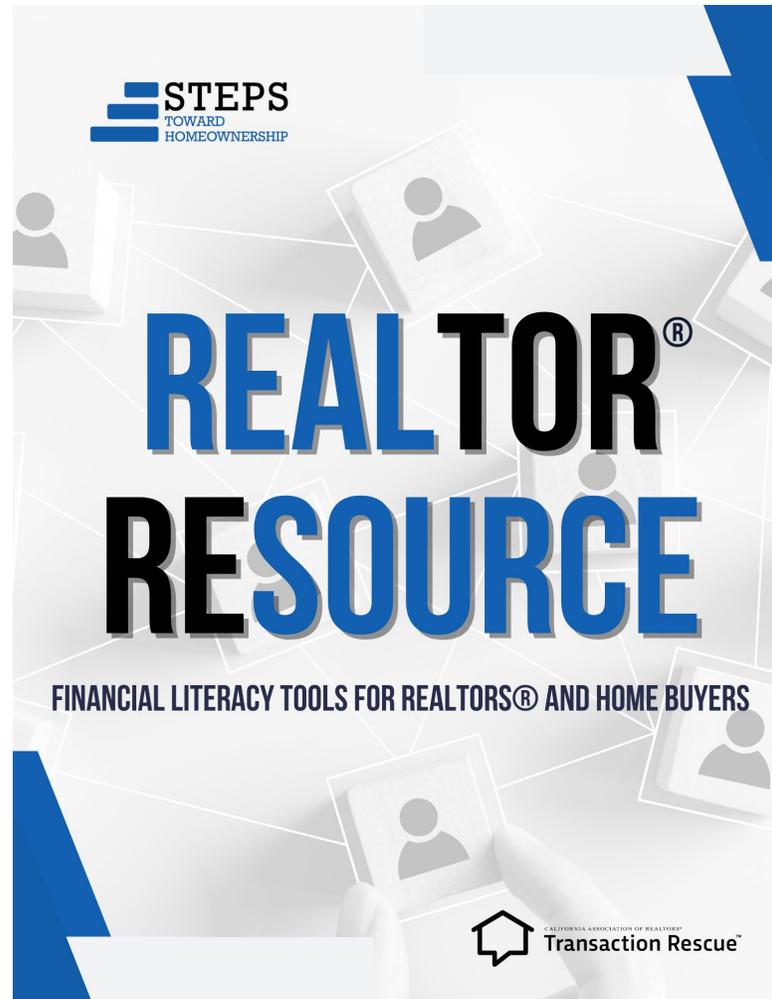
Within the C.A.R Tool, you can find:

- 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



Get Down Payment Assistance

REALTOR® Resource: Financial Literacy Tool





Today's Agenda:

10:00 am – Welcome

10:05 am - Why Homeownership Matters – Jordan Levine

10:20 am – Updated Resource Guide – Marc & Team

10:30 am - Understanding Homeowner Needs, Setting Expectations, and True Cost of Homeownership

10:45 am - Financing the Deal – Putting it All Together

11:30 am - Leveraging DPA

11:45 am - Addressing Homebuyer Education Program (REALTOR® & Your Client)

12:00 pm - Taking the Next STEPS & Take-Aways / Questions Breakouts

- Meet the Speakers
- Ask Your Questions



Breakout: Q&A Sessions

Golden State Finance Authority (GSFA) DPA – Meagan Harris

Guild Mortgage – Cynthia Leal

California Housing Finance Agency (CalHFA) DPA – Molly Ellis

Freddie Mac – Monica LaCruce

Down Payment Connect – Sean Moss

Renovation Lending, HELOC and ADU's - Skip Schenker / Abel Fregoso

Homebuyer Education Program – Melanie McShane



Please be advised that you aren't required to seek services from any of the speakers in the presentation

They were chosen because we believe they'll be helpful in providing education without requiring you to give them business. Having said that, we're not making any representations or warranties regarding the quality of their services.

We understand that you may have your own preferred companies and ultimately, it's your decision as to whose services you will seek.

Inclusivity Statement



We ask that each of you support C.A.R.'s diversity efforts by committing to treating each other with dignity and respect. Please:

- Keep statements focused on the topic or question before the group.
- Avoid mention of irrelevant demographic information like age or unrelated leadership experience.
- Refrain from saying or doing anything that could lead anyone to feel excluded or belittled.

C.A.R.'s Transaction Rescue Leadership may interject, as needed, to promote full and respectful dialogue.

Why Homeownership Matters Video



Why Homeownership Matters



Thank You

Why Homeownership Matters

Jordan Levine

Jordan Levine
Chief Economist

CALIFORNIA ASSOCIATION OF REALTORS®



Homeownership in California & Its Benefits

STEPS Toward Homeownership

June 21, 2023

Jordan G. Levine

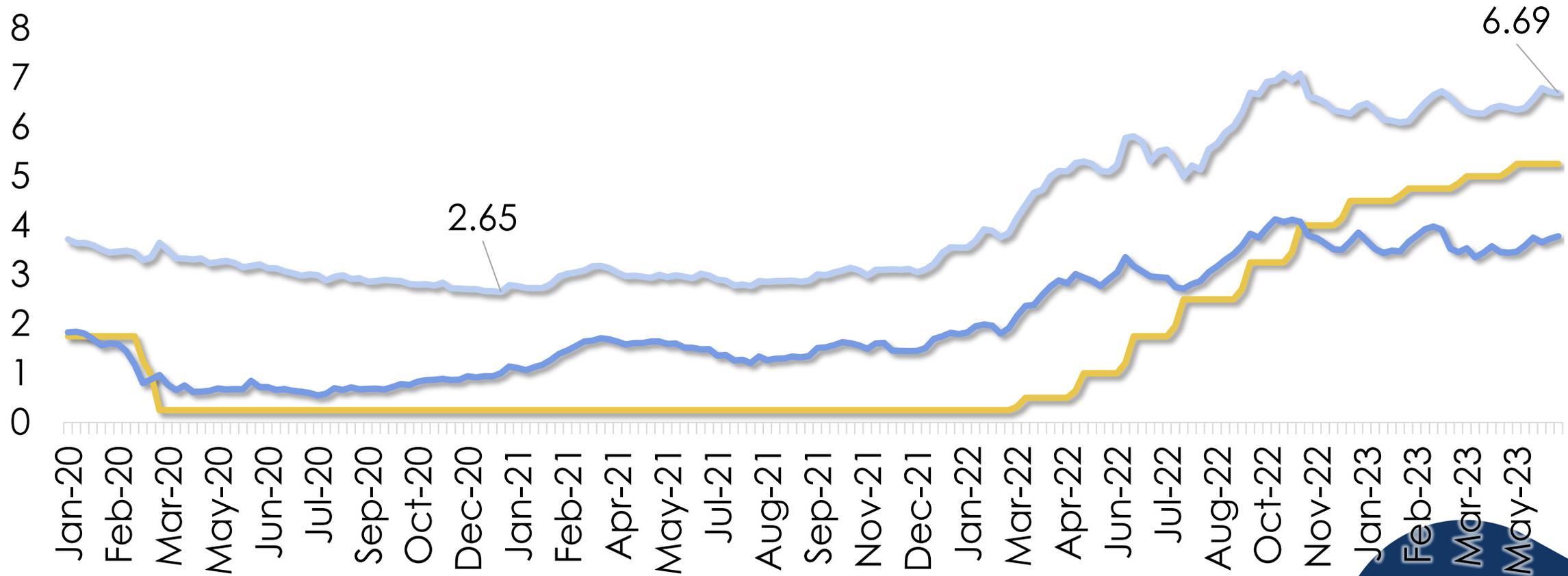
Vice President & Chief Economist
California Association of REALTORS®



Rates broke 7% again, but back down again after SVB

Key Interest Rates

— Fed. Funds Target — 10-Yr Treasury — 30-Yr FRM



Step 1: Define Buyer's Profile

Select County of Residence

Los Angeles

Select Annual Household Income

\$120,000

Select Desired Downpayment (% of Purchase Price)

3.5%

5.0%

10.0%

20.0%

Select Desired Monthly Payment (% of Income)

Low (30%)

Medium (35%)

High (40%)

Step 2: Toggle Interest Rate for Buyer Impacts

Select Rate for Purchasing Power & Inventory Below Cutoff

3.0%

3.5%

4.0%

4.5%

5.0%

5.5%

6.0%

6.5%

7.0%

7.5%

8.0%

8.5%

9.0%

9.5%

10.0%

Impact on Homebuyer's Purchasing Power

\$3,000

Target Monthly Payment (PITI)

\$663,301

Price Cutoff At Selected Rate

\$132,660

Downpayment Amount

Impact on Number of Listings Below Cutoff

May-23

Listings As Of Month

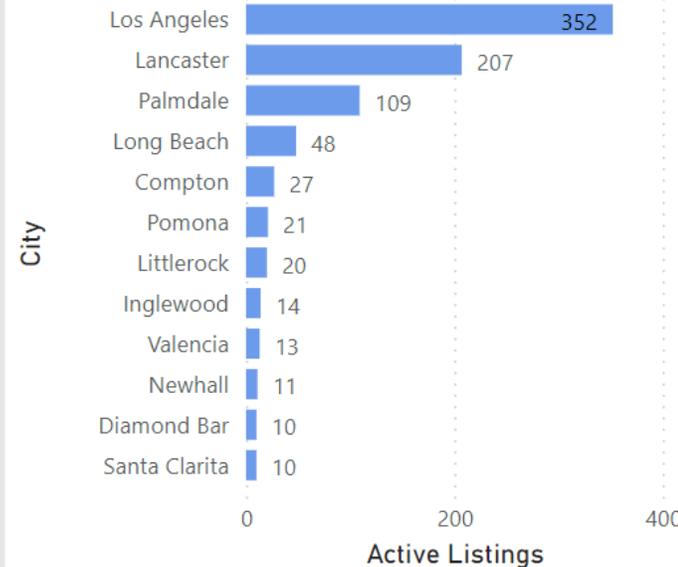
1,088

Listings At/Below Price Cutoff

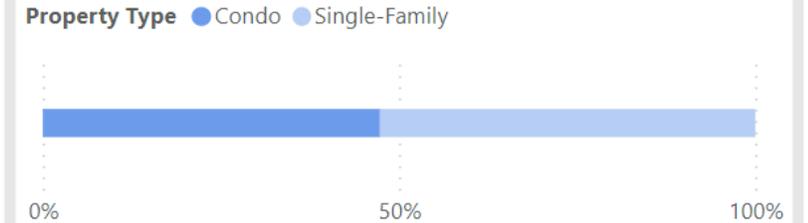
18%

Share At/Below Price Cutoff

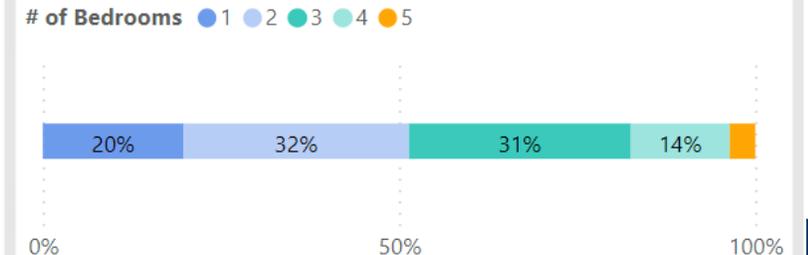
Active Listings by City



Share of Active Listings by Property Type



Share of Active Listings by # of Bedrooms



Step 1: Define Buyer's Profile

Select County of Residence

Los Angeles

Select Annual Household Income

\$120,000

Select Desired Downpayment (% of Purchase Price)

3.5%

5.0%

10.0%

20.0%

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Low (30%)

Medium (35%)

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Step 2: Toggle Interest Rate for Buyer Impacts

Select Rate for Purchasing Power & Inventory Below Cutoff

3.0%

3.5%

4.0%

4.5%

5.0%

5.5%

6.0%

6.5%

7.0%

7.5%

8.0%

8.5%

9.0%

9.5%

10.0%

Impact on Homebuyer's Purchasing Power

\$3,000

Target Monthly Payment (PITI)

\$483,361

Price Cutoff At Selected Rate

\$96,672

Downpayment Amount

Impact on Number of Listings Below Cutoff

May-23

Listings As Of Month

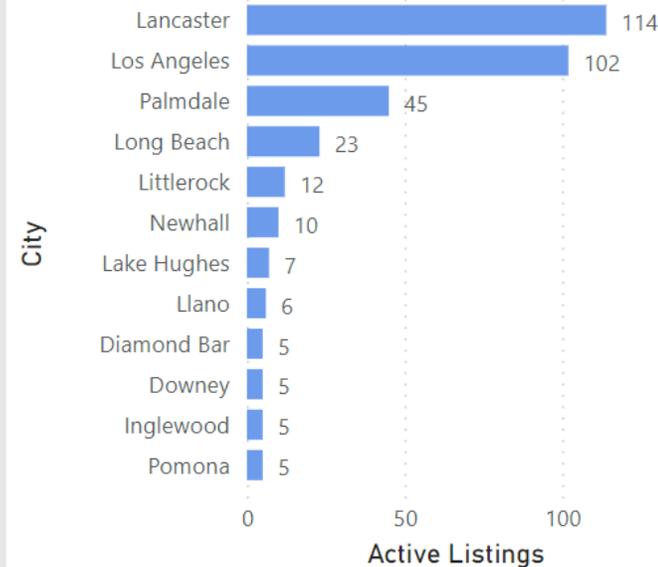
385

Listings At/Below Price Cutoff

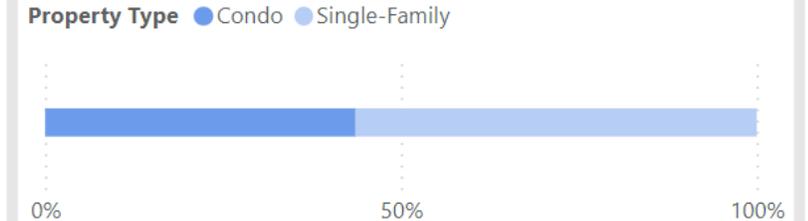
6%

Share At/Below Price Cutoff

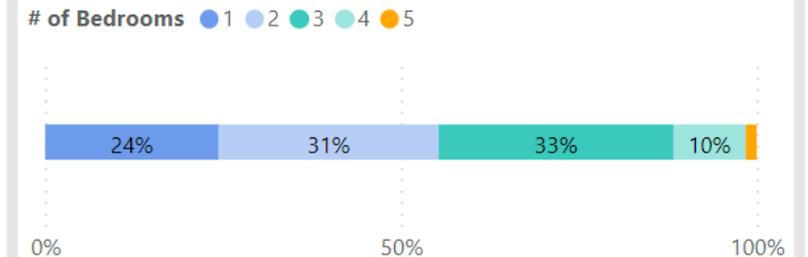
Active Listings by City



Share of Active Listings by Property Type

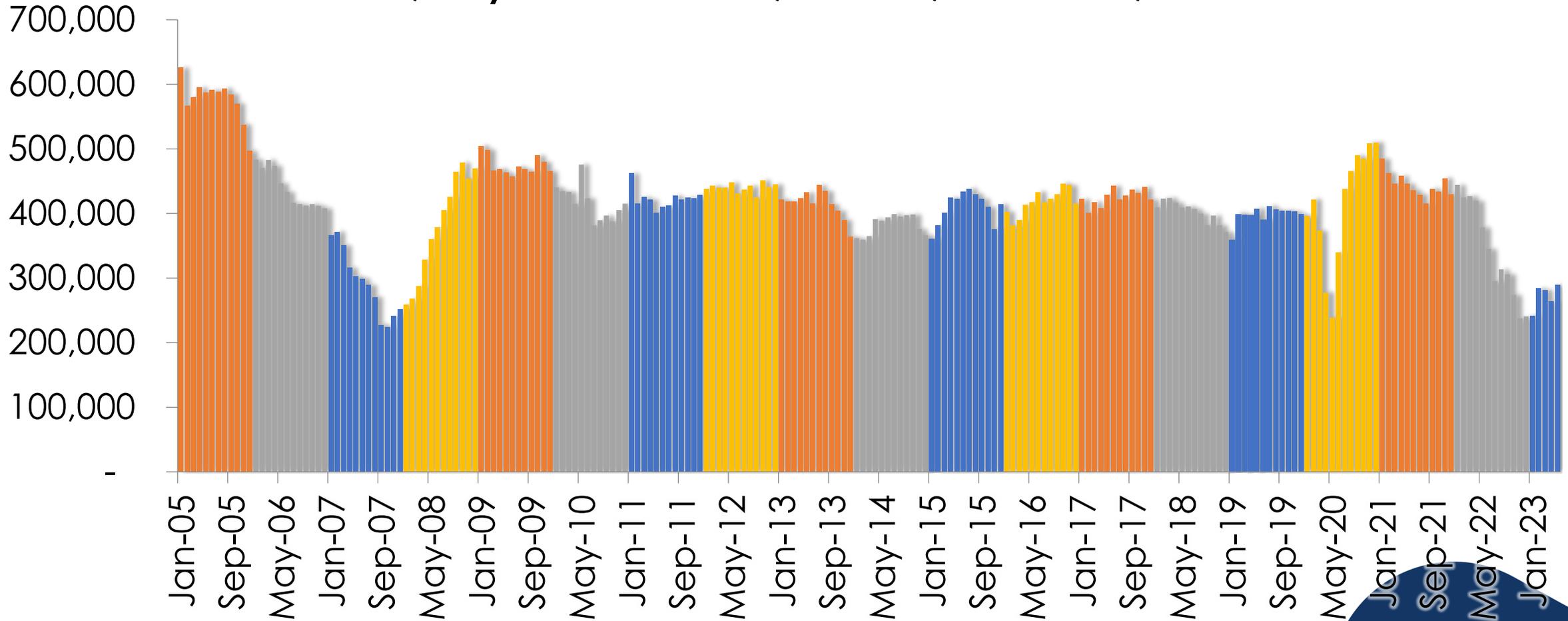


Share of Active Listings by # of Bedrooms



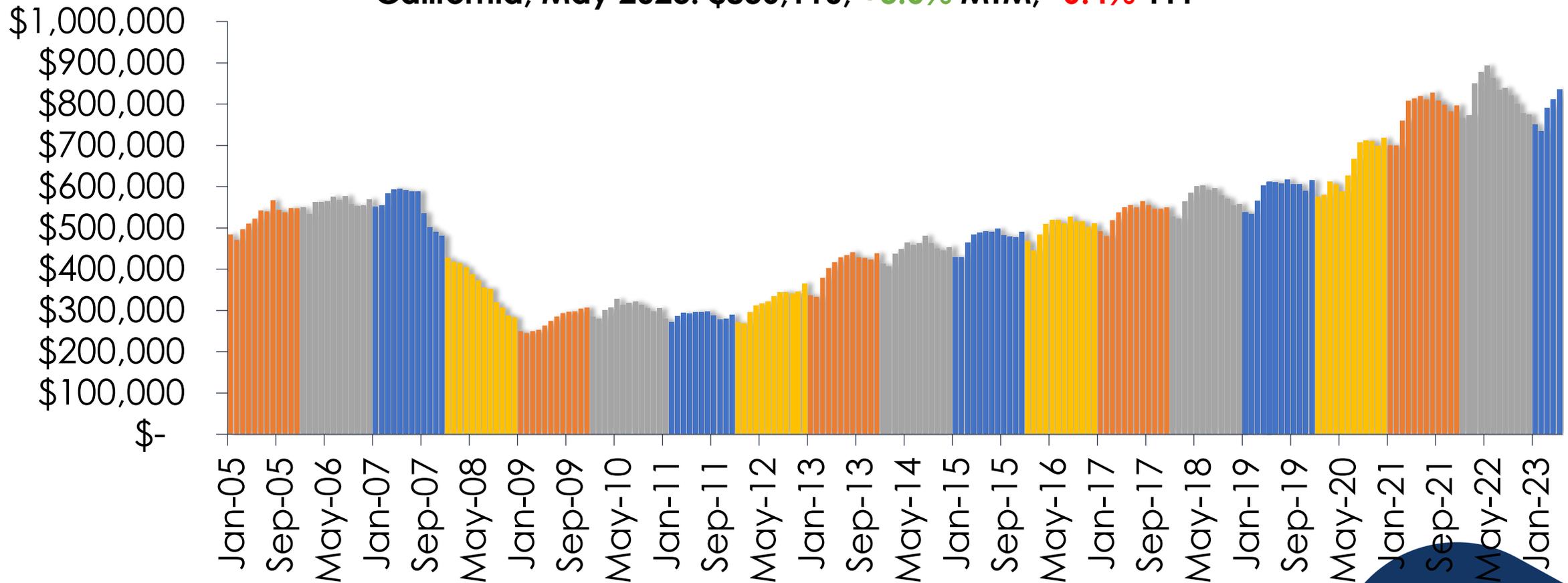
Sales at highest level in eight months despite headlines

