



# Transaction Rescue Webinar – Lending Issues Facing Today's Transactions & Clients

Virtual Event

October 15<sup>th</sup>, 2024



# Welcome



**MORTGAGE.CAR.ORG**



**FINDDOWNPAYMENT.CAR.ORG**



**Transaction Rescue™**

CALIFORNIA ASSOCIATION OF REALTORS®

Your lifeline to the lending community is a free member benefit! We provide assistance with finding a lender, loan qualifications, underwriting, short sales and more. Give us a call on the FREE helpline at (213) 739-8383, email us at [TransactionRescue@car.org](mailto:TransactionRescue@car.org)

## DOWN PAYMENT RESOURCE DIRECTORY

Quickly search and identify over 400+ available down payment assistance programs in your client's target area with our Down Payment Resource Directory.



# Transaction Rescue Webinars – Lending



**Marc Farfel**

Transaction Rescue  
Mgr./Lender Liaison

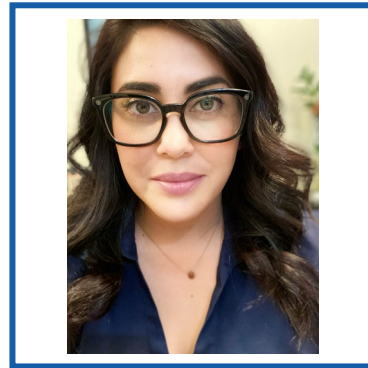
California Association of  
REALTORS®



**Cynthia Leal**

Managing Originator

*Guild Mortgage*



**Monica LaCrue**

Affordable Lending Sr.  
Manager

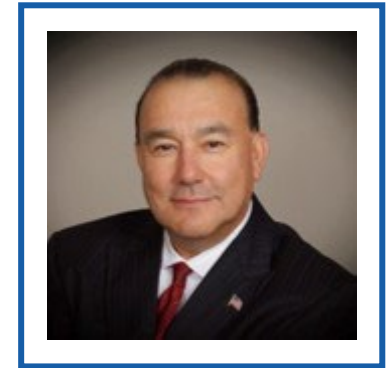
*Freddie Mac*



**Faramarz Moeen-Ziai**

V.P. Loan Originator

*CrossCountry Mortgage*



**Abel Fregoso Jr.**

Sr. Loan Originator

*PRMG*



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.



## C.A.R. Policies



Anti-trust Compliance: As a reminder, C.A.R. is committed to conducting all meetings and events in a professional, ethical, and lawful manner, including adherence to all antitrust laws. To that end, the topics for this meeting will focus on advancing the interests of real estate professionals and consumers of real estate services, increasing competition, reducing risk for all parties involved in real estate transactions, and sharing insights on business best practices. The following discussion topics are always prohibited: commission or compensation levels, agreements to fix prices or compensation, agreements to limit product or service offerings, allocation of geographical territory or customers, and agreements to refuse to deal. Any discussion inconsistent with this policy will not be tolerated.

# Insurance Thoughts



# Insurance Availability & True Costs

3. During investigation contingency period, contact insurance company or broker to find out cost of fire, flood and earthquake insurance

8. **CONTINGENCIES AND REMOVAL OF CONTINGENCIES:**

A. **LOAN(S):**

- (1) This Agreement is, **unless otherwise specified in paragraph 3L(1) or an attached CR form**, contingent upon Buyer obtaining the loan(s) specified. If contingent, Buyer shall act diligently and in good faith to obtain the designated loan(s). **If there is no appraisal contingency or the appraisal contingency has been waived or removed, then failure of the Property to appraise at the purchase price does not entitle Buyer to exercise the cancellation right pursuant to the loan contingency if Buyer is otherwise qualified for the specified loan and Buyer is able to satisfy lender's non-appraisal conditions for closing the loan.**
- (2) Buyer is advised to investigate the insurability of the Property as early as possible, as this may be a requirement for lending. Buyer's ability to obtain insurance for the Property, including fire insurance, is part of Buyer's Investigation of Property contingency. Failure of Buyer to obtain insurance may justify cancellation based on the Investigation contingency but not the loan contingency.

# Insurance Availability & True Costs

4. If fire insurance is not available from conventional insurance carrier, during investigation contingency period, contact California Fair Plan

- How do I get coverage from the FAIR Plan?
- 
- First, we recommend you shop the market. Please see our [Top Ten Tips for Finding Residential Insurance](#).
- If after shopping the market you are still having difficulty obtaining residential or commercial insurance, you may apply for coverage under the FAIR Plan through an agent or broker licensed to sell property insurance, or you may contact the [FAIR Plan](#) directly at 800-339-4099. However, we recommend you contact a licensed insurance broker that is registered to sell FAIR Plan coverage. FAIR Plan's website has a [Broker Finder](#) tool that can assist you in finding a broker in your area: <https://www.cfpnet.com/>
- <https://www.insurance.ca.gov/01-consumers/200-wrr/California-FAIR-Plan.cfm>

# Insurance Availability & True Costs

## Can't find fire insurance?

The FAIR Plan provides basic fire insurance coverage for high-risk properties when traditional insurance companies will not.

ABOUT US



### Find A Broker to Apply

Any licensed insurance agent or broker registered with the FAIR Plan can assist you in purchasing fire insurance from the FAIR Plan.

