



STEPS TO FINANCING THE DREAM OF HOMEOWNERSHIP

TOOLKIT **FOR REALTORS®**



CALIFORNIA ASSOCIATION OF REALTORS®
Transaction Rescue™

Key Objectives for Our REALTOR® Members in the Sharing of STEPS



This presentation provides REALTORS® with an overview of California's housing finance system, mortgage readiness guidelines and the most critical aspects of mortgage finance.

These tools and resources will:



Secure your reputation as a thought leader in resolving home financing barriers









List and sell more properties



Build and strengthen referral pipelines

Mortgage
Finance
Essentials



-  California Housing Finance – the Big Picture
-  Mortgage Loan Fundamentals
-  First Time Homebuyer Tools and Resources
-  Home Equity Strategies
-  Home Improvement for Happier Clients
-  Lender Secrets!

Mortgage Finance Essentials

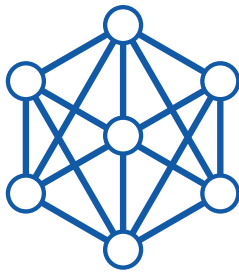
The Big Picture of California Housing Finance – in this segment you will learn

- ☒ How and why the finance system works
- ☒ The difference between loan originators and the companies they work for
- ☒ The role of the secondary market and housing finance agencies

California's Housing Finance System



REALTORS® are often the first contact for questions related to mortgage finance



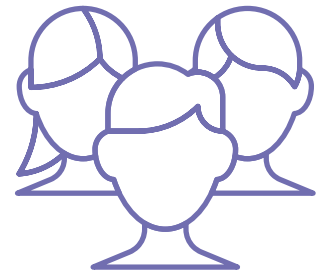
NETWORK

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



BENEFITS

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®

REALTORS® who understand the housing finance system and the rolls and responsibilities of the various players will be in a stronger position to help their clients access its benefits



CALIFORNIA ASSOCIATION OF REALTORS®

Transaction Rescue™

Key Participants in California's Housing Finance System



LENDERS

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



LOAN ORIGINATORS

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



SECONDARY MORTGAGE MARKET

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 and private investors



STATE AND LOCAL HOUSING AGENCIES

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



Mortgage Finance Essentials

How to help your clients get to close – in this segment, you will learn:

- ☒ In this segment you will learn about the different types of home loans
- ☒ Basic lending underwriting concepts
- ☒ Why mortgage insurance may be the best thing for your client
- ☒ How to describe the appraisal process to your clients
- ☒ What to expect when your client is burdened with student debt
- ☒ How to help your clients through the closing process



Types of Home Loans



QUALIFIED MORTGAGE

Loans with no risky features, fees capped at 3% of the loan amount and the borrower's ability to repay has been confirmed with a maximum debt-to-income ratio of 43% or otherwise meeting GSE underwriting guidelines. QM loans are eligible for government guarantees. These loans offer low-down payment options and flexible underwriting designed to help first-time buyers

Examples
Conventional (Freddie Mac, Fannie Mae) FHA, VA, USDA and bank portfolio

NON-QUALIFIED MORTGAGE

Loans where the borrower's ability to repay the loan has been established using non-conforming guidelines and alternative documentation, non-QM loans are not eligible for government guarantees. Larger down payments are generally required, interest rates and fees are higher. Loans may have "risky features" like interest-only and balloon payments

Examples
Loans to self-employed and business owners with strong credit, cash-flow and assets; foreign national and ITIN loans.

PRIVATE MONEY

Equity based lending, the borrower's ability to repay is not a primary consideration, limited and alternative documentation allowed, can not be used for owner-occupied principal residence purchases or refinances. Typically have much higher interest rate and fees. These are short-term bridge loans until permanent financing can be arranged

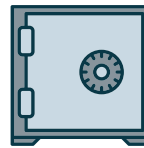
Examples
Land loans, loans for distressed and commercial properties, and investor flip financing

Basic Requirements for Conventional or Government- Insured Home Loans



STABLE INCOME

Borrower must have income from sources that are stable and durable and can be documented with pay stubs, bank statements, tax returns and other independent sources.



VERIFIABLE ASSETS

Borrower must have access to equity sufficient to meet that minimum down payment requirements. All assets included on the loan application must be sourced and documented.



POSITIVE CREDIT REPUTATION

The borrower must demonstrate an ability and willingness to satisfy their past and current credit obligations. Generally this is verified with a mortgage credit report and qualifying credit scores.



ADEQUATE COLLATERAL

The value of the property used to secure the mortgage loan must be determined by an independent appraiser looking primarily at recent comparable sales and using standardized adjustments.