California, May 2023 Sales: 289,460 Units, **-23.6%** YTY, **+9.8%** MTM



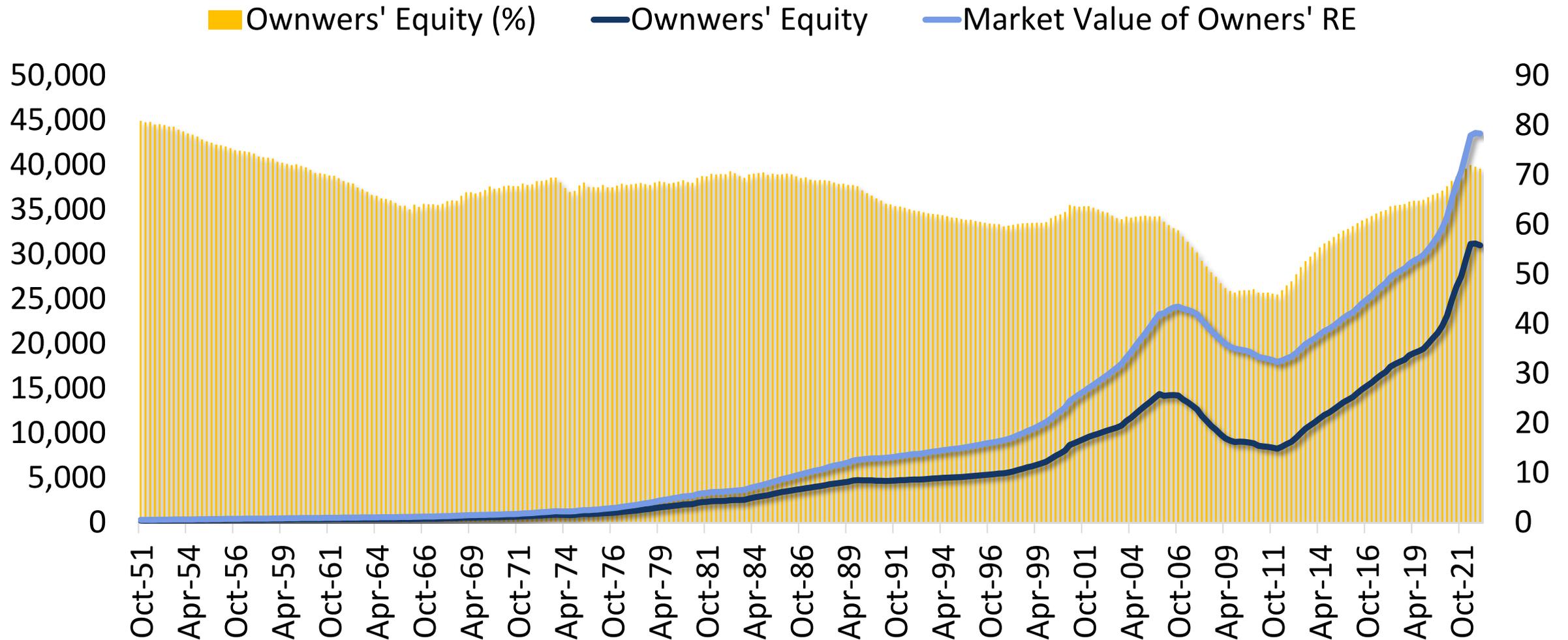
Buyers waiting for bottom may have missed it

California, May 2023: \$836,110, +3.0% MTM, -6.4% YTY



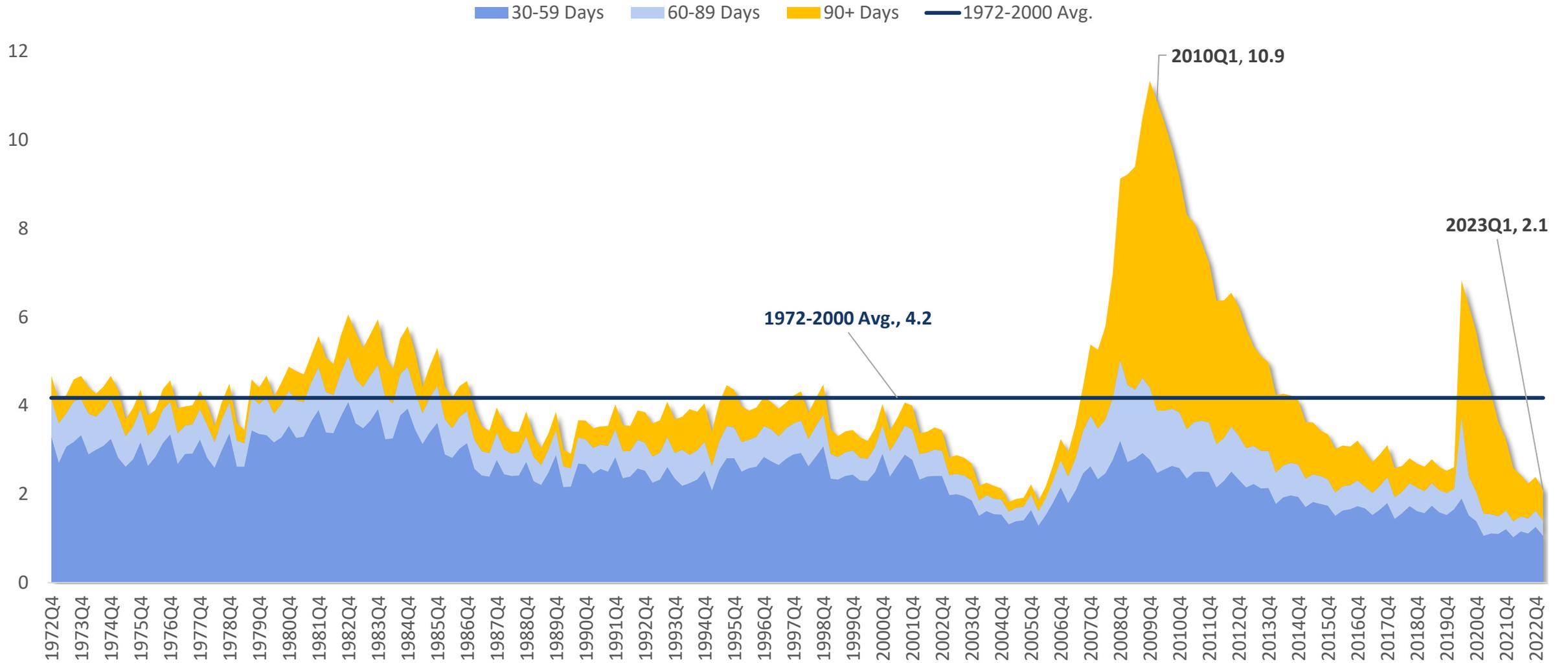
Homeowner equity still at an all-time high