FIND A BROKER

- <https://www.cfpnet.com/>

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FIND A BROKER 

- <https://www.cfpnet.com/>

# Additional Resources

- C.A.R. Quick Guide, Fire Insurance
  - <https://www.car.org/-/media/CAR/Documents/Transaction-Center/PDF/QUICK-GUIDES/Quick-Guide---Fire-Insurance.pdf>
- California Department of Insurance,
  - <https://www.insurance.ca.gov/01-consumers/200-wrr/California-FAIR-Plan.cfm>
- California Fair Plan,
  - <https://www.cfpnet.com/>
- Cal Fire (Office of State Fire Marshall)
  - [osfm.fire.ca.gov/FHSZ](https://osfm.fire.ca.gov/FHSZ)
  - Frequently Asked Questions: [https://osfm.fire.ca.gov/media/qkmn1glc/2022-fhsz-faqs-jan-23-2023.pdf#2022 FHSZ Faqs \(Jan 23 2023\)](https://osfm.fire.ca.gov/media/qkmn1glc/2022-fhsz-faqs-jan-23-2023.pdf#2022_FHSZ_Faqs_(Jan_23_2023))



# Putting Lending All Together



# 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



# 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.*

# 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*.

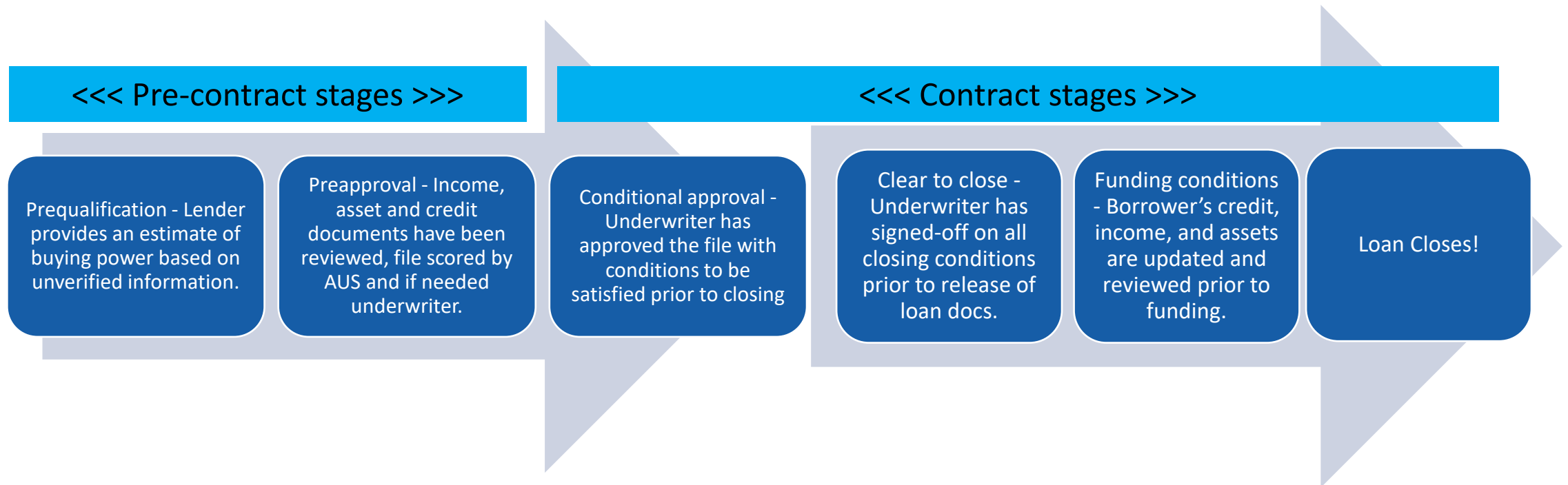
**Helpful referral resource:** *Credit.org is a non-profit organization that offers a wide range of free credit counseling and financial management services*

# 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

# 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!**

# 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 1<sup>st</sup> TD Loans – Backed by State & Local Housing Finance Groups (w/CalHFA & GSFA 2<sup>nd</sup> TD's)
- High Balance & Jumbo Loans