Two Key Home Financing Concepts

LOAN-TO-VALUE (LTV)

The relationship between the loan amount and the lesser of the contract price or the appraised value. The maximum loan-to-value for a conventional loan is 97% (3% down payment required) and if the loan exceeds 80% of the value, then private mortgage insurance is required. FHA loans allow for a 96.50% LTV (3.5% down payment required). VA and USDA loans allow 100% LTV financing (no down payment required).

DEBT-TO-INCOME (DTI)

The front or top-end ratio is the relationship between the borrower's anticipated new housing expense including the mortgage payment, property taxes, insurance and HOA fees (if any) and gross monthly income. The total debt income ratio includes the anticipated housing expense plus non-housing debts including auto loans and lease, installment loans, student loans, credit cards, and court-ordered payments. Conventional loans allow a total DTI of up to 50% and FHA loans allow up to 55%.



CONVENTIONAL AND GOVERNMENT-INSURED LOANS

CREDIT SCORES

Lenders use a mortgage credit report that have scores from all three national credit bureaus. The high and low scores are excluded and the middle credit score is used to determine eligibility. Generally conventional loans require a middle score of 620. Some FHA lenders will accept scores as low as 500 but 580 is more typical.



CREDIT HARDSHIPS

Borrowers with prior bankruptcies must have a two year credit reestablishment period for an FHA loan and four years for a conventional loan. Prior foreclosures require 3 years for an FHA loan and 7 years for a conventional loan. Prior short sales generally require a 3 year waiting period.

NON-TRADITIONAL CREDIT

Borrowers without established tradeline credit histories may qualify for a conventional or FHA loan using documented non-traditional credit references which must include an on-time rental history, and three other payment references (e.g. utilities). Non-traditional credit can not be used to offset a derogatory tradeline or credit history.



Loan Program Comparison Chart



	LOAN TYPE			
	CONVENTIONAL	FHA	VA	USDA
MINIMUM DOWN PAYMENT REQUIREMENT	3% for Home Possible and Home Ready - 5% for standard conventional loans	3.5% for 1-2 units and 5% for 3-4 units	100%	100%
MORTGAGE INSURANCE	Required with LTVs above 80%	Required at all LTV levels	VA Guaranteed	USDA Guaranteed
CREDIT SCORE	620 minimum credit score	500 is the technical minimum, most lenders set a 580 minimum score.	580	580
TOTAL DEBT-TO-INCOME RATIO	45% to 50%	Up to 55%	Generally around 45%	41%
ELIGIBLE PROPERTY TYPES	1-4 units	1-4 units	1-4 units	1-4 units

Benefits of Mortgage Insurance

- ☒ Buyers have lots of misconceptions and confusion regarding mortgage insurance and how it benefits them
- ☒ REALTORS® can close more deals by helping borrowers understand the benefits of mortgage insurance
- ☒ Private mortgage insurance (PMI) is required on conventional loans when the loan-to-value is greater than 80%
- ☒ Buyers who do not have a large down payment can still purchase a home by using mortgage insurance
- ☒ Mortgage insurance protects lenders in the event of a foreclosure where there is insufficient equity to repay the balance due the lender



WHAT

Mortgage insurance is a form of down payment assistance because it is an alternative to a large down payment

PMI

Monthly premiums for private mortgage insurance can be cancelled when the owner has sufficient equity

FHA

FHA is government mortgage insurance that is required regardless of the LTV and stays in place for the life of the loan

Using Interested-Party Contributions To Pay For Closing Costs

Interested Party Contributions (IPC) are an eligible source of funds and can be used toward the buyer's settlement or closing costs. Interested parties are generally considered to include the home seller, listing or selling agent, lender, home builder or other party that has a financial interest in the transaction



5 KEY THINGS REALTORS® NEED TO KNOW REGARDING INTERESTED PARTY CONTRIBUTIONS

1. IPCs can only be applied to the buyer's closing costs, they can not be used as down payment funds
2. FHA loans allow for a maximum IPC from eligible sources up to 6% of the sales price. High LTV conventional loans allow a 3% maximum credit from all interested parties
3. All IPCs should be documented in the purchase agreement
4. The buyer may not receive cash back at closing as a result of an IPC. Any overage resulting from an IPC would be applied to the principal balance of the loan
5. Generally speaking IPCs can not be used to pay for post-closing repairs and improvements

Understanding the Appraisal Process



The Home Value Code of Conduct regulates the residential appraisal process. Most lenders now use an Appraisal Management Company (AMC) for appraisals. The AMC selects the appraiser, reviews their work and issues the appraisal report to the lender. Loan originators are prohibited from directly interacting with the appraiser.