U.S. Homeowners' Equity

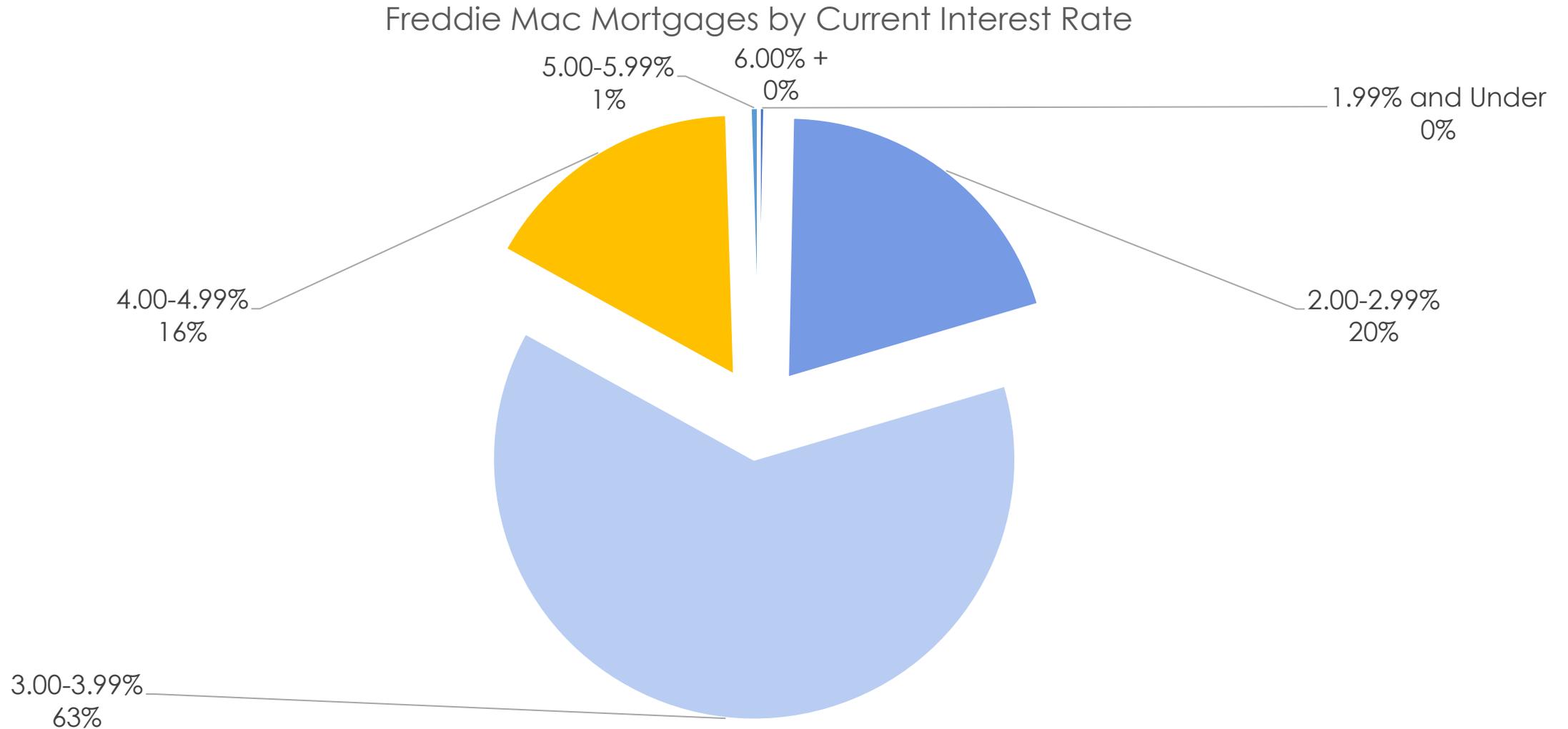


Delinquency currently half of historical average

California Mortgage Delinquency Rate

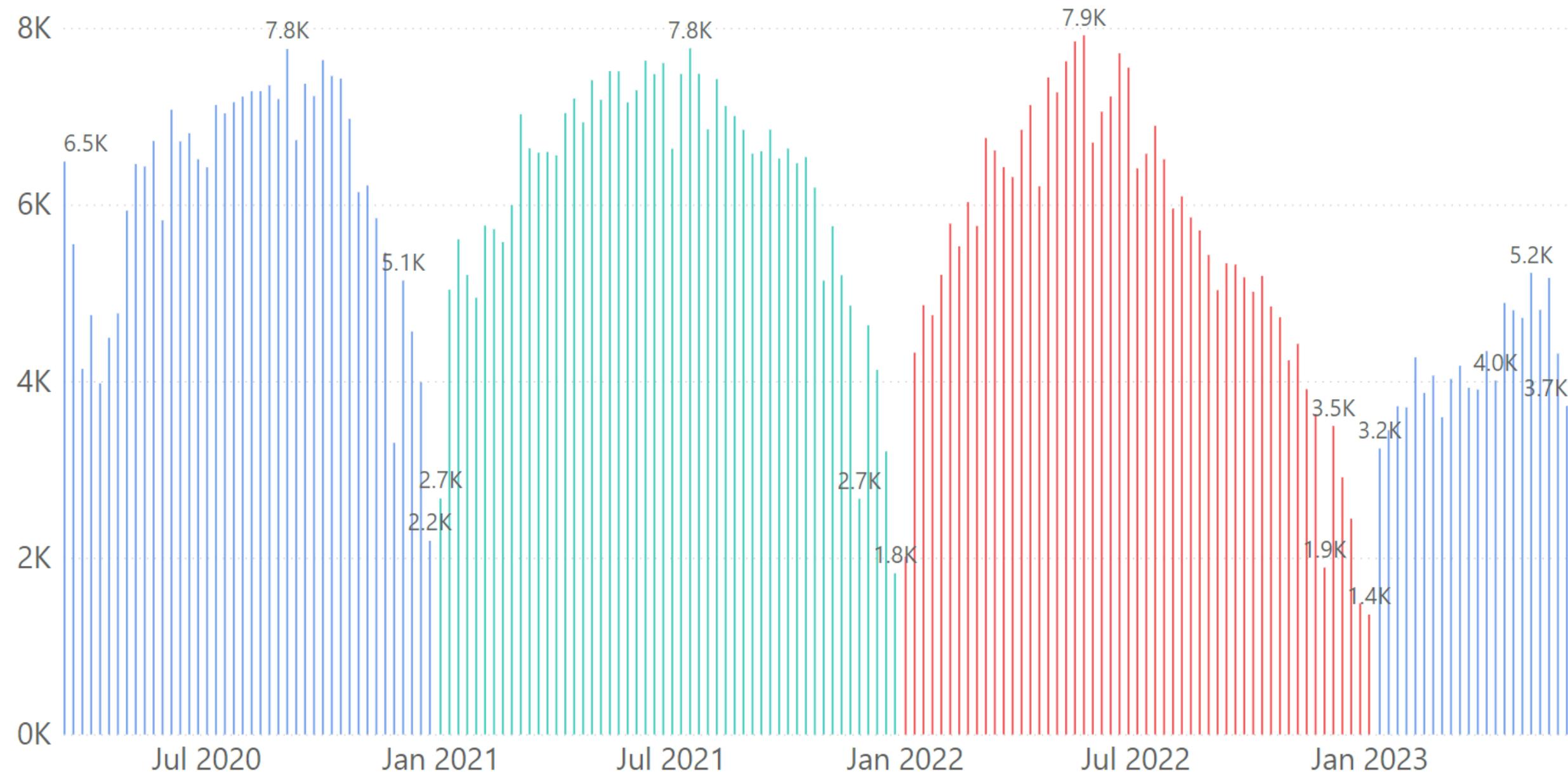


Lock in effect is alive and well, unfortunately



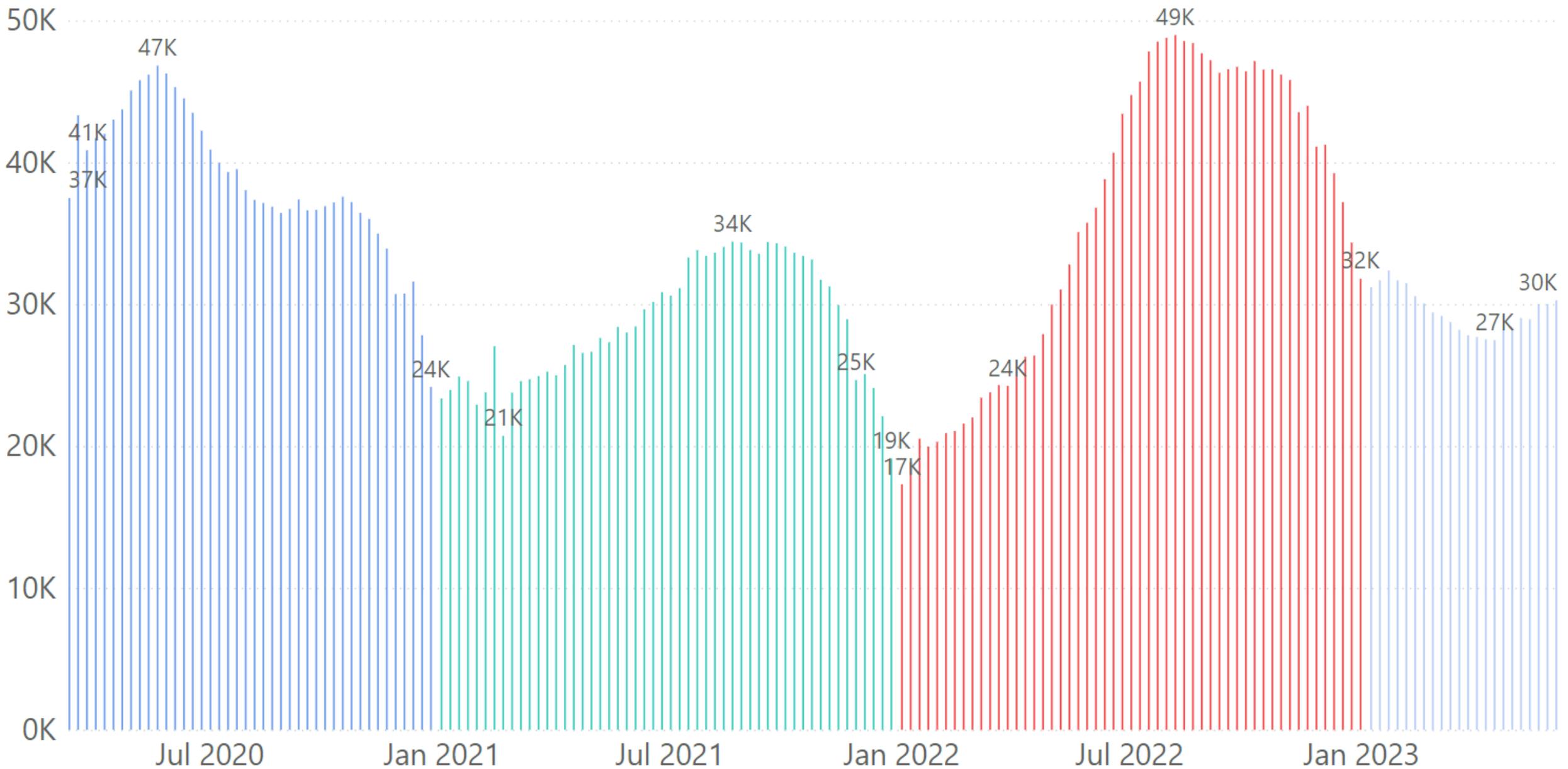
New Existing SFR Listings Added to MLSs

Year ● 2020 ● 2021 ● 2022 ● 2023

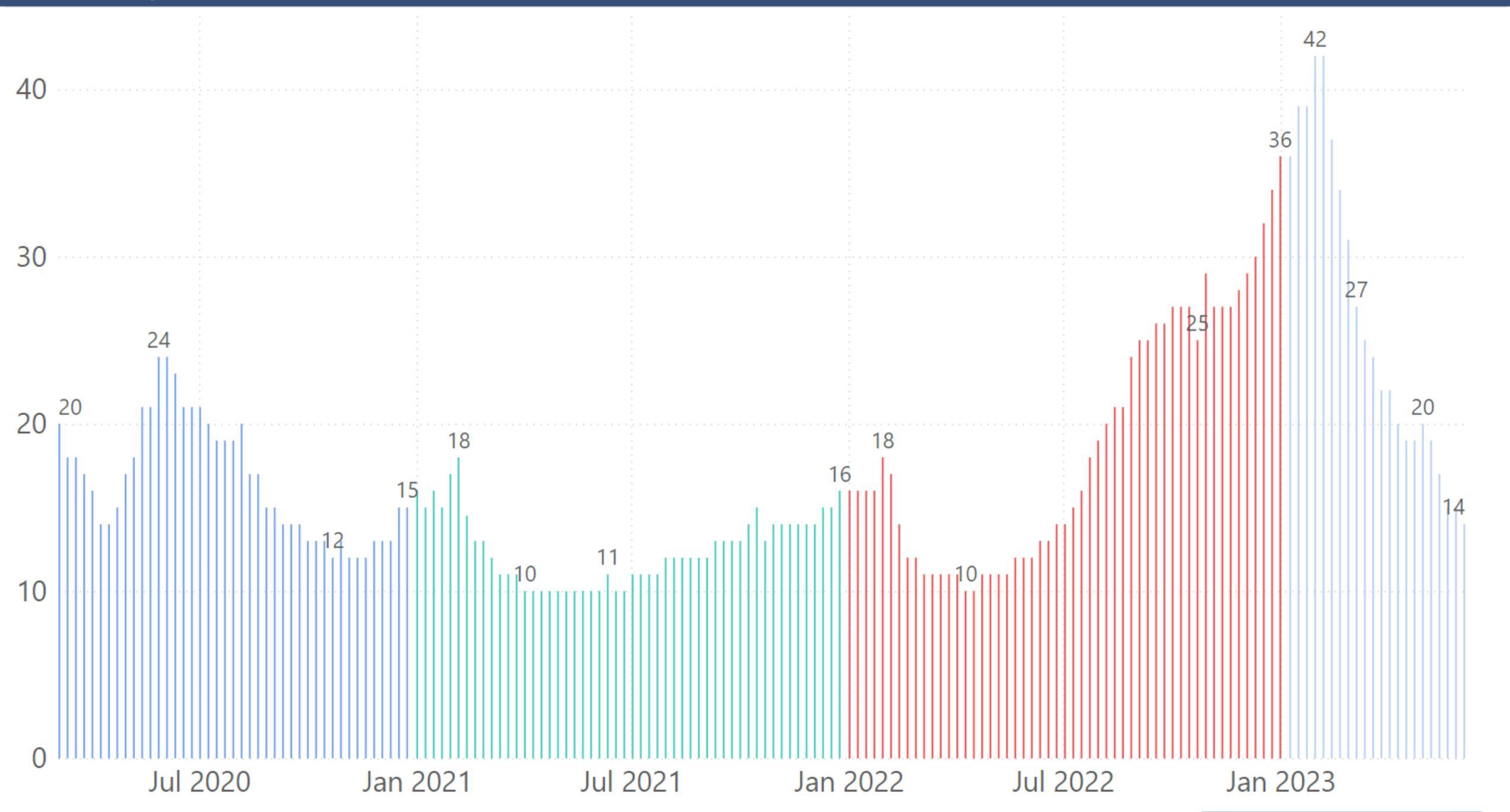


Existing SFR Active Listings

Year ● 2020 ● 2021 ● 2022 ● 2023

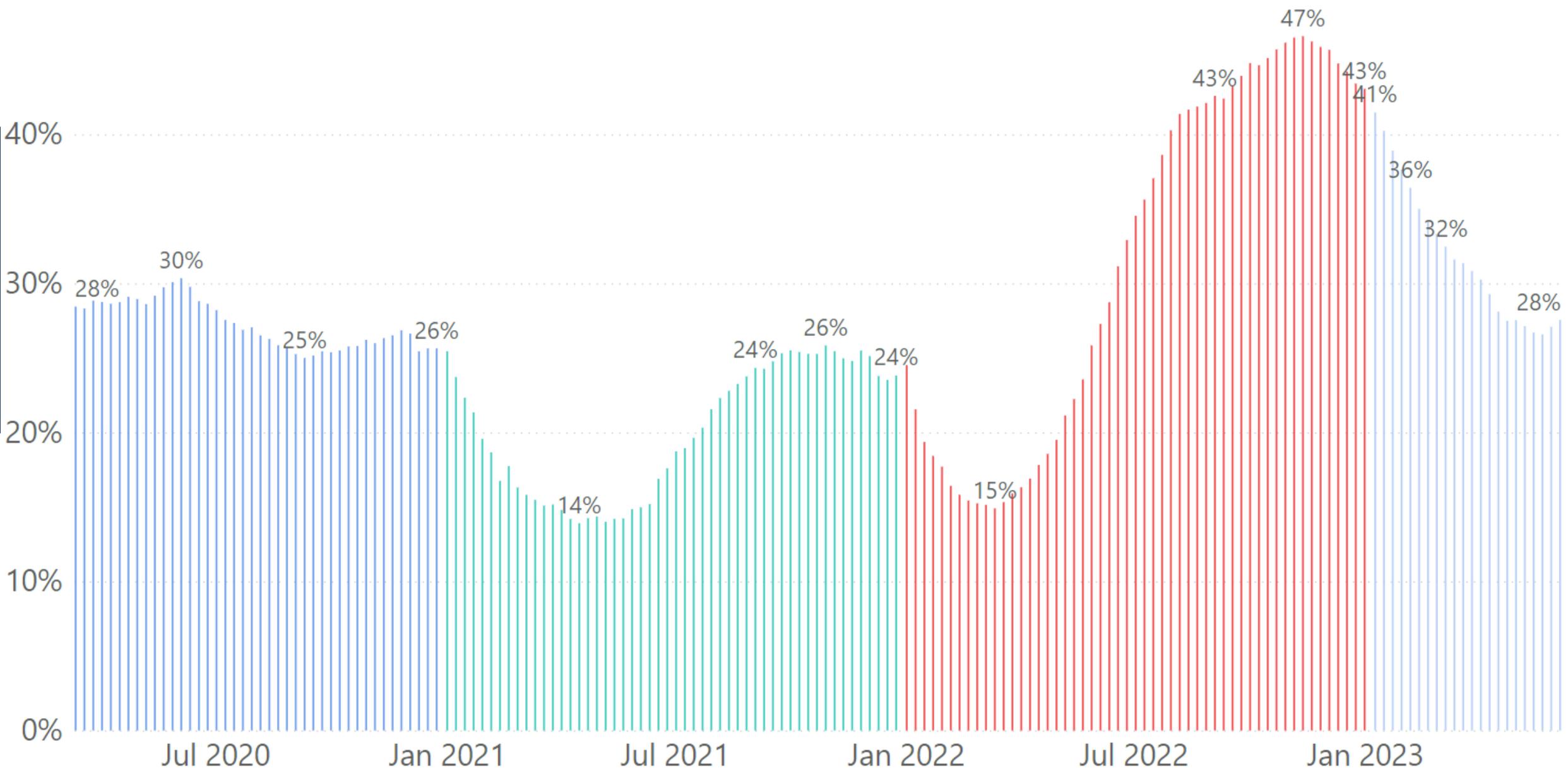


Median Days on Market for Closed Sales (Month-to-Date for Current Month)



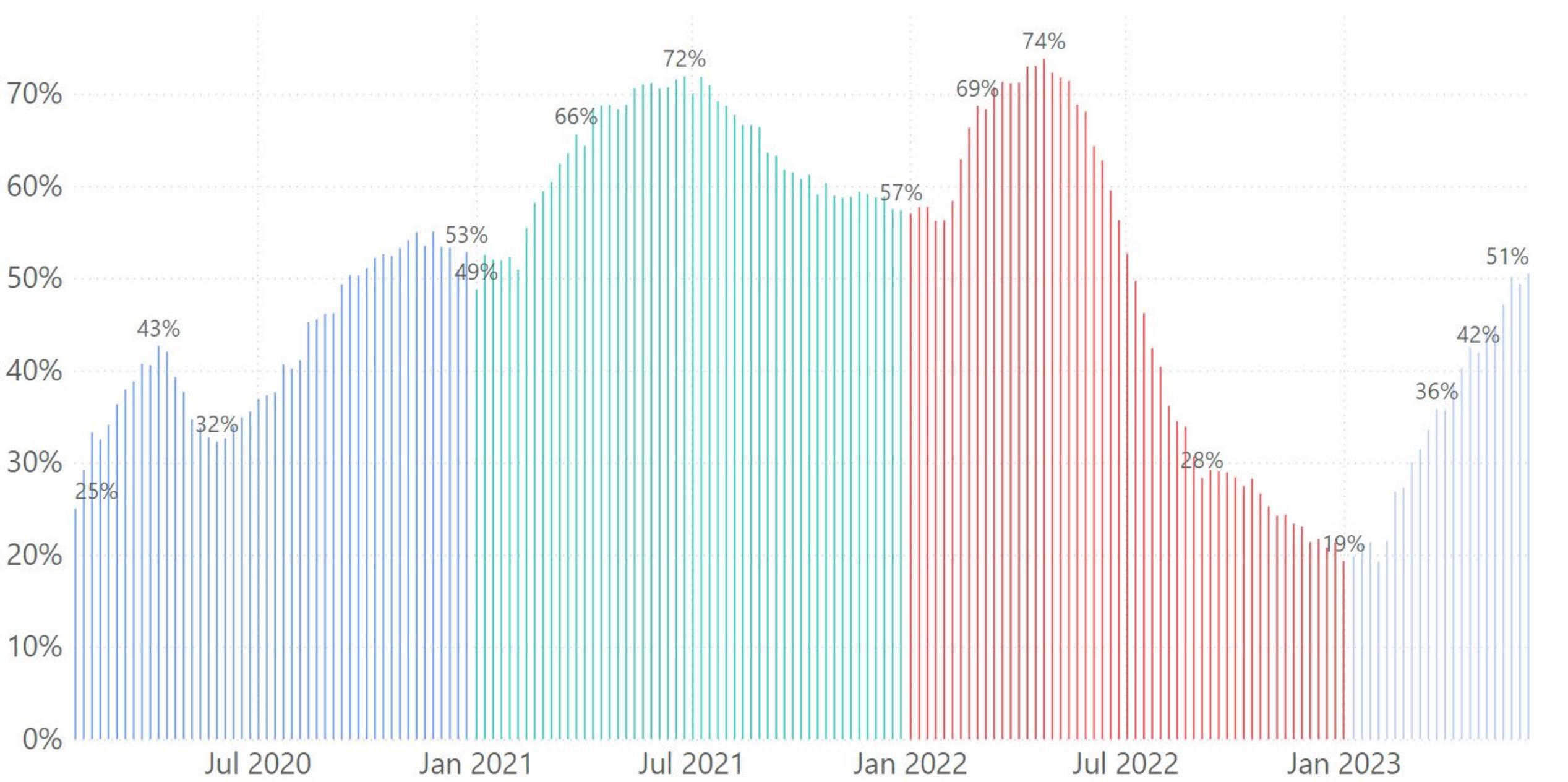
% of Active Listings w/Reduced Price

Year ● 2020 ● 2021 ● 2022 ● 2023



% of Homes Closed Above List Price

Year ● 2020 ● 2021 ● 2022 ● 2023





Even after the tremendous decline in housing prices and the rising wave of foreclosures that began in 2007, homeownership continues to be a significant source of household wealth, and remains particularly important for lower-income and minority households.

Harvard Joint Center for Housing Studies, 2013

Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?)



While it may still be the case, as suggested by the simulation studies, that under the right conditions renters would come out ahead of owners, in practice we do not observe these outcomes.

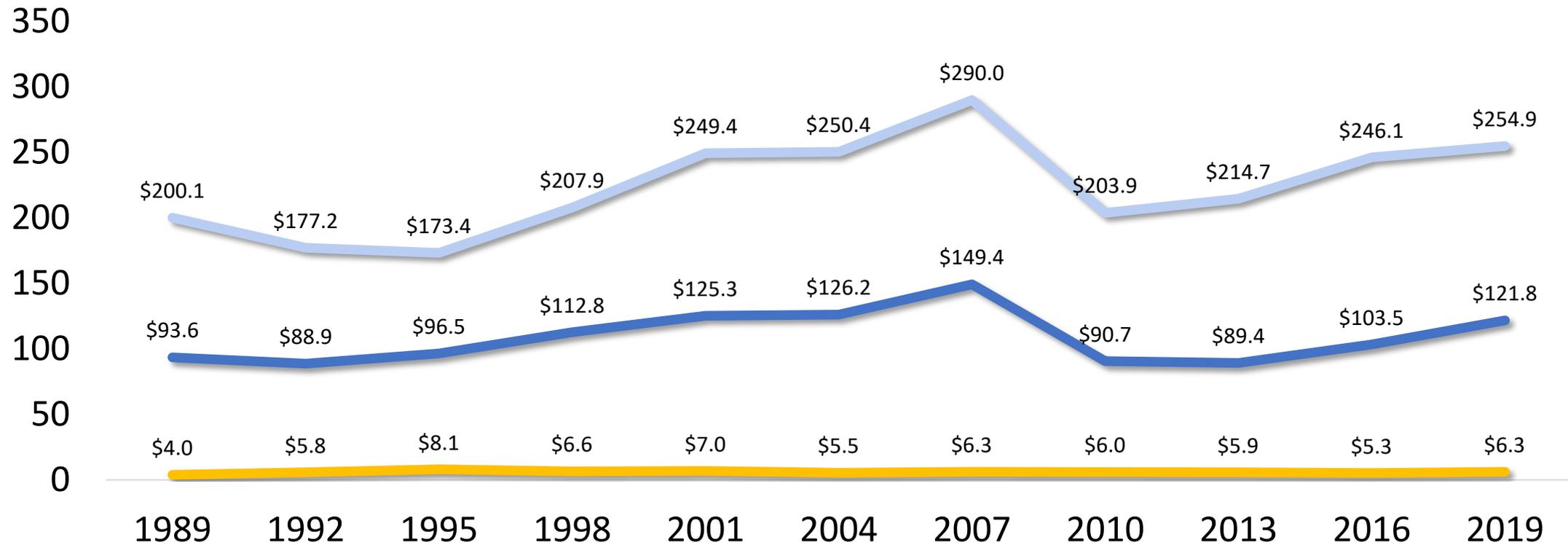
Harvard Joint Center for Housing Studies, 2013

Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?)

The benefits of homeownership are well documented

Real Household Net Worth Per Capita

— All families — Owner — Renter or other

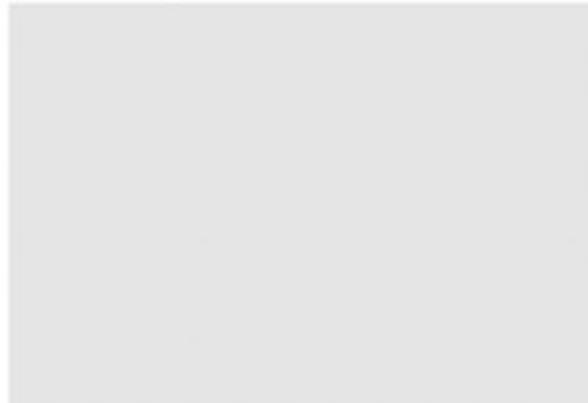


Education



Findings show that homeownership has a significant positive impact on educational achievement.

Children of homeowners tend to have higher levels of achievement in math and reading, and lower drop-out rates.



Health



Homeowners and children of homeowners are generally happier and healthier than non-owners.

The wealth building effect of homeownership and the sense of control it provides to homeowners in a stable housing market positively affect homeowners' mental and physical health.

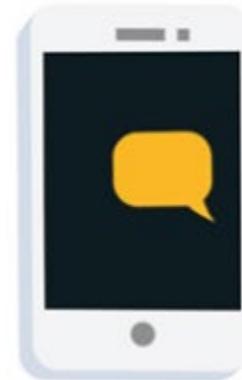


Civic Engagement



Homeowners tend to be more involved in their communities than renters.

Homeowners are likely to participate in local elections, civic groups and neighborhood groups.