# 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.

# 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?)



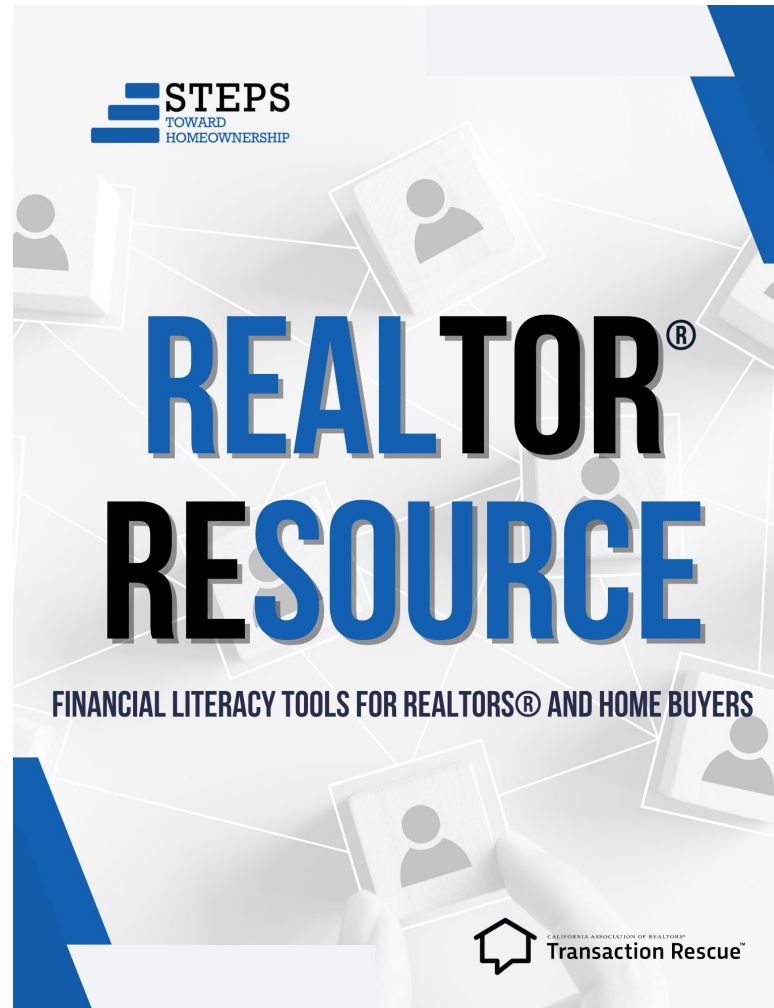
# Negative Credit (or Life Events) & Corresponding Waiting Periods

| 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<br>3 Years with extenuating circumstances – 90% Max LTV<br>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<br>2 Years with extenuating circumstances and no LTV restrictions                       | 4 Years from completion date             | 3 Years from completion date<br><br>*Per FHA ML 09-52, FHA financing can be obtained in less than 3 years under certain conditions.*               | 2 Years from completion date<br><br>*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<br>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<br>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<br>4 Years from dismissal date<br>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 |

# 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**

# REALTOR® Resource: Financial Literacy Tool



# REALTOR® Resource: Financial Literacy Tool

## 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?              |     |    |
| 2. Has it been at least two years since you discharged debts in bankruptcy or three years since a home you owned was foreclosed? |     |    |
| 3. Do you have access to down payment money from sources that can be verified and documented?                                    |     |    |
| 4. Do you have at least two or three open credit accounts in good standing?  |     |    |
| 5. 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.

# REALTOR® Resource: Financial Literacy Tool

## A Checklist of Serious Buyer Financing Challenges



Buyers with one or more of these issues will find it very difficult to obtain the best available terms for a conventional or government-insured loan. REALTORS® should proceed with caution before submitting purchase offers for buyers with these issues:

- ✎ 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
- ✎ The buyer is self-employed with minimal net business income reported in recent tax years
- ✎ The buyer plans to settle judgements and tax liens during escrow as a condition for final loan approval
- ✎ The buyer's assets are all cash and can't be sourced
- ✎ The buyer discharged a 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



# REALTOR® Resource: Financial Literacy Tool

## Checklist - Documents Required For Loan Approval



Here is a list of documents lenders will typically require from your buyers. REALTORS® can help their clients prepare for the loan application and approval process by reviewing this list with them early in the process and encouraging them to gather these documents as quickly as possible.

- Federal income tax returns for the past two years
- W2s for the past two years
- Paycheck stubs for the past two months
- Statements for all asset accounts (checking, savings, retirement) for past two months
- Other income documents such as Social Security award letters
- Names and contact information for all employers over the last two years
- All addresses used over the past two years
- Government ID and Social Security card
- Copy of finalized divorce decree, child support order, bankruptcy filings and discharge papers
- Non citizens must provide copy of resident alien (“green”) card or valid work authorization card
- Letters of explanation regarding past derogatory credit, name and address variations, recent credit inquiries, and other issues required by the underwriter
- Others as needed or requested

# REALTOR® Resource: Financial Literacy Tool

## A Down Payment Worksheet

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  | \$     |                |
| Pending proceeds from the sale of buyer's existing real estate                                  | \$     |                |
| 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

# REALTOR® Resource: Financial Literacy Tool

## C.A.R.'s Down Payment Resources 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](#)

[Continue](#)

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

- Participating Lenders
- Program Guide/Flyers
- Filters/Guidelines:
  - Special Groups (Teachers, Protectors, etc.)
  - Eligible Properties
  - Maximum Sales Price
  - Eligible Borrowers
  - Maximum Household Income
  - Loan Terms
- Benefits
- Latest Updates

| FILTERS AVAILABLE                         |                      |                  |
|---|----------------------|------------------|
| Property Information                      | Actual Property      | Law Enforcement  |
| Household Information                     | Sales Price          | Firefighter      |
| Special Circumstances                     | Currently Own a Home | Healthcare       |
| General Search - City, County, Town, etc. | Household Income     | Disability       |
|   | Veteran              | Military         |
|   | Educator             | Energy Efficient |

**Steps with CalHFA**

**Step 1 – See If You Are Eligible.**  
[Eligibility Calculator](#)

**Step 2 – Get Pre-Qualified**  
Find a Preferred Loan Officer  
[Preferred Loan Officers](#)

**Step 3 – Take Homebuyer Education**  
[ONLINE eHome's eight-hour Home-buyer Education](#)  
[IN-PERSON NeighborWorks America](#) or [HUD-Approved Housing Counseling Agency](#)

**Step 4 – Start looking for a home**  
Talk to a local Realtor to guide you through this process

**Info with GSFA**

**We Allow:**

- Condos
- PUDS
- 1-4 unit
- Manufactured Home Primary Residences

Minimum credit score of 620

**Find a Participating Lender:**  
<http://gsfahome.org/programs/platinum/lenders.aspx>





# REALTOR® Resource: Financial Literacy Tool

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### HELPFUL REFERRAL RESOURCE:

[Credit.org](https://www.credit.org) is a non-profit organization that offers a wide range of free credit counseling and financial management services

# CreditSmart®

**CreditSmart** is a suite of free financial capability and homeownership education resources designed to empower consumers with the skills and knowledge to support them through every stage of their homeownership journey.