5 THINGS REALTORS® NEED TO KNOW ABOUT THE APPRAISAL PROCESS

1. The final decision regarding property value is made by the underwriter. The underwriter is not required to accept the appraiser's determination of value.
2. The initial appraised value can be appealed through a Reconsideration of Value submitted to the AMC identifying comparable sales that should have been considered and/or corrections to the adjustments made by the appraiser.
3. Due to concerns about inflated property values, FHA loans require a 90 day waiting period before a seller can enter into a purchase agreement with a buyer ("90 Day Flip Rule"). Conventional loans may require a second appraisal to support the increased value.
4. Listing and selling agents can be present during the appraisal inspection and provide the appraiser with suggested comparable sales and information about the property condition (e.g. recent improvements, repairs and additions).
5. All financing is based on the lesser of the contract price or the appraised value. So if the appraised value is lower than the contract price, the buyer will not be able to finance the difference – it will have to be paid by the buyer with eligible funds.



Financing Homes with a Home Owners Association



Condominiums and town homes are the preferred housing choice for many buyers and in some markets the only affordable option. REALTORS® who understand the special financing issues associated with Home Owners Associations (HOA) can help facilitate purchase transactions.

6 THINGS REALTORS® NEED TO KNOW ABOUT FINANCING HOMES WITH AN HOA

1. The HOA forms part of the collateral to the mortgage loan. Therefore, the HOA must be “warrantable” meaning it must meet the underwriting requirements for a conventional or government insured loan. Non-warrantable HOAs are not eligible.
2. Warrantable HOAs have adequate reserves, low levels of delinquencies, are at least 50% owner-occupied, have no pending litigation, and proper insurance.
3. Generally, FHA requires the HOA be on their approved project list, unfortunately most are not: (<https://entp.hud.gov/idapp/html/condlook.cfm>).
4. Conventional loans allow for HOA “spot approvals” but typically the underwriter will need to review all of the HOA documents including articles of incorporation, bylaws, financials, insurance and a current certification from the HOA manager.
5. Unfortunately, some HOAs have non-responsive management companies which can delay the HOA approval process. REALTORS® can help by getting the HOA contact information and documents as early as possible when the transaction opens.
6. Unfortunately, some HOAs have non-responsive management companies which can delay the HOA approval process. REALTORS® can help by getting the HOA contact information and documents as early as possible when the transaction opens.

Student Loan Debt

Student Loan Debt
- In today's market REALTORS® will encounter many buyers struggling with student loan debt. Lenders are required to consider a borrower's student loan payment in the debt-to-income calculation even if the student loan is currently in forbearance or deferral. As a result, home buying power can be seriously eroded - sometimes to the point where it is not feasible to purchase a home. Fortunately, new conventional underwriting guidelines can help.



5 THINGS REALTORS® NEED TO KNOW ABOUT FINANCING HOMES WHEN PROSPECTIVE BORROWERS MIGHT HAVE STUDENT LOANS

1. The buyer can be relieved of the student loan payment for underwriting purposes if the loan has been paid successfully by someone else (e.g. a parent) for the last 12 months, even if that person is not actually obligated on the student loan debt. Documentation of the third-party payment history is required.
2. If the buyer's employer has agreed to repay the student loan debt at the end of the deferral or forbearance period, lenders do not need to consider the monthly payment. Public safety employees, medical professionals, social workers and teachers sometimes have this benefit. Documentation of the employer's repayment commitment is required.
3. If the loan is currently in repayment status, lenders can use the buyer's approved Income Driven Repayment (IDR) plan payment even if that plan payment is \$0. IDR plans consider the buyer's current financial ability to repay the loan.
4. If the loan is not currently in repayment and the future payment amount is not known, lenders can use 50% of the loan balance as the payment or calculate a payment that will payoff the loan during the standard repayment term.
5. FHA has the most restrictive underwriting guideline relative to student loan debt – the flexible options described above are not available. FHA uses the greater of 1% of the loan balance or the stated monthly payment.



Gift Funds and Non-Occupant Co-Signers

REALTORS® can open doors for more buyers by understanding the rules related to gift funds and co-signers.