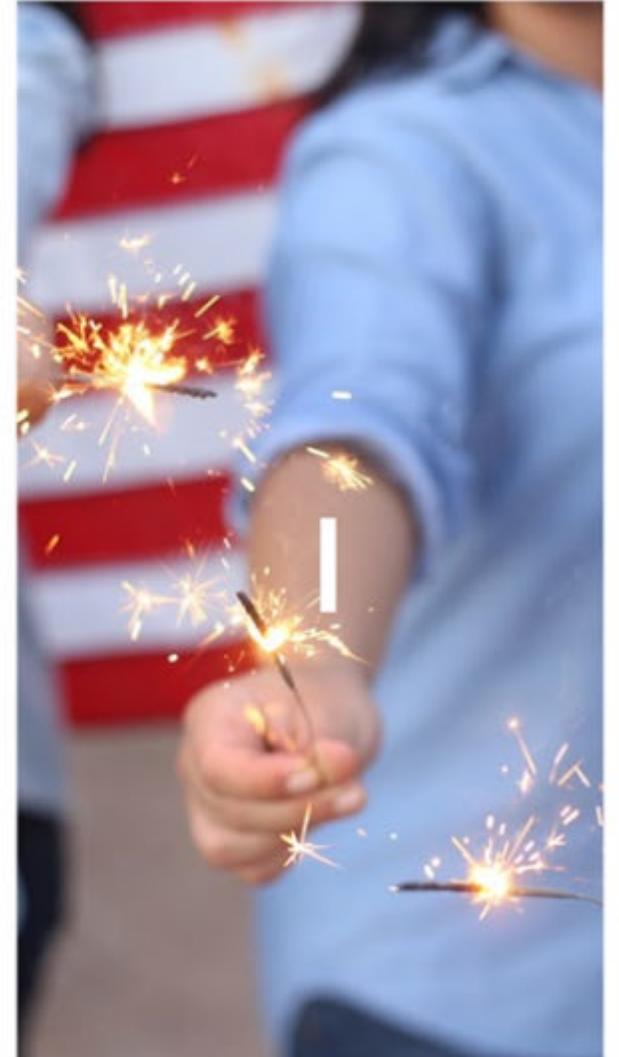


Crime



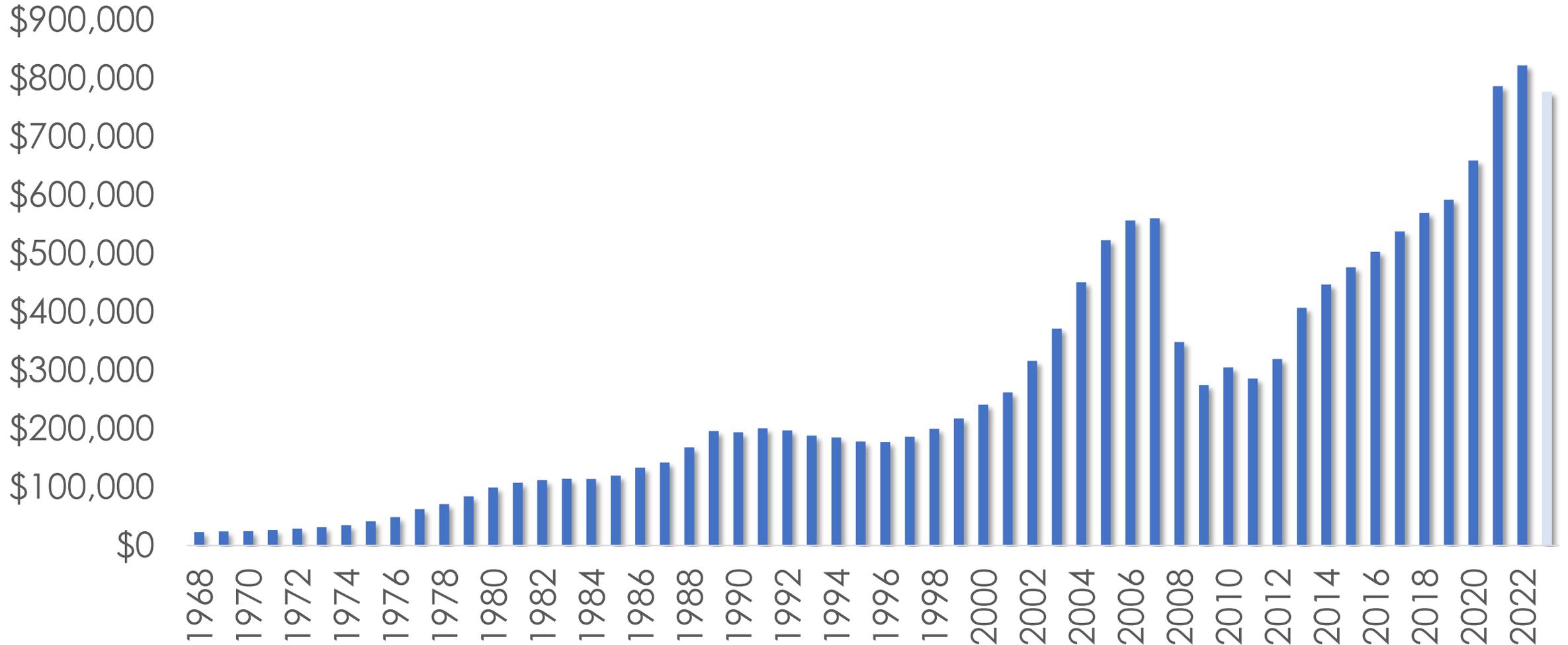
There is a lower crime rate among homeowners and people living in a stable housing environment.

A stable neighborhood, independent of ownership structure, is also likely to reduce crime.



Over the long run, prices in CA only go 1 way

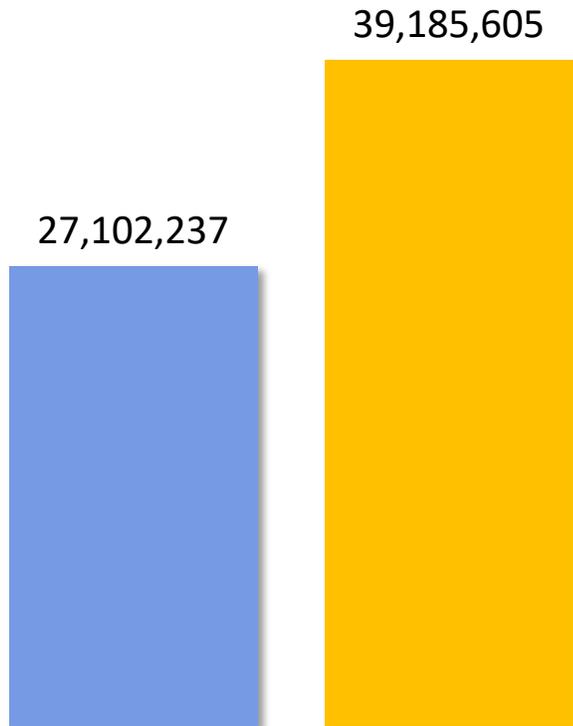
California Existing SFR Median Price



Basic laws of supply and demand ensure that...

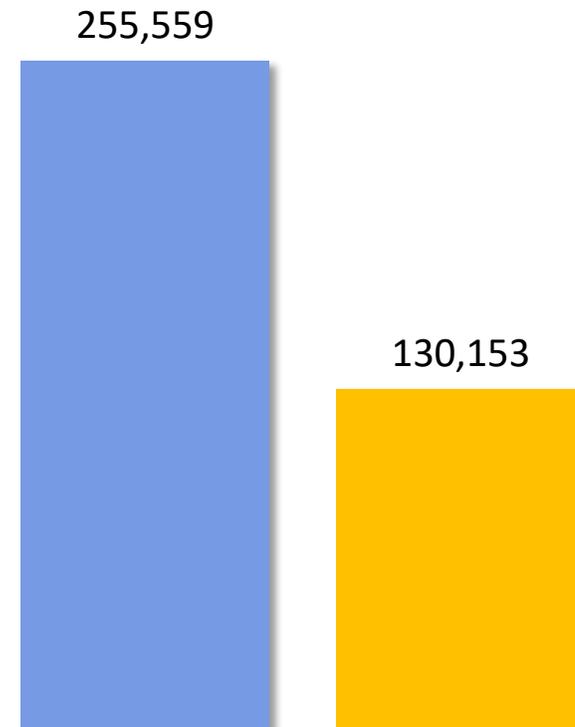
California Population

■ 1986 ■ 2022



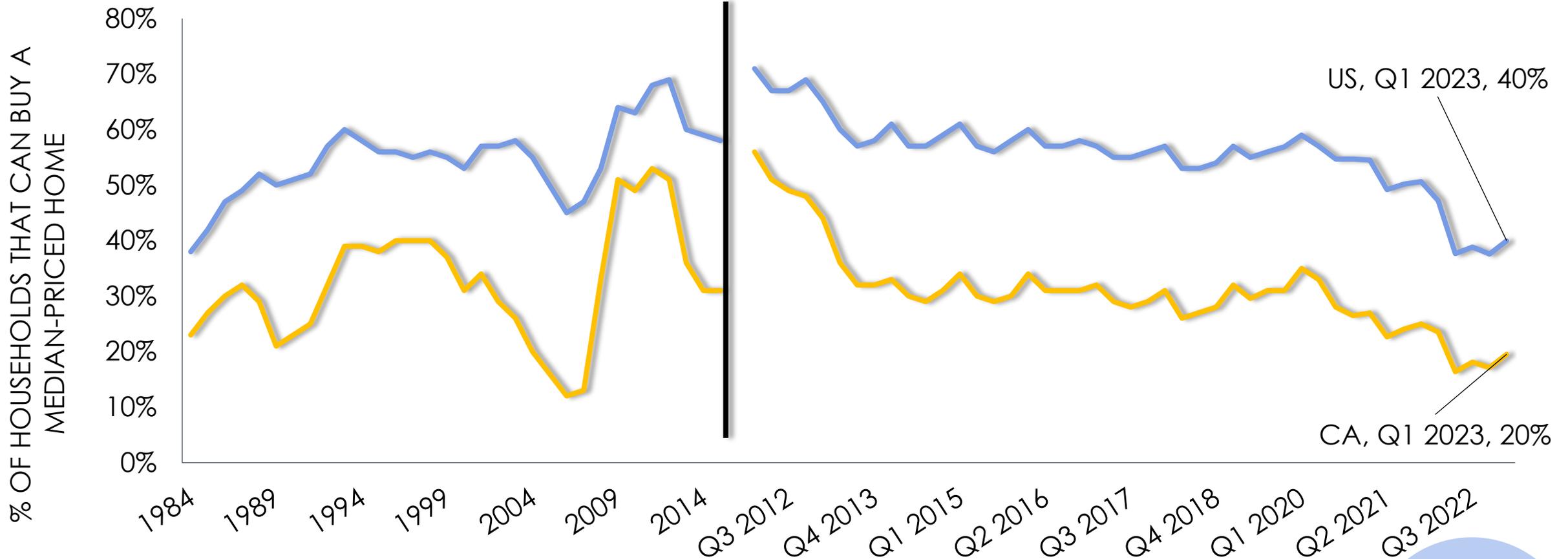
California Permits

■ 1988* ■ 2022



Housing affordability near the lowest level since 2007

California, 1984-2022





Stay Up to Date w/Research & Economics Resources

Weekly Market Minute

<https://www.car.org/marketdata/marketminute>

Housing Matters Podcast

<https://www.car.org/marketdata/podcast>

Real Quick Videos

<https://www.car.org/marketdata/realquick>

Purchasing Power Calculator

<https://www.car.org/marketdata/interactive/interestrategyaffordability>



Thank You

Transaction Rescue & STEPS Resources for Upcoming Event

Deeper Dive – Freddie Mac & Jordan Levine on Affordability & the Homebuyer Challenges

https://carorg.zoom.us/webinar/register/WN_2lfQfVnhQ5GywCs1g3K3mA

STEPS Towards Homeownership

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

Qualtrics Survey of Today's Event

https://car.qualtrics.com/jfe/form/SV_e5JKDQPxFnbb8F0

Need Help With Your Transaction

<http://mortgage.car.org>

TransactionRescue@car.org

213-739-8383



Shared Materials - Lending & Down Payment Assistance

Basic Credit Requirements

- **CREDIT SCORES MATTER!**
- Credit is Dynamic
 - Score Changes Possible with Proper Planning
 - Tradelines (or Credit Depth) is an important characteristic to be aware of
 - Possible Removal of Derogatory Credit (if done in advance)
- Credit Hardships & Life Events Can Change the Rules
- Non-Traditional Credit May Help When Lack of History
 - Rental history
 - Insurance payment history
 - Cell phone payment history
 - Child Care payment history

REALTOR® Resource:

Tips for Credit-Challenged Buyers

Help your credit-challenged buyers with the **Stop-Start-Fix** credit improvement system

Stop adding new derogatory credit by bringing past-due balances on open accounts current, avoiding new late payments, and reducing revolving credit card balances.

Start building positive credit by having two to three credit accounts using secured credit cards if necessary, keep the balances low and maintain an on-time payment history.

Fix prior derogatory credit by selectively paying off or settling collection and charged-off account, judgements, and liens *as required by the underwriter*.

Helpful referral resource: Credit.org is a non-profit organization that offers a wide range of free credit counseling and financial management services

2023 Conforming & High Balance Loan Limits by County for Freddie & Fannie (As of 1/01/2023)

The Federal Housing Finance Agency's (FHFA) announcement to increase the 2023 conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac to **\$726,200** on one-unit properties and a cap of **\$1,089,300** in high-cost areas. The previous loan limits were \$647,200 and \$970,800, respectively. Higher Loan Limits = More Properties Available to Entry Level Buyers

Loan Limit Counties

\$970,800 –	Alameda, Contra Costa, Los Angeles, Marin, Orange San Benito, Santa Clara, Santa Cruz, San Mateo
\$647,200 > < 970,800	San Diego, Ventura, Santa Barbara, San Luis Obispo, Monterey Napa, Sonoma, Yolo, Sacramento, Placer, El Dorado
\$647,200 –	All Remaining Counties for FHLMC/FNMA, FHA are less.

Link to Freddie Mac (FHLMC) / Fannie Mae (FNMA) 2023 Loan Limits

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

Link to FHA Loan Limits just changed on the 7th of December for 2023 Limits – Conforming \$726,200 max, (for single unit) less in many areas

<https://entp.hud.gov/idapp/html/hicost1.cfm>

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.



Homebuying Team

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

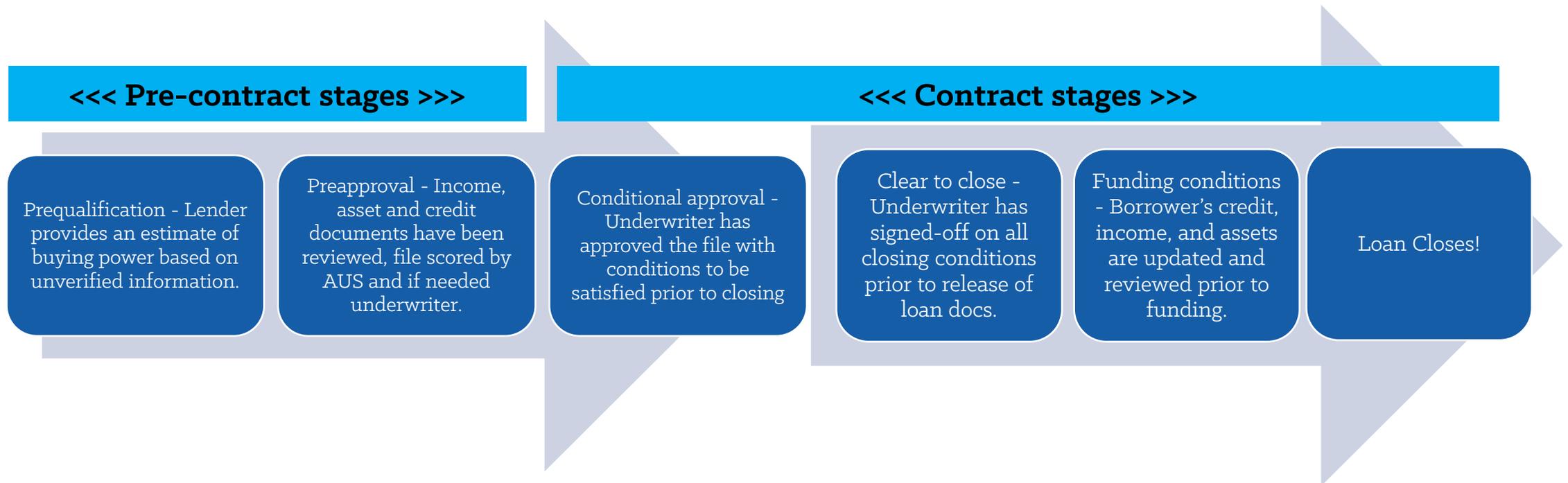
Misconceptions About Qualifying

- Up to 4 people can be on a loan
- Co-borrower' and Cosigners can own other property
- Gifts can be from Family or close friends
- Employers, Charities, Seller and Real Estate agent can contribute
- Non-Occupant coborrowers are allowed
- 2 years at current employer not required
- More than 1 employer is ok
- Permanent Residents are acceptable
- Some Work Permits are acceptable
- Social Security Income is acceptable
- Self Employed and 1099 Income acceptable
- SSI for children can be used
- Disability can be used
- Ok if NBS doesn't have a social security number

What Constitutes a Valid Loan Application?

1. Name
2. Income
3. Social Security Number
4. Property Address or (TBD)
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.

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!

Programs

Calculating a Temporary Buydown

The most common question in Lending was asking about How the 2/1 buy down works.

Here is how a 2/1 temporary buy down work. 3/1 is also available.

Example: 2/1 buy down

Purchase	\$650,000
3% down	<u>\$ 19,500</u>
Loan Amount	\$630,500
Interest rate	6.25%

P & I \$3,882

Buy down 4.25%

P & I \$3,101 - \$3,882 = \$781 x 12 = \$9,372

2nd yr. 5.25%

P & I \$3,481 - \$3,882 = \$401 x 12 = \$4,812

Total seller concession is \$14,184, which is = to 2.18 points in this example.

The \$14,184 goes into an escrow account and that pays for the reduction in payments for year one & two.

QUESTIONS?