Every person has a unique homeownership journey which is why CreditSmart offers different paths to education and financial wellness.



CreditSmart® Essentials



CreditSmart® Military



CreditSmart® Homebuyer U



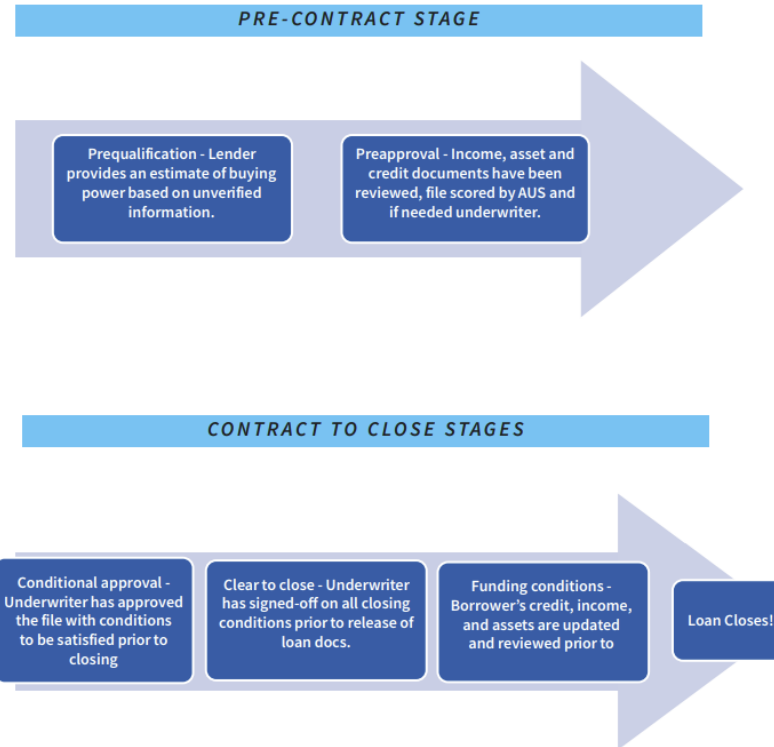
CreditSmart® Coach



CreditSmart® Multilingual

# REALTOR® Resource: Financial Literacy Tool

## Loan Approval and Closing Steps



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# REALTOR® Resource: Financial Literacy Tool

## Working with Nonprofit Housing Agencies

REALTORS® can benefit by supporting and working with non-profit housing agencies. These organizations provide valuable services to your buyers and can become important referral partners.

| TYPICAL SERVICES THEY PROVIDE                                 | 5 WAYS YOU CAN PARTNER WITH NONPROFIT HOUSING AGENCIES                      |
|---|---|
| Pre-purchase home buyer education                             | 1. Volunteer as a subject matter expert at their first-time buyer workshops |
| Financial and debt management counseling                      | 2. Become a board member  |
| Default and foreclosure prevention and counseling             | 3. Help with fund raising activities and events                             |
| Build or rehab affordable homes for sale to first-time buyers | 4. Volunteer at special events and neighborhood clean-up days               |
| Administer first-time buyer programs                          | 5. Refer clients who need their services                                    |

### HOW TO FIND HOUSING ORGANIZATIONS IN YOUR AREA

HUD-approved agencies can be found at: [www.hud.gov/findacounselor](http://www.hud.gov/findacounselor)

NeighborWorks organizations can be found at:  
[www.neighborworks.org/Our-Network/Network-Directory](http://www.neighborworks.org/Our-Network/Network-Directory)

Credit counseling organizations can be found at: [www.nfcc.org](http://www.nfcc.org)

# REALTOR® Resource: Financial Literacy Partner

## Housing Counseling Services

1. Work with a HUD Housing Counselor to help your client:
  - a) Understand the sales process
  - b) Understand the Buyer's Broker Agreement and what it means to them and their options
  - c) Create a budget
  - d) Set a realistic timeline expectations
  - e) Review their credit (soft pull) and create a personalized housing plan
  - f) Support during the process
2. Clients can review their credit at [Annualcreditreport.com](https://www.annualcreditreport.com)
3. Go to [HUD.gov](https://www.hud.gov) to find a HUD Housing Counselor

Working with a HUD housing counselor provides valuable support for navigating the housing market, managing finances, and protecting their home post purchase.