5 THINGS REALTORS® NEED TO KNOW ABOUT GIFT FUNDS AND CO-SIGNERS

1. Gift funds must come from someone who would likely make a gift to the buyer such as a family member - friends and co-workers are not eligible donors.
2. Both conventional and FHA loans allow all of the minimum down payment requirement to come from properly documented gift sources. There is no limit to the amount of gift funds the buyer can receive.
3. Documenting gift funds as the buyer's asset on the loan application requires a signed gift letter, evidence of the donor's capacity to make the gift (e.g. a bank statement) and a paper trail from the donor's account to the buyer's account (or the escrow account). Cash gifts can not be used.
4. FHA loans allow closely related family members (e.g. parents) to act as non-occupant co-signers and co-buyers to the buyer's loan application. All of the qualifying income, assets and credit can come from the co-signor or the co-buyer.
5. Conventional loans underwritten to Freddie Mac's guidelines allow for non-occupant co-buyers, but loan-to-value restrictions apply.

What is TRID and What REALTORS® Should Know



FICUS BANK
4521 Ramban Boulevard - Samoset, ST 12345 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: \$160,000

LOAN TERM: 30 years
 PURPOSE: Purchase
 PRODUCT: Fixed Rate
 LOAN TYPE: Conventional FHA VA
 LOAN ID #: 123456789
 RATE LOCK: NO YES, until 4/15/2013 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 3/4/2013 at 1:00 p.m. EDT.

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment.</small>	\$761.78	NO

Does the loan have these features?

Prepayment Penalty: YES - As high as \$3,240 if you pay off the loan during first 2 years

Balloon Payment: NO

Projected Payments

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

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

This estimate includes:
 Property Taxes
 Homeowner's Insurance
 Other
See Section G on page 3 for increased property costs. You must pay for other property costs separately.

In escrow? YES YES

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 2 for details.

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

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 redisclosures 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

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

Closing Disclosure

Closing Information: Date Issued: 4/15/2013, Closing Date: 4/15/2013, Settlement Date: 4/15/2013, Settlement Agent: Equifax Title Co., File #: 12-3456, Property: 456 Somewhere Ave, Anytown, ST 12345, Sale Price: \$160,000

Transaction Information: Borrower: Michael Jones and Mary Stone, 123 Anywhere Street, Anytown, ST 12345, Seller: Stone Cole and King Dis., 321 Somewhere Drive, Anytown, ST 12345, Lender: Ficus Bank

Loan Information: Loan Term: 30 years, Purpose: Purchase, Product: Fixed Rate, Loan Type: Conventional FHA VA Other, Loan ID #: 123456789, MIC #: 000054421

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <small>See Projected Payments below for your Estimated Total Monthly Payment.</small>	\$761.78	NO

Does the loan have these features?

Prepayment Penalty: YES - As high as \$3,240 if you pay off the loan during the first 2 years

Balloon Payment: NO

Projected Payments

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

Estimated Taxes, Insurance & Assessments: \$356.13 a month
Amount can increase over time. See page 4 for details.