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**

Qualified Mortgage (QM) Loans

- Government Loans
 - FHA – 3.5% down
 - VA – 0% down
 - USDA – 0% down
- 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)
- High Balance & Jumbo Loans

Qualified Mortgage (QM) Loans - Guidelines

FHA Loan

- Designed for Purchase only on primary residence
- Max LTV 96.5% Value
- FICO – Minimum 580
- DTI – Maximum 56%
- 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: \$970,800 Varies by Each County Limit
- Property Condition: FHA guideline must be met. No health & safety issues
- Owner Occupied (Non- occupied Co-Borrower allowed)
- General Notes
 - Property Types 1 -4 units, FHA Approved Condos, Mixed Use, Manufactured
 - No Cash-Out Possible

Qualified Mortgage (QM) Loans - Guidelines

FHA High Balance with CalHFA DPA

- Purchase only, must be a first-time home buyer or have not owned a property in over 3 years
- FHA max LTV 96.5% with CLTV 105%
- Fico – minimum 660, DTI – max 45%
- High balance fee on FHA ranges from .352% to 1.302%
- Income limits varies by each county
- No maximum sales price
- 2022 max loan limits: low-cost areas \$420,680 & high-cost areas \$970,800 varies by each county

Qualified Mortgage (QM) Loans - Guidelines

USDA Loan

- 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 580 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>

Qualified Mortgage (QM) Loans – Guidelines VA Loans

- Purchase or Refinance
- Max LTV 100%
- FICO – Minimum 580 up to \$970,800; 680 over \$999,999; 700 to \$1.5m
- 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: VA appraisal guidelines
- Owner Occupied Only
- General Notes
 - Property Types 1 -4 units, PUDs, VA Approved Condos
 - No Cash-Out Possible

Qualified Mortgage (QM) Loans – Guidelines FHA 203K Loan

- Designed for Purchase or Refinance and Renovation of Older, Distressed or Homes in Need of Cosmetic Repairs.
- Purchase or Refinance
- Max LTV 96.5% purchase and 97.75% no cash out refinance/80% cash out refinance
- FICO – Minimum 580
- DTI – Maximum 56.9% or per AUS / DU Findings
- 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-occupied Co-Borrower, okay)
- General Notes
 - No Minimum Repair Budget with a 35k Maximum Including Soft Costs
 - Property Types 1 -4 units, FHA Approved Condos, Mixed Use, Manufactured
 - Loan based on LTV of Value at Completion
 - 6 months Max Renovation Period
 - No Cash-Out Possible

Qualified Mortgage (QM) Loans - Guidelines

FHA Loan with DPA

- Designed for Purchase only on primary residence
- Max LTV 96.5% Value
- FICO – Minimum 660 Cal HFA / 620 GSFA
- DTI – Maximum 45% Cal HFA / 50% GSFA
- 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: \$970,800 Varies by Each County Limit
- Property Condition: FHA guideline must be met. No health & safety issues
- Owner Occupied Only (Non- occupied Co-Borrower not allowed)
- General Notes
 - Property Types 1 -4 units, FHA Approved Condos, Mixed Use, Manufactured
 - No Cash-Out Possible

Qualified Mortgage (QM) Loans – Guidelines Fannie Mae HomeReady

- 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 80% 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: Homeownership education & housing counseling is required

Qualified Mortgage (QM) Loans – Guidelines Freddie Mac Home Possible

- Freddie Mac's Home Possible mortgage offer outstanding flexibility and options to meet variety of borrower's needs in low- and 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 85% LTV, 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: First time homebuyers requires at least one qualifying borrower must participate in homeownership education program

Qualified Mortgage (QM) Loans – Guidelines Freddie Mac – Home One

- Home-One offers low down payment options with no specific income or geographic restrictions unlike those needed for Home Possible
- 1-unit Primary Residences Only (MFC Home & non-occupying co-borrowers not 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



Qualified Mortgage (QM) Loans - Guidelines

Freddie Mac with GSFA DPA

- 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 680
- 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: \$647,200 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

Qualified Mortgage (QM) Loans – Guidelines High Balance GSE

- 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 or per AUS
- DTI – Maximum 50% 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
- 2022 Max Loan Limit: Conforming \$647,200 & High Balance \$970,800, 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

Qualified Mortgage (QM) Loans - Guidelines

Conventional High Balance with CalHFA DPA

- Purchase only, must be a first-time home buyer or have not owned a property in over 3 years
- Conventional max LTV 95% with CLTV 105%
- Fico – minimum 680, DTI – max 45%
- High balance fee on conventional ranges from 1.439% to 3.084%
- Income limits varies by each county and no maximum sales price
- 2022 max loan limits: conforming \$647,200 & high balance \$970,800 varies by each county

Qualified Mortgage (QM) Loans – Guidelines Jumbo Program

- 95% LTV Jumbo loan w/no MI to \$1.5m Purch/RT Refi W-2 Wage Earner only
- 90% LTV Jumbo loan w/no MI to \$1.5m Purch only-W-2 Wage Earner only
- 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: <\$1,500,000 – 12mos PITIA; > \$1,500,000 – 24 mos. PITIA
- First time homebuyers are now eligible

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.

Renovation Loan Options



Renovation Loan Programs

FHA 203 K

- Owner occupied only
- Single family and 2-4 units
- ADU can only be financed with a single-family home
- ADU must be attached to existing home
- Convert garage or other existing space to an ADU
- Add bedrooms, bathrooms and full home remodel

FNMA HomeStyle

- Owner occupied, 2nd/vacation home and investor options
- Single family and 2-4 unit
- ADU can only be financed with a single-family home
- ADU can be attached or detached, site built, modular or manufactured homes
- Convert garage or existing space to an ADU
- Add bedrooms, bathrooms and full home remodel

Renovation Loan Programs

FREDDIE MAC CHOICE

- Owner occupied, 2nd/vacation home and investor options
- Single family and 2-4 unit
- ADU can only be financed with a single-family home
- ADU can be attached or detached, site built, modular or manufactured homes
- Convert garage or existing space to an ADU
- Add bedrooms, bathrooms and full home remodel

All renovation programs use the “After-Renovated” value to calculate the loan to value. Be sure to run comps to see what the value might be with the renovation/ADU being completed

Renovation Loan Purchase Scenario with ADU

FHA 203 K

Purchase	\$750,000
Renovation	\$150,000 (Garage or existing space converted to ADU)
Acquisition Cost	\$900,000
3.5% down	\$ 31,500
Loan Amount	\$868,500

Once the loan is closed, we deposit the \$150,000 into fund-controlled account and reimburse the contractor as they renovate/add the ADU

Approvals are Provided for Purchase Price + Renovation Funds = Acquisition Costs.

** You must make a narrative note on the RPA as to the use of a Renovation loan for the Investor to Finance.



Freddie Mac Choice Renovation Purchase Scenario Adding an ADU

FREDDIE MAC

Purchase	\$600,000
Renovation	\$250,000
Acquisition Cost	\$850,000
5% down	\$ 42,500
Loan Amount	\$807,500

Once the loan is closed, we deposit the \$250,000 into fund-controlled account and reimburse the contractor as they renovate/add the ADU

Approvals are Provided for Purchase Price + Renovation Funds = Acquisition Costs

When Looking for a Lender



California Association of REALTORS® - What to Look for in a Lender

Pre-Review Lender

- Reputation in Area
- Experience with similar working partners
- Knowledge of a Multitude of lending and DPA Programs in Area

Lending Entity

- Loan Product Alternatives
- Work with DPA Sources
- Either Direct Endorsed or Evidence of Performance.
- Pre-Approval with TBD Capability
- Loan Officer Access to Underwriter Pre-Approval
- Good Appraisal Network from Within the Area or Knowledgeable on the Area Appraisers

Partnership with C.A.R on Escalations or Sources

When Buyer Brings Their Own Lender – A 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?)

What TRID Means for the REALTOR®

- What does TRID stand for?
 - TILA (Truth-in-Lending Act 1974)
 - RESPA (Real Estate Settlement Procedures Act)
 - Became TILA-RESPA Integrated Disclosure Rule (effective Oct. 3, 2015).
- From this Rule came 2 new disclosures forms:
 - Loan Estimate (LE)
 - Closing Disclosure (CD).

What is TRID & What Our REALTORS® Should Know

Lenders must comply with very strict consumer disclosure requirements mandated by the Truth-In Lending RESPA Integrated Disclosure rules. TRID imposes specific time frames for issuing the Loan Estimate and Closing Disclosures. Most loan changes will require re-disclosures and a new waiting period. Buyers often have questions about the TRID disclosure documents, REALTORS® can familiarize themselves with these documents at

www.consumerfinance.gov/owning-a-home/

FICUS BANK
4321 Random Boulevard • Somersy, ST 12340 Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
 APPLICANTS Michael Jones and Mary Stone
 123 Anywhere Street
 Anytown, ST 12345
 PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
 SALE PRICE \$180,000

LOAN TERM 30 years
 PURPOSE Purchase
 PRODUCT Fixed Rate
 LOAN TYPE Conventional FHA VA
 LOAN ID # 123456789
 RATE LOCK NO YES, until 4/16/2013 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 3/14/2013 at 5:00 p.m. EDT.

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Prepayment Penalty	Does the loan have these features? YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968

Estimated Taxes, Insurance & Assessments
Amount can increase over time \$206 a month

This estimate includes
 Property Taxes
 Homeowner's Insurance
 Other:
See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.

In escrow?
 YES
 YES
 NO

Costs at Closing		
Estimated Closing Costs	\$8,054	Includes \$5,672 in Loan Costs + \$2,382 in Other Costs - \$0 in Lender Credits. See page 2 for details.
Estimated Cash to Close	\$16,054	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.
 LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID # 123456789

Closing Disclosure This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information	Transaction Information	Loan Information
Date Issued 4/15/2013 Closing Date 4/15/2013 Disbursement Date 4/15/2013 Settlement Agent Epsilon Title Co. File # 12-3456 Property 456 Somewhere Ave Anytown, ST 12345 Sale Price \$180,000	Borrower Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345 Seller Steve Cole and Amy Doe 321 Somewhere Drive Anytown, ST 12345 Lender Ficus Bank	Loan Term 30 years Purpose Purchase Product Fixed Rate Loan Type <input checked="" type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> Loan ID # 123456789 MIC # 000654321

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$761.78	NO
Prepayment Penalty	Does the loan have these features? YES • As high as \$3,240 if you pay off the loan during the first 2 years	
Balloon Payment	NO	

Projected Payments	Years 1-7	Years 8-30
Principal & Interest	\$761.78	\$761.78
Mortgage Insurance	+ 82.35	+ —
Estimated Escrow <i>Amount can increase over time</i>	+ 206.13	+ 206.13
Estimated Total Monthly Payment	\$1,050.26	\$967.91

Estimated Taxes, Insurance & Assessments
Amount can increase over time \$356.13 a month

This estimate includes
 Property Taxes
 Homeowner's Insurance
 Other: Homeowner's Association Dues
See Escrow Account on page 4 for details. You must pay for other property costs separately.

In escrow?
 YES
 YES
 NO

Costs at Closing		
Closing Costs	\$9,712.10	Includes \$4,694.05 in Loan Costs + \$5,018.05 in Other Costs - \$0 in Lender Credits. See page 2 for details.
Cash to Close	\$14,147.26	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.

CLOSING DISCLOSURE PAGE 1 OF 5 • LOAN ID # 123456789



Key Elements of Discussion

California Housing Finance System: REALTORS® Often the 1st Contact for Questions Related to Mortgage Finance

- **The State's housing finance system is a sophisticated network of private entities and public agencies that work together to connect buyers of residential real estate to the world-wide capital markets**
- **This efficient system expands access to low-cost mortgage credit, increases home ownership rates, and improves and stabilizes neighborhoods and the economy as a whole**
- **Realtors who understand the housing finance system and the roles and responsibilities of the various players will be in a stronger position to help their clients access its benefits**

Key Participants in California's Housing Finance System



Loan originators

who source, qualify and assist borrowers through the loan approval and closing process. Loan originators include retail loan officers employed by lenders and independent mortgage brokers



Lenders

who underwrite and fund mortgage loans and hold them in their investment portfolio or sell them to the secondary mortgage market. Lenders include commercial banks, mortgage companies and credit unions



Secondary Mortgage Market

establishes underwriting standards, purchases loans from lenders and guarantees them for capital market investors. The secondary market includes Freddie Mac, Fannie Mae, Ginnie Mae & Private Investors



State and local housing agencies incorporate public and private subsidies to increase affordability for low- and moderate-income borrowers and improve conditions in distressed neighborhoods

← Working together to expand access to low-cost mortgage credit →

Key Participants in CALIFORNIA's Housing Finance System

Working Together to Expand Access to Low-Cost Mortgage Credit

- **Loan Originators** who source, qualify and assist borrowers through the loan approval and closing process. Loan originators include retail loan officers employed by lenders and independent mortgage brokers
- **Lenders** who underwrite and fund mortgage loans and hold them in their investment portfolio or sell them to the secondary mortgage market. Lenders include commercial banks, mortgage companies and credit unions
- **Secondary Mortgage Market** establishes underwriting standards, purchases loans from lenders and guarantees them for capital market investors. The secondary market includes Freddie Mac, Fannie Mae, Ginnie Mae & Private Investors
- **State and Local Housing Agencies** incorporate public and private subsidies to increase affordability for low- and moderate-income borrowers and improve conditions in distressed neighborhoods

Overall STEPS

- **FINANCIAL PLANNING**
- Tell Prospective Homeowners to Create a Budget
- Identify the amount of money you have coming in –(Net Income –after taxes)
- Track your spending
- Set your long term and short-term financial goals.
- Make a Financial Plan
- Adjust your habits if necessary
- Keep checking in
- Adjust your habits if necessary
- Keep checking in
- **CREDIT SCORES MATTER!**
- Credit is Dynamic
- Credit Hardships & Life Events Can Change the Rules
- Non-Traditional Credit May Help When Lack of History
- **START-STOP-FIX**

Mortgage Planner for Your Clients

- **Tell Prospective Homeowners to Create a Budget**
 - Need to know what the client can afford in terms of payment
 - If RENO in their Future, being that it may be either an older home area, or they want their own touch on the remodel, start with a contractor they like & trust
- **Identify the amount of money you have coming in –(Net Income –after taxes)**
 - Easy to overestimate what you can afford, so identifying your monthly net income will help make it easier to figure out, even though calculations for DTI are based on Gross.
 - If you get tips/commission income or Overtime/Bonus Income, average out over a year or two. Remember that lenders use 2-year average.
- **Track your spending**
 - List fixed expenses such as car payments, student loans, etc.
 - List your variable expenses such as groceries, utilities, gas & entertainment.
- **Set your long term and short-term financial goals.**
 - Long term goal could be child's education, retirement, etc.
 - Short term goal could be reducing your credit card debt, getting a car, etc.

Mortgage Planner for Your Clients (Cont'd)

- **Make a Financial Plan**
 - Use the variable & fixed expenses you compiled to help you get a sense of what you'll spend in the coming months. This can help you predict fairly accurately how much you'll have to budget for in terms of a monthly mortgage payment.
- **Adjust your habits if necessary**
 - Sometimes expenses can change, so you would need to adjust your spending habits.
 - Remember that small savings can add up to a lot of money, so don't overlook the little stuff.
- **Keep checking in**
 - Review your budget on a regular basis to make sure that you're staying on track.
 - Make sure that Issues, Credit and DPA Checklists are Routinely Reviewed.
 - (Income Limits by County, & Owner Occupancy Status, may influence DPA opportunities)
 - Once you get evaluated or a get pre-qualification details, be aware of FICO Changes, anticipated Rate adjustments, and continually monitor available programs with your Lenders to ensure "You and your Clients have the Big Picture, Grasp the Expectations and Overall, they "Know the Numbers"

Closing & Title Insight

THINGS TO LOOK OUT FOR:

- **Cash Transactions**-Especially in San Diego, Los Angeles, San Francisco, San Mateo, and Santa Clara Counties (Treasury Department FinCEN Geographic Targeting Order effective November 4, 2020)
- **Properties derived through foreclosure**-Pursuant to moratoriums on federally backed mortgages, effective March 18th, 2020
- **Changes in wire instructions**- “the biggest single detriment going on right now with regard to real estate transactions” according to ALTA
- **Sellers that are under or have recently exited a forbearance agreement**-Record levels of forbearance agreements and loan mods may cause delays in getting an accurate payoff statement

Closing & Title Insight

TIPS FOR A SMOOTH TRANSACTION:

- **Patience**-Expect that most things will take longer than “Normal”
- **Communication is the key**-don't be afraid to pick up the phone and talk to your Escrow Officer or Closer
- **Your Escrow Officer/Closer is a neutral 3rd party**-Make sure they are aware of any changes during the transaction....even the little things
- **Double and triple check everything**-This is the biggest investment of most people's lives, there is a lot at stake

California Association of REALTORS®

Loan Education:

- FHLMC – Freddie Mac - <http://www.freddiemac.com/creditsmart/>
- FNMA - Fannie Mae - <https://www.frameworkhomeownership.org/get-started/homebuyer-education>

Down Payment Assistance (DPA) programs

- GSFA Materials:
 - https://wholesale.lhfs.com/download/GSFA_Gov_FHA_Select.pdf
 - <https://www.eprmg.net/guidelines/NHF-GSFA%20Platinum%20FHA.pdf>
- CalHFA
 - <https://www.calhfa.ca.gov/homeownership/bulletins/index.htm>
 - <https://www.calhfa.ca.gov/homeownership/materials/index.htm>
 - <https://www.calhfa.ca.gov/homeownership/programs/myhome.pdf>

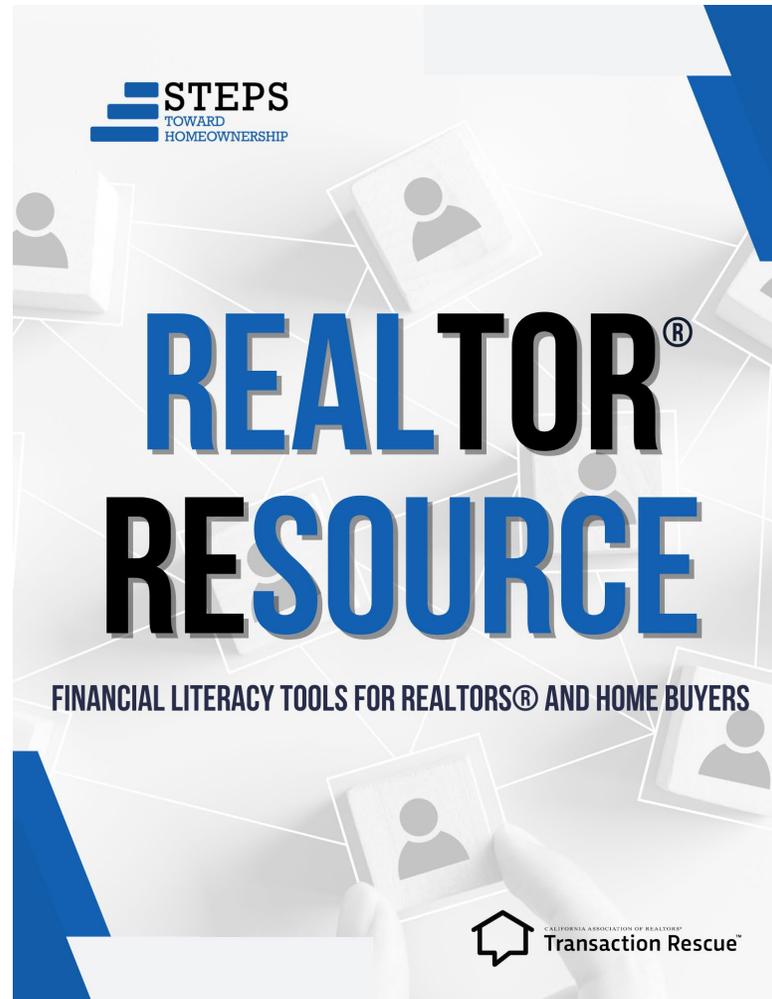
HUD Counselor Selection Options

Loan Limits: Conventional Loan Limits FHA Loan Limits

C.A.R. & Other Resources for Buyers



REALTOR® Resource: Financial Literacy Tool



<http://FindDownPayment.car.org>
TransactionRescue@car.org
<http://Mortgage.car.org>