<https://www.hud.gov/counseling>

<https://www.hud.gov/>

<https://www.hud.gov/sites/dfiles/OCHCO/documents/4000.1hsgh.pdf>

# 2024 Conforming & High Balance Loan Limits by County for Freddie & Fannie

(As of 1/01/2024)

The Federal Housing Finance Agency's (FHFA) announcement to increase the 2024 conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac to **\$766,550** on one-unit properties and a cap of **\$1,149,825** in high-cost areas. The previous loan limits were \$726,200 and \$1,089,300, respectively. Higher Loan Limits = More Properties Available to Entry Level Buyers

## Loan Limit    Counties

|  |   |
|--|---|
| <b>\$1,149,825 –</b>                     | Alameda, Contra Costa, Los Angeles, Marin, Orange<br>San Benito, Santa Clara, Santa Cruz, San Mateo |
| <b>\$766,550 &gt;<br/>&lt; 1,149,825</b> | San Diego, Ventura, Santa Barbara, San Luis Obispo, Monterey<br>Napa, Sonoma, Yolo                  |
| <b>\$766,550 –</b>                       | <b>All Remaining Counties for FHLMC/FNMA, FHA are less.</b>   |

Link to Freddie Mac (FHLMC) / Fannie Mae (FNMA) 2024 Loan Limits

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

Link to FHA Loan Limits just changed on the 15<sup>th</sup> of November for **2024 Limits – Conforming \$1,149,825 max, (for single unit) less in many areas**

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

# 2024 Fannie / Freddie / FHA Loan Limits



|               | Standard FHA* | Standard GSE* | FHA and GSE, High Cost Areas |
|---------------|---------------|---------------|------------------------------|
| <b>1-unit</b> | \$498,587     | \$766,550     | \$1,149,825                  |
| <b>2-unit</b> | \$637,950     | \$981,500     | \$1,472,250                  |
| <b>3-unit</b> | \$771,125     | \$1,186,350   | \$1,779,525                  |
| <b>4-unit</b> | \$958,350     | \$1,474,400   | \$2,211,600                  |

\*Continuous States, DC, and Puerto Rico

Fannie/Freddie Mac Loan Limit: Loan Limit [Look-Up Table 2024.xlsx](#) (live.com)

FHA Mortgage Limits by County: (hud.gov) [FHA Mortgage Limits](#) (hud.gov)

# 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%             |

### 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)

### FHA:

| Interested Party Contributions   |
|--|
| <ul style="list-style-type: none"> <li>➤ Interested parties refer to Sellers, Real Estate Agents, Builders, Developers or other parties with an interest in the transaction.</li> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ The 6% limit also includes;               <ul style="list-style-type: none"> <li>» Interested Party payment for permanent or temporary interest rate buydowns and other payment supplements,</li> <li>» Payments of mortgage interest for fixed rate mortgages,</li> <li>» Mortgage payment protection insurance; and,</li> <li>» Payment of UFMIP.</li> </ul> </li> <li>➤ Interested Party Contributions that exceed actual origination fees, other closing costs and discount points are considered an inducement to purchase.</li> <li>➤ Interested Party Contributions exceeding six (6%) percent are considered an inducement to purchase.</li> <li>➤ Interested Party Contributions may not be used for the Borrower’s MRI.</li> <li>➤ 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.</li> <li>➤ HBFS must document the total Interested Party Contributions on Form HUD-92900-LT, Settlement Statement or similar legal documentation, and the sales contract.</li> </ul> |

### Seller Contributions

- » 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;
  - 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 7½% 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
  - 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.





# 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 | 7.25%            |

P & I            \$4,301

Buy down        5.25%

P & I            \$3,481 - \$4,301 = \$819 x 12 = \$9,833

2<sup>nd</sup> yr.            6.25%

P & I            \$3,882 - \$4,301 = \$419 x 12 = \$5,028

Total seller concession is \$14,862, which is = to 2.36 points in this example.

The \$14,862 goes into an escrow account and that pays for the reduction in payments for year one & two.

QUESTIONS?

# 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

# Buying Power Is Increasing As Rates Drop



| Interest Rate  |               | 8.000%            | 7.750%            | 7.500%            | 7.250%            | 7.000%            | 6.750%            | 6.500%            | 6.250%            | 6.000%            |
|----------------|---------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Purchase Price | Loan Amount   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| \$ 750,000.00  | \$ 600,000.00 | <b>\$4,402.59</b> | \$4,298.47        | \$4,195.29        | \$4,093.06        | \$3,991.81        | \$3,891.59        | \$3,792.41        | \$3,694.30        | \$3,597.30        |
| \$ 768,750.00  | \$ 615,000.00 | \$4,512.65        | <b>\$4,405.94</b> | \$4,300.17        | \$4,195.38        | \$4,091.61        | \$3,988.88        | \$3,887.22        | \$3,786.66        | \$3,687.24        |
| \$ 787,500.00  | \$ 630,000.00 | \$4,622.72        | \$4,513.40        | <b>\$4,405.05</b> | \$4,297.71        | \$4,191.41        | \$4,086.17        | \$3,982.03        | \$3,879.02        | \$3,777.17        |
| \$ 806,875.00  | \$ 645,500.00 | \$4,736.45        | \$4,624.44        | \$4,513.43        | <b>\$4,403.45</b> | \$4,294.53        | \$4,186.70        | \$4,080.00        | \$3,974.45        | \$3,870.10        |
| \$ 827,500.00  | \$ 662,000.00 | \$4,857.52        | \$4,742.65        | \$4,628.80        | \$4,516.01        | <b>\$4,404.30</b> | \$4,293.72        | \$4,184.29        | \$4,076.05        | \$3,969.02        |
| \$ 849,375.00  | \$ 679,500.00 | \$4,985.93        | \$4,868.02        | \$4,751.16        | \$4,635.39        | \$4,520.73        | <b>\$4,407.22</b> | \$4,294.90        | \$4,183.80        | \$4,073.95        |
| \$ 871,250.00  | \$ 697,000.00 | \$5,114.34        | \$4,993.39        | \$4,873.53        | \$4,754.77        | \$4,637.16        | \$4,520.73        | <b>\$4,405.51</b> | \$4,291.55        | \$4,178.87        |
| \$ 895,000.00  | \$ 716,000.00 | \$5,253.75        | \$5,129.51        | \$5,006.38        | \$4,884.38        | \$4,763.57        | \$4,643.96        | \$4,525.61        | <b>\$4,408.54</b> | \$4,292.78        |
| \$ 918,750.00  | \$ 735,000.00 | \$5,393.17        | \$5,265.63        | \$5,139.23        | \$5,014.00        | \$4,889.97        | \$4,767.20        | \$4,645.70        | \$4,525.52        | <b>\$4,406.70</b> |