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

In escrow? YES YES NO

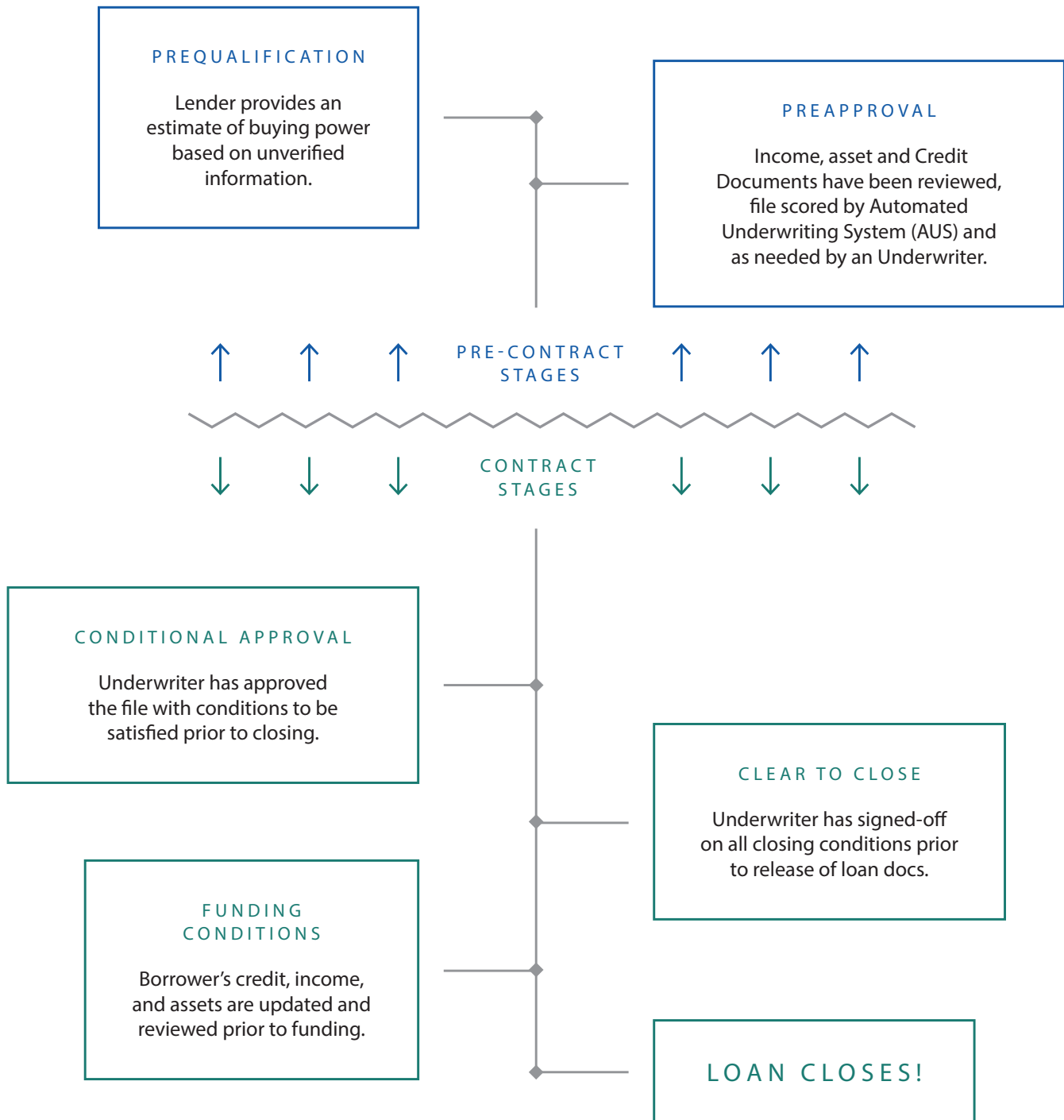
Costs at Closing

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 3 - LOAN ID # 123456789



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!

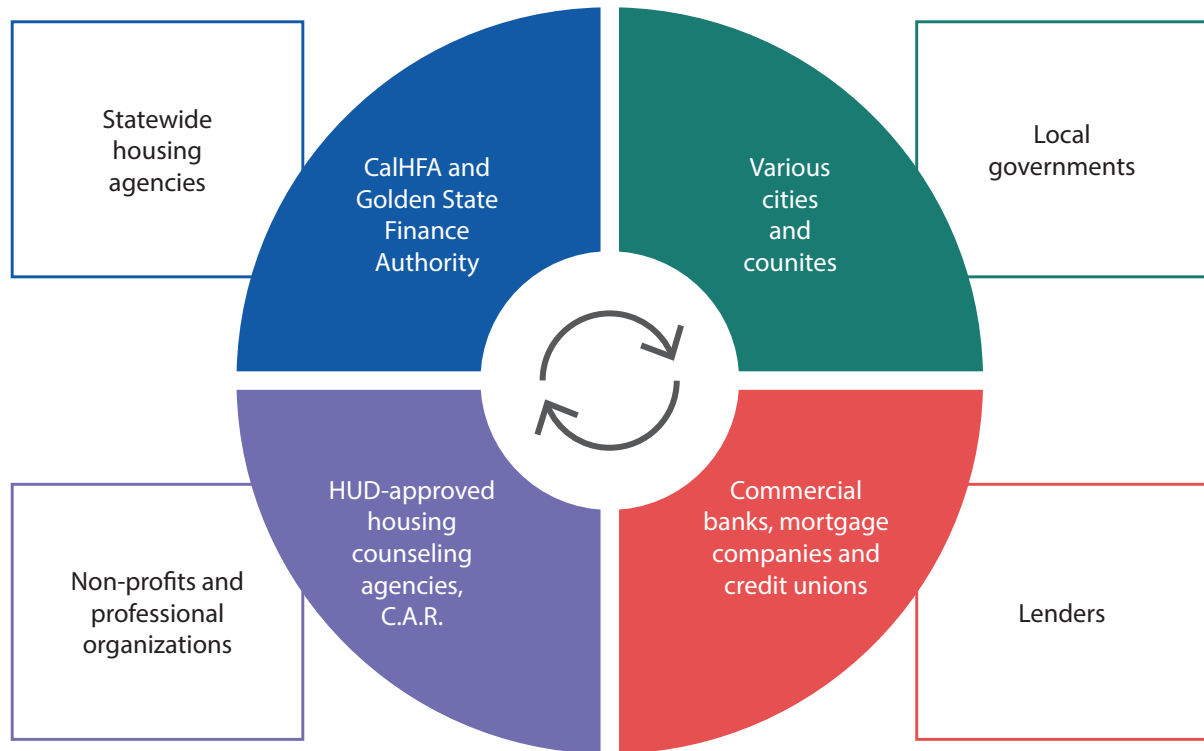
First Time Home Buyer Resources

How to help widen the pool of buyers – in this segment, you will learn:

- ☒ About the programs offered by government agencies, nonprofits and employers
- ☒ About partnerships that may provide support for you and your client
- ☒ What to expect with down payment assistance and how to ensure your offer is correct



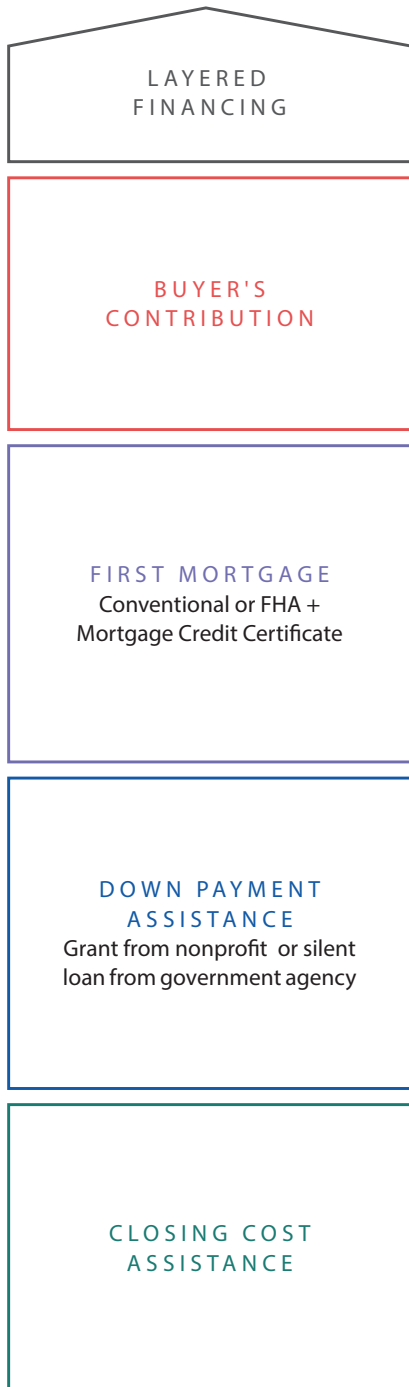
Resources for First-Time Home Buyers



California is fortunate to have a variety of resources offered by federal, state and local government agencies, along with private nonprofit organizations, lenders and trade organizations. They work together to expand home buying opportunities for low- and moderate-income individuals and families. The programs they offer include:

- ☒ Down payment assistance gift, grants and loans
- ☒ Low interest rate conventional and FHA first mortgages
- ☒ Mortgage Credit Certificates
- ☒ Home buyer education
- ☒ Financial and debt management counseling
- ☒ Closing cost assistance programs
- ☒ Inclusionary zoning (BMR) programs

Working with Down Payment Assistance Programs (DPA) and Layered Financing Strategies



← Many DPA programs require a minimum buyer contribution toward the purchase, 1% is typical but with some DPA programs there is no minimum borrower contribution required

← The size of this loan is based on conventional or FHA underwriting guidelines

← DPA loans are deferred repayment "silent" or "soft" loan that require no monthly payments typically for 30 years. They are repayed when title is transferred in the future. DPA loans fill the gap between what the buyer can afford on their own and actual price of the home

← Interest party credits as well as some of the DPA financing can be used (up to 105% CLTV allowed)

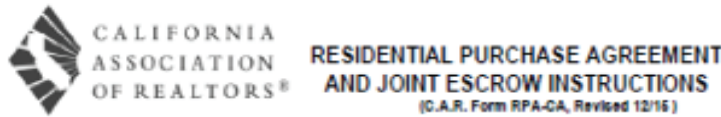
REQUIREMENTS FOR DPA PROGRAMS

The requirements for first-time home buyer assistance program can vary but these guidelines generally apply to all programs:

- ☒ The buyer may not have owned a home in the last three years
- ☒ The household income must fall within the income guidelines for the program
- ☒ The home purchased may need to be in an eligible area
- ☒ Fee-simple, single unit properties in good condition
- ☒ The home must be vacant or owner-occupied at the time the purchased contract is executed
- ☒ Purchase price limits may apply
- ☒ The buyer must agree to owner-occupy the home – not for investors



Sample Residential Purchase Agreement for Buyer Using Down Payment Assistance Program



Date Prepared: 01/01/2017

1. OFFER:

A. THIS IS AN OFFER FROM Sample Homebuyer ("Buyer").

B. THE REAL PROPERTY to be acquired is 12345 Main Street, Los Angeles, CA 90012, situated in Los Angeles (City), (County), California, 90012 (Zip Code), Assessor's Parcel No. ("Property").