Support Materials - Lending & Down Payment Assistance

Pillars of Qualifying – 4 C's

- **Credit**
 - Score, Tradelines, Depth
 - Derogatory Items (collections, charge offs, judgements, BK, Foreclosure)
- **Capital**
 - Checking, Savings, Retirement, Gifts
- **Capacity**
 - Wages, Self Employment, Rental Income
 - Social Security, Disability, Pension
 - Asset Depletion
- **Collateral**
 - Value/Price, Property Condition, Occupancy

Quick Tips / Credit / DTI / LTV



California Association of REALTORS®

- 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%

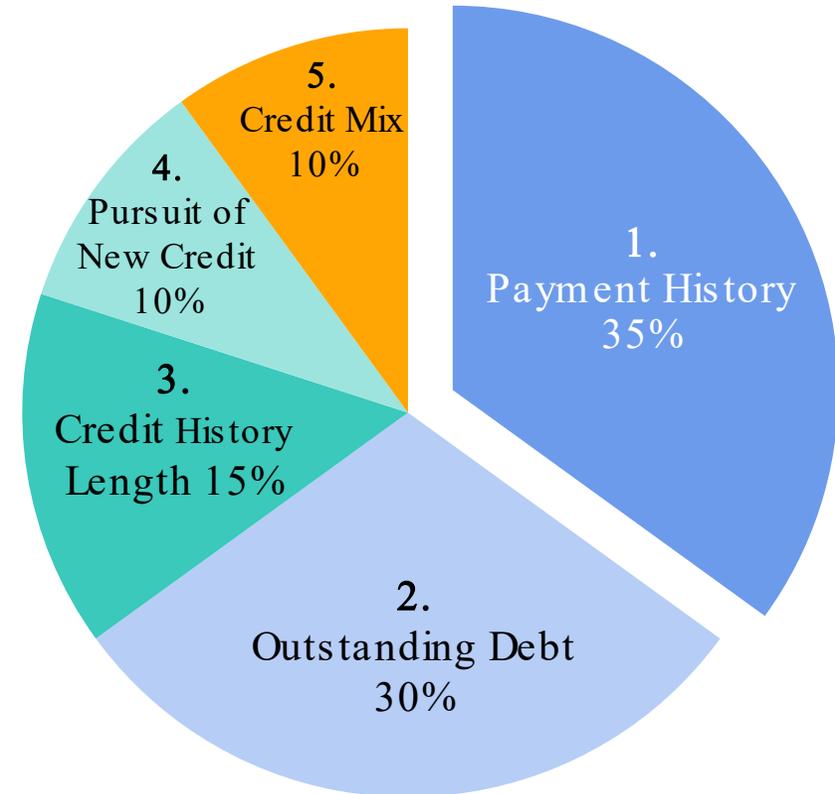
- How long have accounts been established—**average** number of months accounts have been open
- New accounts—number of months since most recent account opening

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



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

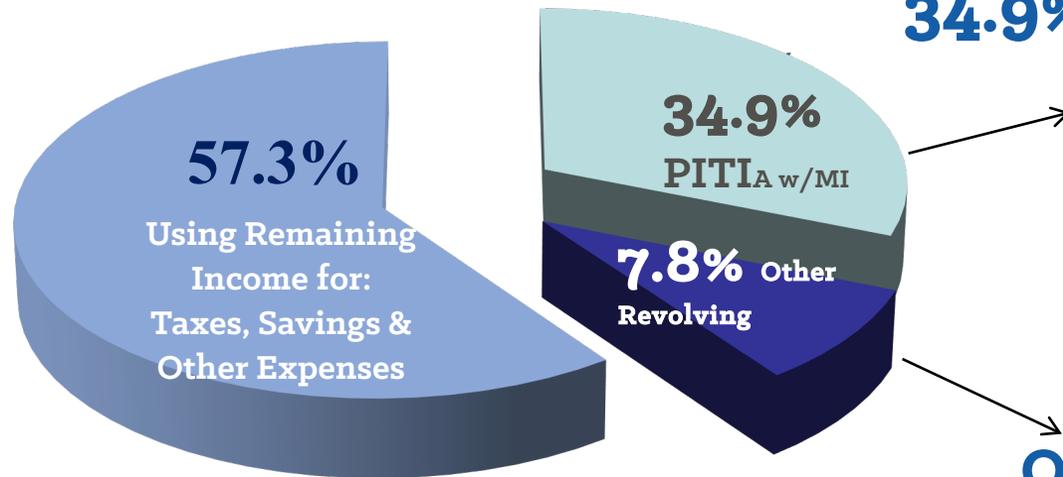
REALTOR® Resource: A checklist of serious buyer financing challenges (Red/Green Flags)

Buyers with one or more of these issues will find it very difficult to qualify for a conventional or government-insured loan. Green Alternative Lending may be available. Realtors should proceed with caution before submitting purchase offers for buyers 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

Negative Credit (or Life Events) & Corresponding Waiting Periods

Buying a House After	Conventional Fannie Mae Loan	Conventional Freddie Mac Loan	FHA Loan	VA Loan	USDA Rural Loan	Jumbo Loans
Foreclosure	7 Years from completion date 3 Years with extenuating circumstances – 90% Max LTV 4 Years if included in BK	7 Years from completion date	3 Years from completion date	2 Years from completion date	3 Years from completion date	5-7 Years from completion date
Short Sale	4 Years with no LTV restrictions 2 Years with extenuating circumstances and no LTV restrictions	4 Years from completion date	3 Years from completion date *Per FHA ML 09-52, FHA financing can be obtained in less than 3 years under certain conditions.*	2 Years from completion date *If no mortgage lates in the 12 months leading up to the short sale, a VA loan may be obtained in less than 2 years.*	3 Years from completion date	2-7 Years from completion date
Deed in Lieu	4 Years with no LTV restrictions 2 Years with extenuating circumstances and no LTV restrictions	4 Years from completion date	3 Years from completion date	2 Years from completion date	3 Years from completion date	2-7 Years from completion date
CH. 7 Bankruptcy	4 Years from discharge or dismissal date 2 Years with extenuating circumstances	4 Years from discharge or dismissal date	2 Years from discharge date	2 Years from discharge date	3 Years from discharge date	4-7 Years from completion date
CH. 13 Bankruptcy	2 Years from discharge date 4 Years from dismissal date 2 Years from dismissal date with extenuating circumstances	2 Years from discharge date	1 Year of the payout must elapse & payment performance must be satisfactory; buyer must receive permission from the court to enter into a mortgage	1 Year of the payout must elapse & payment performance must be satisfactory; buyer must receive permission from the court to enter into a mortgage	1 Year of the payout must elapse & payment performance must be satisfactory; buyer must receive permission from the court to enter into a mortgage	4-7 Years from completion date

How to Help Your Buyer Get Their Dream Home

The FHA 203k loan program allows buyers to finance the purchase and rehabilitation (upgrade and repair) of homes through one loan.

For Realtors the FHA 203k loan program expands the inventory of homes they can list and sell by offering buyers the opportunity to purchase homes that would otherwise not qualify for a low-cost government insured loan.

Insider tip: find a loan officer that is experienced with FHA 203k loans because it requires special knowledge and training.

Feature	203k Standard	203k Streamlined
Occupancy	Owner-occupied	Owner-occupied
Property types	SFRs, PUDs, condos, town homes, 1-4 units, manufactured homes	SFRs, PUDs, condos, town homes, 1-4 units, manufactured home
Max repair amount	No Limit	\$35,000
Allowed repairs	Structural and non-structural	Non-structural
Building additions	Yes	No
Mold and lead paint abatement	Yes	Yes
Tear down / rebuild	Yes	No
Foundation work	Yes	No
Time to complete	6 months	6 months



STEPPIN' Toward Down Payment Assistance (DPA)



REALTOR® Resource: Down Payment Workbook

Use this worksheet with your clients to help them find sources of money for their down payment

ACCEPTABLE DOWN PAYMENT SOURCES	AMOUNT	WHEN AVAILABLE
Funds currently held in their checking, savings and investment accounts	\$	
Properly documented gift funds from family members	\$	
Verified proceeds from the sale of a buyer asset	\$	
Withdrawal or loan from retirement savings accounts	\$	
Income tax refund	\$	
Rental deposit refund	\$	
Down payment assistance grant from non-profit organization or qualified loan from public agency	\$	
TOTAL	\$	

REMEMBER:
Cash-on-hand (“mattress money”) is generally not an eligible source of down payment funds

FindDownPayment.car.org

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

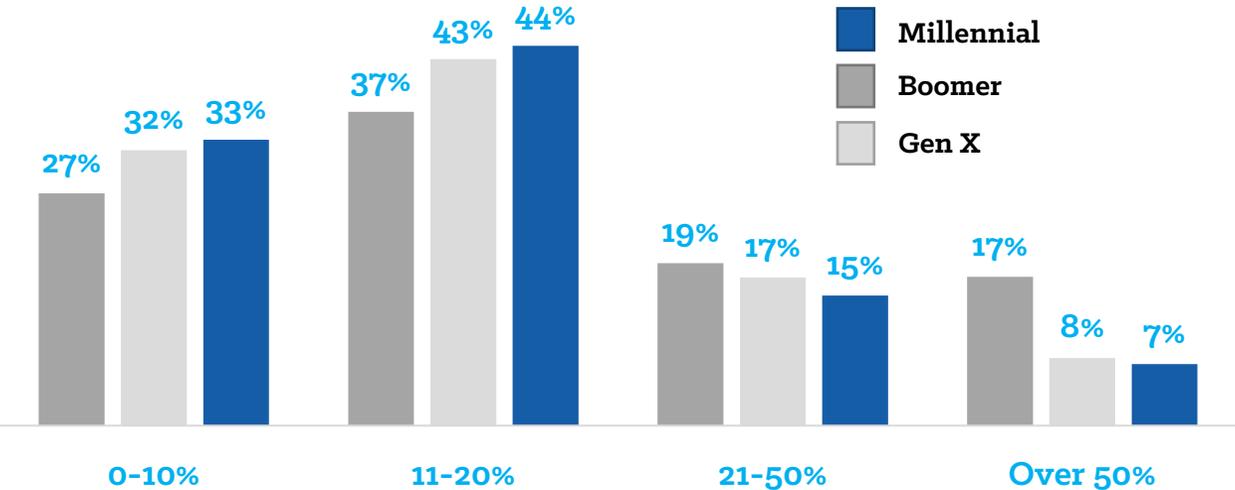
Matched Programs
53
[View Programs](#)

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

Consumer Survey – By Generation - Down Payment Needed?

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



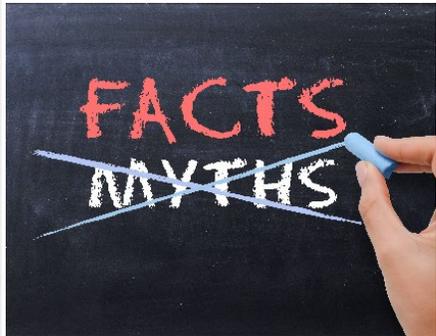
In your estimation, how much down payment is required to purchase a home?

(n=947)

Source: 2019 C.A.R. Consumer Survey

Down Payment Assistance – Common MYTHS

- Only in certain areas
- Only for first-time homebuyers
- Only for low-income homebuyers
- Only for those with zero savings
- Only for exceptional credit
- Accrues interest
- Only works with FHA
- Harder to qualify
- Takes longer to close
- Limited funding



70% of U.S.
adults are unaware of
down-payment
assistance programs*

Let's change this.



California Housing Finance Agency (CalHFA)



California Housing Finance Agency - www.CalHFA.Ca.Gov

The screenshot shows the homepage of the California Housing Finance Agency (CalHFA). At the top, there is a blue navigation bar with the CalHFA logo, a search icon, social media icons for email, Twitter, Facebook, YouTube, Instagram, and LinkedIn, and a language selection dropdown. Below the navigation bar is a large hero image of a smiling couple holding keys in front of a brick house. Overlaid on this image is the text: "Lenders/Real Estate Agents", "Everything you need to know about originating, processing and marketing our loans to help build your business.", and a "Loan Scenario Calculator" button. Below the hero image is a white box with the text: "We create and finance progressive housing solutions so more Californians have a place to call home." Below this are two columns of links. The first column, titled "Homebuyers", includes links for "Available Mortgage Programs", "Steps to Homeownership", "CalHFA Homebuyer Education", and "How to Apply", with an "Am I Eligible?" button. The second column, titled "Lenders/Real Estate Agents", includes links for "Check Loan File Status", "Loan Program Handbooks", "Forms & Income/Sales Limits", and "Training Calendar", with a "MAS Login" button.

CalHFA
California Housing Finance Agency

Home About Contact Select Language

Lenders/Real Estate Agents

Everything you need to know about originating, processing and marketing our loans to help build your business.

Loan Scenario Calculator

We create and finance progressive housing solutions so more Californians have a place to call home.

Homebuyers
[Available Mortgage Programs](#)
[Steps to Homeownership](#)
[CalHFA Homebuyer Education](#)
[How to Apply](#)
Am I Eligible?

Lenders/Real Estate Agents
[Check Loan File Status](#)
[Loan Program Handbooks](#)
[Forms & Income/Sales Limits](#)
[Training Calendar](#)
MAS Login

California Housing Finance Agency - www.CalHFA.Ca.Gov

Dream For All Shared Appreciation Loan

- 20% loan amount
 - Based on the lower of the sales price or appraised value
- Use for down payment or closing costs
- Must be used with Dream for All Conventional First
- Minimum 70% CLTV. Maximum CLTV 105%
- Can not be combined with MyHome or ZIP
- Specialized Shared Appreciation Homebuyer Education
- Additional Dream For All Disclosure
- Income can not exceed CalHFA Income Limits



California Housing Finance Agency - www.CalHFA.Ca.Gov

Dream For All Shared Appreciation Example

\$500,000 – (A) Original sales price or appraisal
X 0.20 - 20% of the sales price

\$100,000 (B) Shared appreciation loan

At time of sale, refi or other transfer. New value \$700,000

\$700,000 (C) New Value

\$200,000 Appreciation (C - A)

X 0.20 20% of the Appreciation

= \$40,000 (D)

Borrower owes \$140,000 (B + D)

California Housing Finance Agency - www.CalHFA.Ca.Gov



CalPLUS With Zero Interest Program (ZIP)

- 97% LTV Conventional First Mortgage
OR
- 96.5% LTV FHA First Mortgage

- ZIP built in assistance for closing costs only
 - 2% - 3%
 - Zero Interest
 - Deferred Payments

- First Time Homebuyers Only

California Housing Finance Agency - www.CalHFA.Ca.Gov



CalPLUS With Zero Interest Program (ZIP)

- 97% LTV Conventional First Mortgage
OR
- 96.5% LTV FHA First Mortgage

- ZIP built in assistance for closing costs only
 - 2% - 3%
 - Zero Interest
 - Deferred Payments

- First Time Homebuyers Only

California Housing Finance Agency - www.CalHFA.Ca.Gov



CalHFA VA & CalHFA USDA

- VA and USDA guaranteed first mortgage up to 100% LTV
- Available for both first time homebuyers and repeat buyers
- Combine with MyHome if first time homebuyer



California Housing Finance Agency - www.CalHFA.Ca.Gov

MyHome Assistance Program

- Loan amount
 - 3.5% for FHA
 - 3% for Conventional, VA and USDA
 - Based on the sales price or appraised value (whichever is less)
- 1.00% Simple Interest, Deferred Payment
- Can be used for down payment and/or closing costs
- First time homebuyers only
- Can be combined with ZIP

California Housing Finance Agency - www.CalHFA.Ca.Gov



Borrower Eligibility

- 640 minimum credit score on FHA, VA and USDA
- 680 minimum credit score on conventional
- Max DTI is 50% for credit score 700 and up
- Max DTI is 45% for credit score under 700
- Homebuyer Education Required
- Income Limits Apply



California Housing Finance Agency - www.CalHFA.Ca.Gov

Property Requirements

- Single Family One Unit Residence
 - Owner Occupied Only
- Manufactured homes – OK
- 1 Year Home Warranty Required

California Housing Finance Agency - www.CalHFA.Ca.Gov



Resources/Contacts

CalHFA website:

www.calhfa.ca.gov

www.calhfa.ca.gov/buildingblackwealth

Real Estate Agent page – Including “Find A Loan Officer”

<https://www.calhfa.ca.gov/homeownership/realestate.htm>

Molly K. Ellis

Training & Outreach Manager

O: 916.326.8680

mellis@calhfa.ca.gov





Golden State Finance Authority (GSFA)





Be Your Client's Link to Down Payment Assistance (DPA)

*What could your buyer do with
\$10K, \$20K or even \$30K?*



Supporting Affordable Housing for 30 Years

2



- Public Entity and Agency in California
- Organized in 1993
- Primary Focus = Affordable Housing
 - Programs that provide a source of financing for residential home purchases or refinances



FHA, VA, USDA and Conventional Mortgage Loan Financing



\$649.7 Million in Down Payment Assistance Provided



84,590+ Homebuyers Assisted To-Date

GSFA Down Payment Assistance Programs



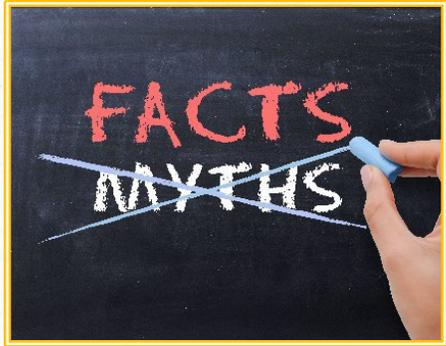
First Mortgage Loans

combined with

Down Payment Assistance (DPA) Options

Common Down Payment Assistance MYTHS

4



- Only for first-time homebuyers
- Harder to qualify
- Only for low-income borrowers
- Only for those with zero savings
- Only for those with exceptional credit
- Restricted use of borrower's own funds
- Limited to certain areas
- Create too much work for Lender/Realtor
- Take longer to close

70% of U.S. adults are unaware of down-payment assistance programs*
Let's change this.