# MBS Highway



Tools to get your clients off the fence and buy now!

- Real Estate Report Card... Market conditions and trends
- Cost of waiting, buy now the numbers are real
- Bid over ask. If your client need to offer more then list price.
- Rent vs buy is we have time.





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# Programs



# Lending Update - Bridge Loans

Use: A bridge loan is a loan that is used to leverage the equity in your departing residence to purchase a new home prior to selling. The options and the cost vary greatly depending on borrower qualifications and the speed with which the bridge loan is needed.

## Bridge Loan Options –

1. Least expensive – HELOC (Home Equity Line of Credit) on departing residence and conventional loan on the purchase. Ideal for borrowers with good to high documentable income who are not in a rush to do an immediate transaction.
  - a. Advantages – Very low cost
  - b. Disadvantages
    - i. HELOC takes 30-60 days to put in place
    - ii. Borrower must qualify with both departing residence debt and purchase money debt
2. HELOC + Non-QM loan - For borrowers who have time, but only qualify for the financing on the new property. Rather than using a conventional loan, we would use a non-traditional loan that allows us to exempt the departing residence debt from the borrower's debt to income calculations.
  - a. Advantages – relatively low cost
  - b. Disadvantages
    - i. HELOC takes 30-60 days to put in place
    - ii. Higher interest rate on Non-QM purchase loan.



# Lending Update - Bridge Loans

Bridge Loan Options (Cont'd) –

3. Bridge + Non-QM loan – We would simultaneously get two loans at once. The first would be a bridge loan on the departing residence in the amount needed for the down payment on the purchase of the new residence. The second would be the purchase money needed to acquire the new home.
  - a. Advantages – can close in 21 days
  - b. Disadvantages
    - i. Higher cost – points are charged on both loans
    - ii. Higher interest rate than conventional on the purchase money transaction
4. Cross Collateralized Bridge Loan – A single loan for the amount needed to purchase the new property. The combined value of the departing residence and the new property is used to determine the maximum loan to value ratio needed. There is no income qualification for this loan – only the property values are considered. The loan would be paid off or refinanced when the departing residence is sold.
  - a. Advantages
    - i. Can close in 10 days
    - ii. Asset based loan – no income qualification
    - iii. No monthly payments – the interest is added to the payoff at the time of sale of the departing residence
  - b. Disadvantages
    - i. High cost – 3 points on the purchase price and 10.5% interest while the loan is outstanding
    - ii. If loan is not completely paid off by the sale of the departing residence, a refinance would have to be done.

# Lending Update – 5% Down (Multi-unit)

## 5% down multi unit

New guideline change from Fannie Mae as of 11/18/2023. Fannie now allows 5% down on 2-4 unit properties. Previous guideline was 15% down on 2 unit and 25% down on 3-4 unit. Limitations and features –

1. Borrowers can use 75% of collected rents on the units they are not occupying to help qualify for higher loan amounts.
2. Must be owner occupied
3. Only available to national conventional limits – no high balance.
  - a. 2 unit – 981,500
  - b. 3 unit – 1,186,350
  - c. 4 unit – 1,474,400

## New Conventional Limits Announced

FHFA has announced the new lending limits for 2024 –

| Units | National Limit | High Balance Limit |
|-------|----------------|--------------------|
| 1     | \$766,550      | \$1,149,825        |
| 2     | \$981,500      | \$1,472,250        |
| 3     | \$1,186,350    | \$1,779,525        |
| 4     | \$1,474,400    | \$2,211,600        |

# 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 1<sup>st</sup> TD Loans – Backed by State & Local Housing Finance Groups (w/CalHFA & GSFA 2<sup>nd</sup> 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: \$1,149,825 Varies by Each County Limit
- <https://entp.hud.gov/idapp/html/hicost1.cfm>
- 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% & 50% with 700+ FICO
- High balance fee on FHA ranges from .352% to 1.302%
- Income limits varies by each county
- No maximum sales price
- 2024 max loan limits: low-cost areas \$644,000 & high-cost areas \$1,149,825 varies by each county
- <https://entp.hud.gov/idapp/html/hicost1.cfm>