C. THE PURCHASE PRICE offered is Three Hundred Thousand Dollars \$ 300,000.00

D. CLOSE OF ESCROW shall occur on (date) or 45 Days After Acceptance.

E. Buyer and Seller are referred to herein as the "Parties." Brokers are not Parties to this Agreement.

2. AGENCY:

A. DISCLOSURE: The Parties each acknowledge receipt of a "Disclosure Regarding Real Estate Agency Relationships" (C.A.R. Form AD).

B. CONFIRMATION: The following agency relationships are hereby confirmed for this transaction:
 Listing Agent (Print Firm Name) is the agent of (check one):
 the Seller exclusively; or both the Buyer and Seller.
 Selling Agent (Print Firm Name) (if not the same as the Listing Agent) is the agent of (check one): the Buyer exclusively; or the Seller exclusively; or both the Buyer and Seller.

C. POTENTIALLY COMPETING BUYERS AND SELLERS: The Parties each acknowledge receipt of a "Possible Representation of More than One Buyer or Seller - Disclosure and Consent" (C.A.R. Form PRBS).

3. FINANCE TERMS: Buyer represents that funds will be good when deposited with Escrow Holder.

A. INITIAL DEPOSIT: Deposit shall be in the amount of \$ 3,000.00
 (1) Buyer Direct Deposit: Buyer shall deliver deposit directly to Escrow Holder by electronic funds transfer, cashier's check, personal check, other within 3 business days after Acceptance (or);
 OR (2) Buyer Deposit with Agent: Buyer has given the deposit by personal check (or) to the agent submitting the offer (or to), made payable to . The deposit shall be held uncashed until Acceptance and then deposited with Escrow Holder within 3 business days after Acceptance (or).
 Deposit checks given to agent shall be an original signed check and not a copy.
 (Note: Initial and Increased deposits checks received by agent shall be recorded in Broker's trust fund log.)

B. INCREASED DEPOSIT: Buyer shall deposit with Escrow Holder an increased deposit in the amount of \$ within Days After Acceptance (or).
 If the Parties agree to liquidated damages in this Agreement, they also agree to incorporate the increased deposit into the liquidated damages amount in a separate liquidated damages clause (C.A.R. Form RFD) at the time the increased deposit is delivered to Escrow Holder.

C. ALL CASH OFFER: No loan is needed to purchase the Property. This offer is NOT contingent on Buyer obtaining a loan. Written verification of sufficient funds to close this transaction IS ATTACHED to this offer or Buyer shall, within 3 (or) Days After Acceptance, Deliver to Seller such verification.

D. LOAN(S):

(1) FIRST LOAN: in the amount of \$ 237,000.00
 This loan will be conventional financing or FHA, VA, Seller financing (C.A.R. Form SFA), assumed financing (C.A.R. Form AFA), Other . This loan shall be at a fixed rate not to exceed % or, an adjustable rate loan with initial rate not to exceed %. Regardless of the type of loan, Buyer shall pay points not to exceed % of the loan amount.

(2) SECOND LOAN in the amount of \$ 60,000.00
 This loan will be conventional financing or Seller financing (C.A.R. Form SFA), assumed financing (C.A.R. Form AFA), Other . This loan shall be at a fixed rate not to exceed % or, an adjustable rate loan with initial rate not to exceed %. Regardless of the type of loan, Buyer shall pay points not to exceed % of the loan amount.

(3) FHAVA: For any FHA or VA loan specified in 3D(1), Buyer has 17 (or) Days After Acceptance to Deliver to Seller written notice (C.A.R. Form FVA) of any lender-required repairs or costs that Buyer requests Seller to pay for or otherwise correct. Seller has no obligation to pay or satisfy lender requirements unless agreed in writing. A FHAVA amendatory clause (C.A.R. Form FVAC) shall be a part of this Agreement.

E. ADDITIONAL FINANCING TERMS: Secondary financing from the Los Angeles City first-time home buyer program.

F. BALANCE OF DOWN PAYMENT OR PURCHASE PRICE in the amount of \$ to be deposited with Escrow Holder pursuant to Escrow Holder instructions.