* According to findings from the second annual America at Home survey commissioned by NeighborWorks America.

GSFA – Where Affordability Meets Flexibility®

5

■ Qualifying is Easy

- No First-time Homebuyer Requirement
- FICO Scores as Low as 640
- Debt-to-Income Ratios up to 50%
- Available throughout CA

■ Flexibility of DPA Funds

- DPA up to 5.5% available
- Can be Used Towards:
 - *Down Payment and/or Closing Costs*
 - *Or Principal on 1st Mortgage*
- Can be Combined with Borrower Funds

■ No Delays in Loan/Escrow Process

- Lenders delegated for underwriting
- Commitment letter for DPA funds provided at Rate Lock
- No additional compliance review

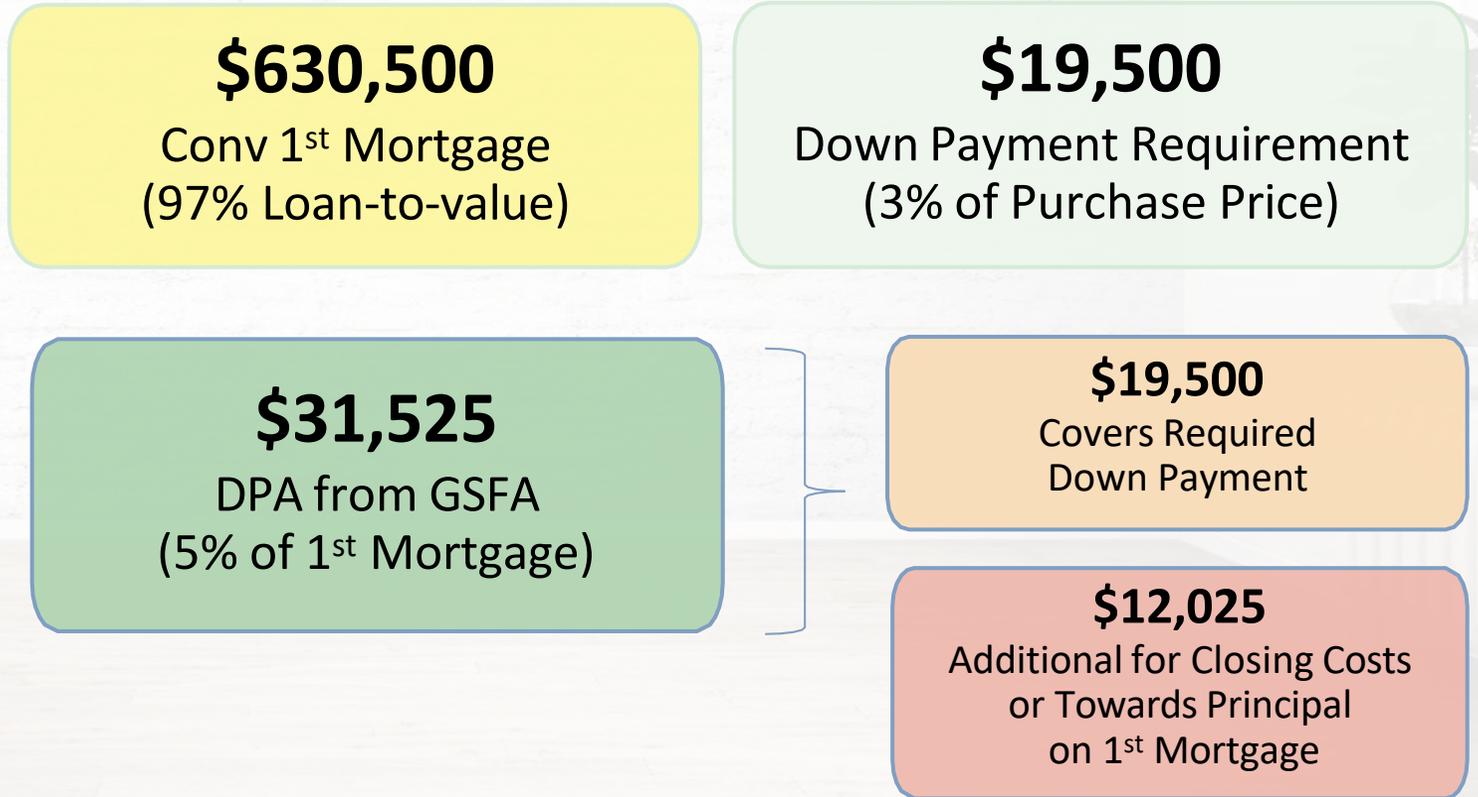


The Impact of Down Payment Assistance

Example⁽¹⁾
\$650,000 Sales Price



(1) Provided for example purposes only. Complete program guidelines, loan applications, interest rates and annual percentage rates (APRs) are available through Participating Lenders.



GSFA Guidelines: 1st Mortgage Loans | Income Limits

7



- 30-Year Fixed Rate 1st Mortgage Loans
 - FHA, VA or USDA
 - *Purchases transactions only*
 - Conventional Loan
 - *Purchase or refinance transactions*
- Maximum 1st Mortgage Amount
 - \$647,200
 - No purchase price limits

GSFA DPA Programs – Flexible Income Limits*

8

Mortgage Type	Limit/Info
FHA, VA loans	GSFA has no income limits
USDA Loans	GSFA follows Loan Agency guidelines
Conventional Loans	Approximately 180% of Area Median Income (AMI)
Income Limits are VERY flexible (Low-to-moderate)	Examples: Shasta, Tehama, Mendocino, San Joaquin, San Bernardino, Riverside, Los Angeles, Kern County = \$182,880 Note: Borrowers with income \leq 80% AMI <ul style="list-style-type: none">• More attractive pricing• More DPA Options• Charter-level Coverage Mortgage Insurance (costs less)

*Contains program highlights only. See a Participating Lender for complete guidelines, interest rates and APRs.

GSFA Guidelines | DPA Terms

9



■ Occupancy

- Owner-occupied only
- Non-occupant co-borrowers allowed

■ Eligible Properties

- 1-4 unit dwellings
- Townhomes
- Condominiums
- Manufactured homes

■ Eligible Jurisdiction

- Anywhere in California

■ DPA Terms

- Vary by Program

Let's look at the DPA...

GSFA Platinum Down Payment Assistance (DPA) Program

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Assistance Amount, FICO and DTI Requirements



Features and Terms of Assistance*

Assistance Available

Up to 5.5% of the Total First Mortgage Loan Amount

FICO Score Requirement

All Loan Types = Minimum 640
(Manufactured homes require 680)

Maximum Debt-to-Income (DTI)

Conventional/FHA

- 45% max for FICOs below 680 or manufactured homes
- Up to 50% for FICOs 680 and higher

VA/USDA = 45%

**Contains program highlights only. See a Participating Lender for complete guidelines, interest rates and APRs.*

GSFA DPA Programs – Expectations AND Timeline

12



- ❖ FICO
- ❖ DTI
- ❖ Income Range
- ❖ Borrower Occupation or Employer (with documentation)

- ❖ 200+ Lenders Participating
- ❖ Lender locks First Mortgage and reserves DPA at same time

- ❖ No additional compliance review by GSFA
- ❖ Lender closes escrow on Lender's timeline

Everything You the REALTOR® Need to Know

13

- GSFA DPA Program DOES NOT slow nor complicate escrow
 - No additional compliance review from GSFA
 - Lender can close loan on their timeline
- Specific documentation for GSFA DPA Program?
 - GSFA provides all program specific documentation:
 - *Note and deed*
 - *Commitment letter on DPA*
 - *Disclosures on DPA 2nd Mortgage*
 - Proof of occupation documentation:
 - *Only required for borrowers eligible for Platinum “Select” or “Assist-to-Own”*

Don't Just Take Our Word...

"Journey To Homeownership" Video Series

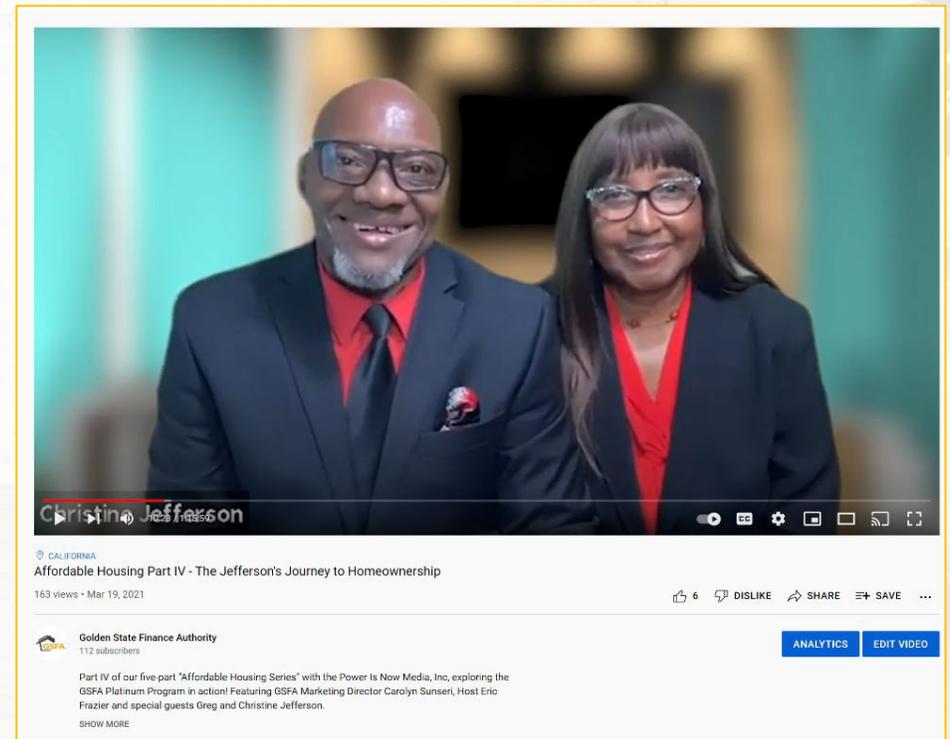
14

"It was almost impossible to afford a home in the Bay Area. We were paying \$2,100 for a 1-bedroom apartment in the San Jose area. With our 2 children, there just was not enough space! Your grant made our dreams come true."

— Edwin Miranda - San Joaquin County, Feb 2021



Follow Us   



Start Building Financial Security Now

Does Waiting Make Sense?

- Home prices continue to rise
- Interest rates continue to rise
- Rents continue to rise
- How long will it take to save up for a cash down payment?

GSFA DPA - FHA Loan Example (from earlier)

Purchase Price	\$650,000
DPA Provided by GSFA	\$31,525 (5%-sized DPA)
If you saved \$500 per month... length of time to save \$31,525 =	5+ Years
Estimated Equity Increase of 5% Annually⁽¹⁾ for 5 years	\$162,500

(1) According to the California Association of REALTORS®, California's median home price is forecasted to rise 5.2 percent to \$834,400 in 2022, following a projected 20.3 percent increase to \$793,100 in 2021.

How to Get Started

16



- Find Available DPA Programs here:
 - www.FindDownPayment.car.org OR www.GSFAhome.org

- Work with a GSFA Participating Lender!
 - Key to Smooth/Fast Transactions
 - Experienced in GSFA Programs
 - Determines three (3) main qualifiers: Income, DTI, FICO
 - Furnishes interest rates and APRs
 - Determines best DPA option for homebuyer or stacking with other programs

Realtor / Lender Support

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- Lender/Realtor Learning Center
www.gsfahome.org
 - Training Webinars | Video Library
 - Marketing Literature (English & Spanish)
 - Upcoming Educational Events
- GSFA Client Relations
 - (855) 740-8422
 - M-F 8:00 AM – 5:00 PM
 - info@gsfahome.org
- Subscribe / Follow Us



A screenshot of the Golden State Finance Authority (GSFA) website. The header includes the GSFA logo with a '30th Anniversary' badge, contact information (1215 K Street, Suite 1650, Sacramento, CA 95814), hours (Mon - Fri: 8:00 am - 5:00 pm PT), phone number ((855) 740-8422), and social media icons. The main navigation menu includes 'BUSINESS RESOURCES', 'PROGRAMS', 'ABOUT US', and 'CONTACT US'. The hero section features a photograph of a smiling man and woman, with text: 'Homebuyers (First-time or Repeat Buyers)', 'Down Payment and Closing Cost Assistance', and 'Purchase a primary residence with little-to-no money out of pocket through GSFA's programs and Participating Lenders.' Below this is a yellow button labeled 'DOWN PAYMENT ASSISTANCE >'. The 'Our Financial Assistance Programs' section includes a paragraph: 'We believe that homeownership can have a very positive impact on local communities and economies. We are proud to play a role in supporting affordable homeownership through a variety of financial assistance programs for homebuyers and homeowners.' Below this are three program cards: 'Down Payment Assistance' (with a coin icon), 'Energy Storage Technology' (with a battery icon), and 'Energy Efficiency Financing' (with a lightbulb icon). The footer contains the copyright notice: 'Copyright © 2023 | Golden State Finance Authority (GSFA). All rights reserved. | Privacy Policy'.

Marketing Literature Templates

18

- Flyers and brochures
- Adobe PDF format (download from our website)
- Program-specific
- English & Spanish
- Embedded “Text” fields
 - Add info such as name, company info, phone, website, etc.

GSFA Platinum Program®

Get Down Payment Assistance to Help You Buy a Home

Golden State Finance Authority

Believe

Homeownership may be just around the corner for you too. Speak with a GSFA Platinum Participating Lender about whether the GSFA Platinum Program is the right fit for you.

Dream

For more than 30 years, Golden State Finance Authority (GSFA) has offered homebuyers mortgage loan programs featuring low interest rates and down payment and/or closing cost assistance in a variety of forms.

GSFA has helped more than 84,590 people purchase homes and provided over \$649.7 million in down payment assistance.

“STABILITY AND SAFETY WERE A REALITY”

“Becoming a homeowner became extremely important in providing stability for myself, my children and my mother who was battling cancer. Receiving this assistance granted us an opportunity that was previously out of reach.”

— Patricia Waggoner, Jan 2022
Fresno County, CA

GSFA Platinum® Down Payment Assistance
Up to 5.5% of Loan Amount

Let us help you achieve the dream of owning your own home

GOLDEN STATE Finance Authority

**This brochure contains general program information, is not an offer for extension of credit nor a commitment to lend and is subject to change without notice. Complete program guidelines, loan applications, interest rates and annual percentage rates (APR) are available through GSFA Participating Lenders.
Golden State Finance Authority (GSFA) is a duly constituted public entity and agency.
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GSFA – Key Resources

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- GSFA Affordable Housing Programs
 - Link: <http://gsfahome.org/programs/index.shtml>
- GSFA Approved Lenders
 - <http://gsfahome.org/programs/platinum/lenders.aspx>
- Training and Education
 - <http://gsfahome.org/lender/training.shtml>
 - <https://www.gsfahome.org/lender/videos.shtml>
 - <https://www.gsfahome.org/programs/education.shtml>
- Marketing Literature
 - <https://www.gsfahome.org/programs/education.shtml>

Golden State Finance Authority (GSFA)

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- Carolyn Sunseri
 - Toll-free (855) 740-8422
 - csunseri@rcrcnet.org

- Client Relations Dept
 - Available M-F 8:00 AM – 5:00 PM
 - Toll-free (855) 740-8422
 - Email: info@gsfahome.org
 - www.gsfahome.org

Thank you all for attending.

TOGETHER WE CAN MAKE A DIFFERENCE

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Presentation contains program highlights only. All guidelines are subject to change without notice.

Visit www.gsfahome.org for complete program guidelines.

The GSFA Platinum® Program is sponsored by GSFA, a duly constituted public entity and agency, and managed by National Homebuyers Fund, Inc., a non-profit public benefit corporation and Instrumentality of Government under Internal Revenue Service code section 115.

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3005RE2

3/22/2023



GSFA Client Relations Department

M-F 8:00 AM – 5:00 PM



Thank You!

Key Elements of Discussion

STEPS Towards Homeownership – Skills & Tools Educating People for Success

- S – Strategies for Financial Health
- T – Trends In Economic Environment
- E – Engaging in the Process
- P – Products for Success
- S – Support from Beginning to the End

Tools & Resource Benefits

STEPS Resources: Help You Connect Your Clients to Responsible, Equitable Home Financing Options

- 1 – Secure your Reputation as a Thought leader in Resolving home Financial Barriers
- 2 – List & Sell More Properties
- 3 – Build & Strengthen Referral Pipelines

CAR Suggestions for Contingencies and Market Conditions Advisory (MCA) Form

C.A.R.'s Market Conditions Advisory (Form MCA) can be executed by Buyer, acknowledging:

1. Market Conditions: Real estate markets are cyclical, and just as prices can go up, values can also go down.
2. Buyer Considerations:
 - A. Offering Price: Buyers are responsible for deciding on an offering price. If an offer is too low, it may not be accepted. If an offer is high, and accepted, a buyer may regret it later.
 - B. Non-Contingent Offers: Contingencies give buyers a contractual excuse to cancel a contract. Brokers advise including contingencies, but some sellers will not accept offers with them, especially in a “hot” market.
 1. Loan Contingency: If a buyer needs a loan to purchase but is unable to get one, buyer has a right to cancel. Without this contingency, buyer could be in breach of contract.
 2. Appraisal Contingency: If a third-party appraiser does not value the property at the purchase price, buyer would have a right to cancel. Without this contingency, buyer’s lender may not loan the full amount requested but buyer could be in breach of contract if buyer fails to purchase.
 3. Investigation Contingency: This contingency gives a buyer a right to cancel the contract if the buyer is not satisfied with the condition of the property. Seller still has to disclose known material facts. Buyer may have a right to cancel if statutorily required disclosures are provided after the contract has been accepted.

CAR Suggestions for Contingencies and Market Conditions Advisory (MCA) Form

C.A.R.'s Market Conditions Advisory (Form MCA) can be executed by Buyer, acknowledging:

1. Market Conditions: Real estate markets are cyclical, and just as prices can go up, values can also go down.
2. Buyer Considerations (Cont'd):
 - C. Broker Recommendations: If a buyer must write a non-contingent offer to be competitive, it is important to still review all seller-provided information, have an inspection, and carefully assess the risks of closing or cancelling the transaction.
 - D. Multiple Offers: It may be tempting to write offers on multiple properties at the same time. This could result in a buyer being bound for more than one property. It also could give a seller a legal claim that the buyer fraudulently induced the seller to enter into the agreement.
3. Seller Considerations: Sellers must determine what price to ask buyers to pay, and what offers to accept. Comparing market data can help the seller with this decision, but market data is sometimes delayed and may not reflect changes, up or down.