# 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 \$766,550; 620 up to \$1.2 million; 680 up to \$2.0 mil. ; 720 up to \$3.0 mil. and finally, 760+ up to \$5.0 million.
- DTI – Maximum 45% or per AUS / DU with Acceptable Reserves (really based on Residual Income)
- 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 - <https://entp.hud.gov/idapp/html/hicost1.cfm>
- 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 / 640 GSFA
- DTI – Maximum 45% Cal HFA & GSFA, rises to 50% if Credit score > 700
- 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: \$1,149,825 Varies by Each County Limit
- <https://entp.hud.gov/idapp/html/hicost1.cfm>
- 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, GSFA only. Cal HFA SFR + ADU. 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/>
- Loan Limits: <https://www.fhfa.gov/DataTools/Tools/Pages/Conforming-Loan-Limit-Map.aspx>

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

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

# 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 640
- DTI – Maximum 45% & 50% with FICO 700+
- 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: \$766,550 max. Starting in January 2024
- <https://www.fhfa.gov/DataTools/Tools/Pages/Conforming-Loan-Limit-Map.aspx>
- Property Condition: C4 Appraiser Condition Rating or Better (C1-C4)
- Occupancy can be as Primary Residence.
- 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
- 2024 Max Loan Limit: Conforming \$766,550 & High Balance \$1,149,825 Varies by Each County Limit
- <https://www.fhfa.gov/DataTools/Tools/Pages/Conforming-Loan-Limit-Map.aspx>
- Property Condition: C4 Appraiser Condition Rating or Better (C1-C4)
- Occupancy can be as Primary Residence, 2<sup>nd</sup> 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% & 50% with FICO 700+
- High balance fee on conventional ranges from 1.051% to 1.577%
- Income limits varies by each county and no maximum sales price
- 2024 max loan limits: conforming \$766,550 & high balance \$1,149,825 varies by each county
- <https://www.fhfa.gov/DataTools/Tools/Pages/Conforming-Loan-Limit-Map.aspx>

# Qualified Mortgage (QM) Loans – Guidelines Jumbo Program

- Up to 89.9% LTV Jumbo loan w/no MI will provide loans 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, with certain investors.



# 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.



# Bank Statement Program

▶ Scenario:

- ▶ My borrower, Janet, has been a consultant for over 3 years but doesn't show enough income on her taxes to qualify but she has been depositing consistently around \$25,000 per month over the past 24 months in her bank account. Janet has excellent credit with 760+ credit score and wanted to purchase a \$1.25 million primary home with 20% down in Temecula and we could verify her funds for her down payment in her bank account.

▶ Solution:

- ▶ Non-QM bank statement loan utilizing the last 24 months of bank statements and adding up all of her deposits and averaging it out for 24 months to qualify and using her bank statement deposits as income.
- ▶ Rate at 7.375% on a 30 year fixed with APR of 7.562% with no prepayment penalty.



# Debt Service Coverage Ratio (DSCR)

- Scenario:
- My borrower, Ricardo, has been an investor for over 10 years and owns multiple investment properties. He wants to buy a 4 unit investment property in Moreno Valley for \$1,125,000 with 20% down. He has a 724 credit score and doesn't qualify based on his tax returns but does have enough funds for down payment and reserves.
- Solution:
- Non-QM investor cash flow program under the DSCR program where no personal income is required to qualify. DSCR is a measurement of a property's expected cash flow to determine ability to repay a mortgage loan. Total rents must be more than the mortgage PITIA payment to be approved for mortgage.
- Rate at 9.75% on a 30 year fixed with APR of 10.041% with 1 year prepayment penalty. Rents for the 4 units were \$2500 per unit (\$10,000 for 4 units) and PITIA \$9,304.27. DSCR 1.07 which is above 1 that is required for this program.



# ITIN Program

- Scenario:
- My borrowers, Ernesto and Dulce, wants to buy their 1<sup>st</sup> home in Perris for \$499,000. Both of them do NOT have Social Security Numbers yet but they do have ITINs and have been filing tax returns for the past 5 years. Both borrowers are 1099 independent contractors with credit established with lowest credit score being 701.
- Solution:

# 2-4 Unit 5% Down Purchase

## Scenario:

- My borrowers, Matt and Cyndi, wanted to purchase an owner occupied 4 unit place in Riverside for \$1,139,000. They knew about the 5% down program on multi units and they wanted to buy a 4 unit and live in one of the units for couple of years before they started a family. Both are RNs and had great credit with both borrowers over 720+ credit scores and they also had money saved up for down payment and had more than 6 months reserves in their bank accounts.

## Solution:

- Fannie Mae 5% down payment option for Multifamily Homes.
- Rate at 7.25% on a 30 year fixed with APR of 8.463% with mortgage insurance.
- Borrowers monthly income \$18000 per month with monthly debts (including car payment and credit cards) of \$743. Future Rental Income (minus 25% for vacancy) of \$5850 per month. 2 units rented at \$2800 per month and 1 unit at \$2200 per month (\$7800 total). Total qualifying income \$23850. PITIA at \$9626.