Key Elements Changed on New RPA Financing Related

- Paragraph 3E(3) Occupancy defaults to primary (like in current contract) but gives two alternate choices, Secondary (home) or investment.
- Paragraph 3G(1) Seller credits to be applied to closing costs (not open ended like in current contract)
- Paragraph 3H(3) Loan application letter from lender has three choices, buyer is prequalified, buyer is pre-approved, or buyer has received fully underwritten preapproval
- Paragraph 3H(3) Buyer to provide letter from lender with offer (current contract allows buyer 3 days after acceptance)
- Paragraph 4A Separate addendum for Manufactured home purchases (C.A.R. Form MF-PA). Mobile home purchase agreement is being discontinued.
- Paragraph 5C(3) Buyer authorizes seller or agent to contact lender to check on buyer's loan status
- Paragraph 23 If buyer assigns contract, the assigned must provide seller with the same prequalification or preapproval type as the named buyer

Key Elements Changing on New RPA

Possible Interest

- Paragraph 8A(1) If buyer waives appraisal contingency, and property does not appraise, and failure to appraise is reason lender will not loan, buyer does not have a contractual right to cancel
- Paragraph 8A(2) If lender will not make loan because buyer has not acquired insurance, and buyer has already removed investigation contingency, buyer does not have a contractual right to cancel
- Paragraph 8B(2) If buyer cancels because of failure of property to appraise, buyer shall deliver copy of appraisal to seller
- Paragraph 10B(1) If seller does not address smoke alarms or carbon monoxide detectors or brace or anchor water heaters, and buyer incurs costs to meet lender demands on these items, buyer can pursue seller for the costs incurred
- Paragraph 10B(3) If lender charges buyer for reinspection fee to address smoke alarms, carbon monoxide detectors or water heaters, buyer can pursue seller for the reinspection fees

Key Elements Changing on New RPA Lender Limits Relating to Seller Credits

FHLMC:

Maximum Interested Party Financing Concessions Updated – 10-28-21

Financing Concessions: Financing concessions are funds that originate from an interested party to the transaction that are used to:–Reduce permanently the interest rate on the Mortgage–Fund a buydown plan to temporarily subsidize the Borrower’s monthly payment on the Mortgage–Make contributions in any way related to the Borrower’s Closing Costs, including up to twelve (12) months of HOA dues

Fannie Mae (FNMA)

Occupancy	LTV/TLTV > 90%	LTV/TLTV 75.01 – 90%	LTV/TLTV ≤ 75%
Primary Residences & Second Homes	3%	6%	9%
Investment Properties	2%	2%	2%

FHA:

Interested Party Contributions
<ul style="list-style-type: none"> ➤ Interested parties refer to Sellers, Real Estate Agents, Builders, Developers or other parties with an interest in the transaction. ➤ Interested Party Contribution refers to a payment by an Interest Party, or combination of parties, toward the Borrower’s origination fees, other closing costs and discount points. ➤ Interested Parties may contribute up to 6% of the lesser of the property’s sales price or appraised value towards the buyer’s closing costs, prepaid expenses, discount points and other financing concessions. ➤ The 6% limit also includes; <ul style="list-style-type: none"> » Interested Party payment for permanent or temporary interest rate buydowns and other payment supplements, » Payments of mortgage interest for fixed rate mortgages, » Mortgage payment protection insurance; and, » Payment of UFMIP. ➤ Interested Party Contributions that exceed actual origination fees, other closing costs and discount points are considered an inducement to purchase. ➤ Interested Party Contributions exceeding six (6%) percent are considered an inducement to purchase. ➤ Interested Party Contributions may not be used for the Borrower’s MRI. ➤ Payment of real estate commissions or fees, typically paid by the seller under local or state law or local custom, is not considered an Interested Party Contribution. ➤ HBFS must document the total Interested Party Contributions on Form HUD-92900-LT, Settlement Statement or similar legal documentation, and the sales contract.

Freddie Mac (FHLMC)

Occupancy	LTV/TLTV > 90%	LTV/TLTV 75.01 – 90%	LTV/TLTV ≤ 75%
Primary Residences & Second Homes	3%	6%	9%
Investment Properties	2%	2%	2%

VA: (note that VA is the only one that allows seller to payoff borrowers credit balances)

Seller Contributions
<ul style="list-style-type: none"> » For the purpose of this topic, a seller concession is anything of value added to the transaction by the builder or seller for which the buyer pays nothing additional and which the seller is not customarily expected or required to pay or provide. » Seller concession include; but are not limited to, the following; <ul style="list-style-type: none"> – Payment of buyer’s VA funding fee, – Prepayment of the buyer’s property taxes and insurance, – Gifts such as a television set or microwave oven, – Payment of extra points to provide permanent interest rate buydowns, – Provision of escrowed funds to provide temporary interest rate buydowns; and, – Payoff of credit balances or judgments on behalf of the buyer. » Seller concessions do not include payment of the buyer’s closing costs or payment of points as appropriate to the market. Example: If the market dictates an interest rate of 7¼% with 2 discount points, the seller’s payment of 2 discount points would not be a seller concession. If the seller paid 5 discount points, 3 of these would be considered as a seller concession. » The problem – In some localities, builders or sellers offer concessions as a competitive tool. In extreme cases, the concessions may entice unwary and unqualified veterans into home mortgages they cannot afford. The concessions may disguise the Veteran’s inability to qualify for the loan. » Four Percent (4%) Limit <ul style="list-style-type: none"> – Any seller concession in combination of concessions which exceeds four percent (4%) or the established reasonable value of the property is considered excessive and unacceptable for VA-guaranteed loans. – Do not include normal discount points and payment of the buyer’s closing costs in total concession for determining whether concession exceed the four percent (4%) limit.



California Association of REALTORS®

Free Member Benefit:

- **Transaction Rescue™** - Email TransactionRescue@car.org - Website <http://Mortgage.car.org>
 - Assist you with Communication & Escalations with Your Lender, & Insights to Down Payment Assistance, Valuations, Title, Vesting, and Loan Expectations.
 - **Hotline (213) 739-8383** - Webinars <http://car.org/FinWebinars>
<https://www.amortization-calc.com/> - amortization schedule for mortgages to show how much is going toward principal & interest.
<https://www.calculator.net/amortization-calculator.html> - another site that I use to show amortization schedule along with figuring out mortgage P&I

Title Reports

- Property Profiles
- Preliminary Title Reports
- Supplemental Reports
- Title Date Downs
- Key Reporting Items:
 - Property Details
 - Loan Encumbrance
 - Taxes
 - Liens (IRS, Mechanics, Judgments, ETC.)

Other Title & Closing Items

- Default Concerns
 - Notifications
 - Timelines
- Escrow
 - Closing Role, Instructions & Expectations
 - Statement of Information
 - Vesting / Possession Types (Sole, Shared, Business, Trust, etc.)
 - Types of Transfers / Releases (Grant, Warranty, Special, Quit Claim, etc.)
 - Wires

Supplemental Taxes

- A supplemental tax bill is one you get for additional charges not covered by your annual tax bill. These tax bills are mailed directly to the homeowner and are not paid out to the impound account.
- Really never discussed or made aware of them
- After a change in ownership the property is reassessed
- The bill covers the difference between the previously assessed value taxes and the newly assessed value. Think of it as catch-up

Other Title Process Concerns

- Closing Protection Letter
 - The letter will only offer coverage to who is included explicitly in the document
- Quit Claim Deed
 - A document by which a grantor conveys his or her present interest in real property to a grantee without representing or warranting that the title is good.

Loss Mitigation Tools:

- Forbearance – Pause in time, usually proving Hardship
- Modification - Mutually agreed upon change in the terms and conditions of the Security Instruments (Rate, Term, Recapitalization of Outstanding Debt, or a combination of any or all of these)

Other Title Process Concerns

- PACE - Property Assessed Clean Energy
- HERO - Home Energy Renovation Opportunity
 - A Supplemental Item attached through Tax Lien for the potential improvements to the property, NOT ABLE TO BE FINANCED during Loan Refinance or Home Sale, MUST BE PAID OFF without potential Value Enhancement.
 - Exceptions may exist for Termination & Re-Attachment - Sale
 - Subordination, with the exception of FHA

Home Equity Line of Credit (HELOC) Lending

- **Fastest Way to turn your Home Equity into CASH**

- Get up to \$400k
- Funding in as few as 5 days
- 5,10,15, or 30 - year fixed term options
- ReDraw up to 100%
- Block Chain Technology (AI)

Use the Money for:

- Build an ADU (Accessory Dwelling Unit)
- Payoff high interest rate credit cards
- Home improvements
- College Education
- Much Needed Vacations

Other Title Process Concerns

- HELOC / 2nd TD
 - Zero Balance Concern vs. Payoff Reconveyance
 - Lien Position and LTV/CLTV Concerns
 - Loan Type Limitations
- Reverse Mortgage
 - Taxes & Insurance Maintained
 - Primary Residence, Valuation Determination needed for Sales
 - Rules Upon Death of the Primary Borrower

Possession Alternatives Vesting / Ownership



Sole Ownership

Sole ownership may be described as ownership by an individual or other entity capable of acquiring title. Examples of common vesting cases of sole ownership are:

1. **A Single Man or Woman, an Unmarried Man or Woman or a Widow or Widower:**

A man or woman who is not legally married or in a domestic partnership. For example: Bruce Buyer, a single man.

2. **A Married Man or Woman as His or Her Sole and Separate Property:**

A married man or woman who wishes to acquire title in his or her name alone.

The title company insuring title will require the spouse of the married man or woman acquiring title to specifically disclaim or relinquish his or her right, title and interest to the property. This establishes that both spouses want title to the property to be granted to one spouse as that spouse's sole and separate property. The same rules will apply for same sex married couples. For example: Bruce Buyer, a married man, as his sole and separate property.

Sole Ownership

Sole ownership may be described as ownership by an individual or other entity capable of acquiring title. Examples of common vesting cases of sole ownership are:

3. A Domestic Partner as His or Her Sole and Separate Property:

A domestic partner who wishes to acquire title in his or her name alone.

The title company insuring title will require the domestic partner of the person acquiring title to specifically disclaim or relinquish his or her right, title and interest to the property. This establishes that both domestic partners want title to the property to be granted to one partner as that person's sole and separate property. For example: Bruce Buyer, a registered domestic partner, as his sole and separate property.

Co-Borrower vs. Co-signer

- Co-borrower
 - On loan and on title
- Co-signer
 - On loan but NOT on title
- Non-Occupant
 - Will not reside in subject
- How co-borrowers and co-signers are affected

Co-Ownership

Title to property owned by two or more persons may be vested in the following forms:

1. Community Property:

A form of vesting title to property owned together by married persons or by domestic partners. Community property is distinguished from separate property, which is property acquired before marriage or before a domestic partnership by separate gift or bequest, after legal separation, or which is agreed in writing to be owned by one spouse or domestic partner.

In California, real property conveyed to a married person, or to a domestic partner is presumed to be community property, unless otherwise stated (i.e. property acquired as separate property by gift, bequest or agreement). Since all such property is owned equally, both parties must sign all agreements and documents transferring the property or using it as security for a loan. Each owner has the right to dispose of his/her one half of the community property by will. For example: Bruce Buyer and Barbara Buyer, husband and wife, as community property, or Sally Smith and Jane Smith, registered domestic partners as community property. Another example for same sex couples: Sally Smith and Jane Smith, who are married to each other, as community property.

Co-Ownership (Cont'd)

Title to property owned by two or more persons may be vested in the following forms:

2. Community Property with Right of Survivorship:

A form of vesting title to property owned together by spouses or by domestic partners. This form of holding title shares many of the characteristics of community property but adds the benefit of the right of survivorship similar to title held in joint tenancy. There may be tax benefits for holding title in this manner. On the death of an owner, the decedent's interest ends and the survivor owns all interests in the property. For example: Bruce Buyer and Barbara Buyer, husband and wife, as community property with right of survivorship, or John Buyer and Bill Buyer, husband and husband, as community property with right of survivorship. Another example for same sex couples: Sally Smith and Jane Smith, registered domestic partners, as community property with right of survivorship.

Co-Ownership (Cont'd)

Title to property owned by two or more persons may be vested in the following forms:

3. Joint Tenancy:

A form of vesting title to property owned by two or more persons, who may or may not be married or domestic partners, in equal interests, subject to the right of survivorship in the surviving joint tenant(s). Title must have been acquired at the same time, by the same conveyance, and the document must expressly declare the intention to create a joint tenancy estate. When a joint tenant dies, title to the property is automatically conveyed by operation of law to the surviving joint tenant(s). Therefore, joint tenancy property is not subject to disposition by will. For example: Bruce Buyer, a married man and George Buyer, a single man, as joint tenants.

Note: If a married person enters into a joint tenancy that does not include their spouse, the title company insuring title may require the spouse of the married man or woman acquiring title to specifically consent to the joint tenancy. The same rules will apply for same sex married couples and domestic partners.

Co-Ownership (Cont'd)

Title to property owned by two or more persons may be vested in the following forms:

4. Tenancy in Common:

A form of vesting title to property owned by any two or more individuals in undivided fractional interests. These fractional interests may be unequal in quantity or duration and may arise at different times. Each tenant in common owns a share of the property, is entitled to a comparable portion of the income from the property and must bear an equivalent share of expenses. Each co-tenant may sell, lease or will to his/her heir that share of the property belonging to him/her. For example: Bruce Buyer, a single man, as to an undivided $3/4$ interest and Penny Purchaser, a single woman, as to an undivided $1/4$ interest.

Other Ways of Vesting Title Include as:

1. **A Corporation*:**

A corporation is a legal entity, created under state law, consisting of one or more shareholders but regarded under law as having an existence and personality separate from such shareholders.

2. **A Partnership*:**

A partnership is an association of two or more persons who can carry on business for profit as co-owners, as governed by the Uniform Partnership Act. A partnership may hold title to real property in the name of the partnership.

3. **Trustees of a Trust*:**

A Trust is an arrangement whereby legal title to property is transferred by a grantor to a person called a trustee, to be held and managed by that person for the benefit of the people specified in the trust agreement, called the beneficiaries. A trust is generally not an entity that can hold title in its own name. Instead, title is often vested in the trustee of the trust. For example: Bruce Buyer trustee of the Buyer Family Trust.

Other Ways of Vesting Title Include as:

4. Limited Liability Companies (LLC)*:

This form of ownership is a legal entity and is similar to both the corporation and the partnership. The operating agreement will determine how the LLC functions and is taxed. Like the corporation its existence is separate from its owners.

*In cases of corporate, partnership, LLC or trust ownership - required documents may include corporate articles and bylaws, partnership agreements, LLC operating agreements and trust agreements and/or certificates.

Remember

How title is vested has important legal consequences and tax consequences. The tax consequences may be different for same sex legally related couples. You may wish to consult an attorney or tax advisor to determine the most advantageous form of ownership for your particular situation.

FOOTNOTE (1): Note: Registered domestic partnership status is not limited to same sex couples.

Wire Fraud



Wire Fraud Concern

Caution:

Wire transfer fraud is on the rise. If you receive an email or text message containing wire instructions, call the closing agent or attorney at a verified phone number immediately to confirm the information prior to sending the funds. You will never receive wire instructions or changes to previously provided wire instructions from Guild Mortgage Company. Any such communications should be considered suspicious and reported to your Loan Officer. For more information, visit our wire fraud Webpage:

<https://www.guildmortgage.com/tips-protect-wire-fraud/>

Wire Fraud Concern

DON'T FALL VICTIM TO WIRE FRAUD

Scammers are stealing down payments via wire fraud and getting more clever every day. Be sure you don't fall victim to wire fraud by following these three steps.

-  1 Pay attention to how wire instructions are sent. It is best to only accept instructions that are secure and encrypted.
-  2 Before wiring funds to an individual or company, call to verify the wire instructions independently with the title company.
-  3 Be very watchful of any changes. Wire instructions rarely change. If you receive an email saying that any wiring instructions have changed, call your REALTOR® or title company immediately to confirm.

Source: REALTOR® Magazine, FBI, and Realty Executives International

 CALIFORNIA ASSOCIATION OF REALTORS®

Communications Wire Warnings

Language and general letter contact:

- **WIRE FRAUD IS ON THE RISE. PROTECT YOUR FUNDS.** Do not wire funds based on an email request, without verbal confirmation. *(Lender Name)* will NEVER request that borrowers wire funds in connection with their transaction.
- Any changes to wiring instructions or payoff instructions or amounts are red flags and should be verified.

Other Information



Resources

California Association of REALTORS®

Loan & DPA Information

Loan Education:

- FHLMC – Freddie Mac - <http://www.freddiemac.com/creditsmart/>
- FNMA - Fannie Mae - <https://www.frameworkhomeownership.org/get-started/homebuyer-education>

Down Payment Assistance (DPA) programs

- GSFA Materials:
 - https://wholesale.lhfs.com/download/GSFA_Gov_FHA_Select.pdf
 - <https://www.eprmg.net/guidelines/NHF-GSFA%20Platinum%20FHA.pdf>
- CalHFA
 - <https://www.calhfa.ca.gov/homeownership/bulletins/index.htm>
 - <https://www.calhfa.ca.gov/homeownership/materials/index.htm>
 - <https://www.calhfa.ca.gov/homeownership/programs/myhome.pdf>

HUD Counselor Selection Options

Loan Limits:

Conventional Loan Limits

FHA Loan Limits

Area Median Income



Other Resources for REALTORS® & Your Clients

Mortgage Relief:

- https://housing.ca.gov/homeowners/mortgage_relief_foreclosure_resources.html

CalHFA ADU Grants

- <https://www.calhfa.ca.gov/homebuyer/programs/adu.htm#eligibility>

Kama Burton Client Suggestions

- <https://www.car.org/-/media/CAR/Documents/Transaction-Center/PDF/Mortgage-Rescue/STEPS/Outreaches/Virtual-2021/Buyers-Presentation-CMB-Kama-Burton-1.pdf>

Legal Webinars

- <https://www.car.org/riskmanagement/live>

STEPS Events 2022 Upcoming:

- October 11, 2022 – 9 a.m. – 12:30 p.m.– Live @ Long Beach REImagine
- December 14, 2022 - Virtual

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 - 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>

<https://www.amortization-calc.com/> - amortization schedule for mortgages to show how much is going toward principal & interest.

<https://www.calculator.net/amortization-calculator.html> - another site that I use to show amortization schedule along with figuring out mortgage P&I



Contact List



California Association of REALTORS® - Panelist Contact List

Name	Company	Email	Contact #
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Marc Farfel	C.A.R. Transaction Rescue	TransactionRescue@car.org	213-739-8383



Questions