# Contact List



# California Association of REALTORS® - Panelist Contact List

| Name                     | Company                   | Email  | Contact #    |
|--------------------------|---------------------------|--|--------------|
| Abel Fregoso             | PRMG                      | <a href="mailto:AFregoso@prmg.net">AFregoso@prmg.net</a>                         | 619-572-3316 |
| Faramarz (FM) Moeen-Ziai | CrossCountry Mortgage     | <a href="mailto:fmz@ccm.com">fmz@ccm.com</a>                                     | 510-254-4697 |
| Cynthia Leal             | Guild Mortgage            | <a href="mailto:cleal@guildmortgage.net">cleal@guildmortgage.net</a>             | 310-720-5309 |
| Monica LaCrue            | Freddie Mac               | <a href="mailto:Monica_La_Crue@freddiemac.com">Monica La Crue@freddiemac.com</a> | 619-887-6909 |
| Marc Farfel              | C.A.R. Transaction Rescue | <a href="mailto:TransactionRescue@car.org">TransactionRescue@car.org</a>         | 213-739-8383 |



# Pathway to Home

## Pathway to Home Closing Cost Assistance Grant Program

C.A.R. HAF's Pathway to Homeownership Closing Cost Assistance Grant Program helps first-time homebuyers who are members of an "Underserved Community\*" bridge the affordability gap by providing up to \$10,000 in closing cost assistance. Each grant is provided to low-to-moderate income (120% AMI and below) first-time homebuyers who utilize the services of a CA REALTOR.®

Pathway Info:



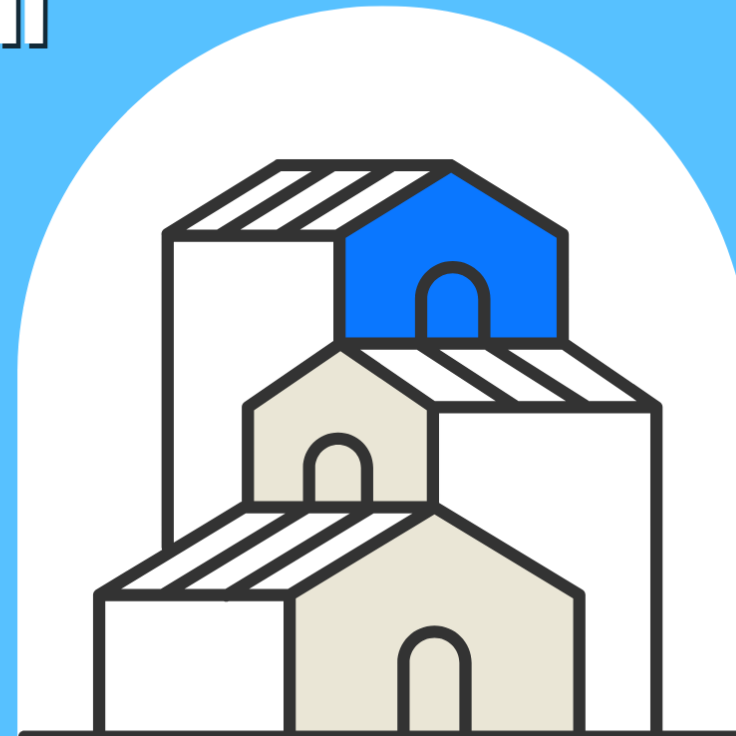
[on.car.org/hafclose](https://on.car.org/hafclose)

Donate:



[on.car.org/hafdonate](https://on.car.org/hafdonate)

Contact us at  
[haf@car.org](mailto:haf@car.org)



[carhaf.org](https://carhaf.org)

\*"Underserved Community" includes: (i) people of color; (ii) persons with disabilities (physical, cognitive, or mental); or (iii) lesbian, gay, bisexual, transgender, and queer (LGBTQ+) persons.(ii) An individual with a disability is defined as a person who has a physical or mental impairment that substantially limits one or more major life activities.





# RESEARCH & ECONOMICS



## HOUSING MATTERS PODCAST

The Housing Matters Podcast is your housing hub for market analysis, economic trends, and housing news from the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.). Be sure to subscribe on iTunes or Spotify to hear the latest episode to learn what you need to know about the market from C.A.R. experts who will provide their take on the week's top real estate stories.



## HOUSING MARKET FORECAST

This semi-annual report projects where mortgage rates, home sales and median prices are headed. Use this general statewide forecast to learn about potential issues that may affect housing prices and inventory levels.



## REAL QUICK

Watch our C.A.R. economists provide their insights on the latest economic and market news... quickly



## INTERACTIVE DASHBOARDS

C.A.R.'s interactive dashboards are calculators and data management tools that allow users to interact with data by tracking, monitoring, and displaying key housing market metrics. By using our interactive dashboards, users can gain insights by slicing and dicing different variables and dig deeper into local statistics that are more relevant to their markets.

## MARKET MINUTE WRITE-UP

The Market Minute Write-Up is a one-page analysis that offers the most up-to-date information on the economy and the housing market. It is designed to provide members, on a weekly basis, key highlights and concise insights on industry-related issues. Combined with the weekly infographic, the 2-page report is downloadable, shareable, and can easily be used as part of the marketing materials for REALTORS®.



# Utilize Key C.A.R Transaction Lending and Legal Resources



[TransactionRescue@car.org](mailto:TransactionRescue@car.org)

<https://Mortgage.car.org>

Transaction Rescue Webinars

<https://www.car.org/FinWebinars>

STEPS Towards Homeownership

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

STEPS Towards Homeownership – Home Buyer Education Workshops

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

Legal Disclosures & Resources Questions & Answers

<https://www.car.org/riskmanagement/qa>





# Questions

Thank You!