G. PURCHASE PRICE (TOTAL): \$ 300,000.00

Please note paragraph E for Additional Financing Terms

Two Trending Affordable Home Ownership Programs

INCLUSIONARY HOUSING

- ☒ Also called Below Marketing Rate (BMR) or resale price deed-restricted housing programs
- ☒ As a condition for receiving development rights, home builders are required by local governments to set aside some homes in their project for low- and moderate-income buyers
- ☒ Affordability for these buyers is achieved by pricing the homes below their market value
- ☒ The home is sold with a deed restriction that limits the future resale of the home at a price deemed affordable at that time
- ☒ This affordability covenant can significantly restrict the home owner's ability to build equity resulting from market appreciation

MORTGAGE CREDIT CERTIFICATES

- ☒ A federal income tax credit for first-time buyers administered by local and state government agencies
- ☒ The tax credit has the effect of increasing your buyer's federal income tax credit for each year they own the home and the mortgage is outstanding
- ☒ Lenders can add the value of the tax benefit as income on the buyer's loan application which boosts their buying power
- ☒ This first-time buyer program generally has higher income limits than most assistance programs and is available statewide in CA
- ☒ Many buyers can qualify for the MCC program



Home Equity Options

How to help clients put their own resources to work – in this segment, you will learn:

- ☒ About four strategies that may provide home owners with investment opportunities
- ☒ About how to help your clients help their family members buy their first home

Unlocking Homeowner Equity

REALTORS® can grow their business by helping their clients understand the benefits of tapping their home equity to buy a second or vacation home for themselves, assist their adult children in purchasing a first home, or buying an investment property. These strategies may have tax and legal implications for your clients and they should be advised to speak with their tax advisor before proceeding.



4 STRATEGIES FOR ACCESSING HOME EQUITY

- 1. Cash-Out Refinance**
Refinance up to 85% of the home's value, the net proceeds can be used for a variety of purposes
- 2. Home Equity Line of Credit**
A revolving credit line that can be used and repaid by the homeowner as-needed
- 3. Home Equity Loan**
A fixed loan amount secured by a second deed of trust based on installment repayment terms
- 4. Reverse Mortgage**
Home owners aged 62 and older can extract equity from their home for a variety of purposes and repayment is deferred while they owner-occupy the home



Home Improvement

How to help clients buy and create their dream home – in this segment, you will learn:

- ☒ How to help your client buy a home and fund property improvements without using credit cards or other more expensive credit options
- ☒ About the FHA 203k loan

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



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Lender Secrets

How to help clients with special circumstances – in this segment, you will learn:

- ☒ How to break down some of the most difficult financing barriers
- ☒ About how to help clients with unique or special circumstances

Lender Secrets



REALTORS® can open more doors for their clients by taking advantage of special financing program offered by various lenders, here is a sample.

SOURCE	LOAN PROGRAM	BENEFITS
Alterra Home Loans	ITIN Loan Program	Provides financing up to 80% LTV for foreign nationals who do not have a Social Security number but have an established work history, verifiable credit references and an Individual Taxpayer Identification Number (ITIN)
Citadel Servicing Corporation	Bank Statement Loans	Helps higher net worth, self-employed borrowers or business owners who can verify the amount and stability of their income through personal or business bank statements
Carrington Mortgage	Structural and non-structural	Provides FHA loans with credit scores as low as 500
HomeBridge Financial	Home Style and 203K Loans	Expertise in purchase-rehabilitation financing using both 203K and Fannie Mae's HomeStyle renovation loans.
Land Home Financial	Manufactured Home Loans	Expertise in lending on fee-simple, manufactured homes
New American Funding	Home Possible	Freddie Mac's conventional loan that finances up 97% of the purchase price and has no minimum buyer contribution requirement
Union Bank	Economic Opportunity Mortgage	A CRA-driven conventional loan that finances up to 97% of the purchase price with no mortgage and offers flexible underwriting guidelines



Review of Our Overall Objective as REALTORS® in the Sharing of STEPS



SECURE YOUR REPUTATION AS A THOUGHT LEADER IN RESOLVING HOME FINANCING BARRIERS

- ☒ Because you know how financing works, who the players are and their roles
 - ☒ You have the resources to help clients through the financing process
 - ☒ You can help buyers take advantage of little known financing flexibilities
-



LIST AND SELL MORE PROPERTIES

- ☒ You know how to address or remove property condition barriers
 - ☒ You can avoid delays in the appraisal process
 - ☒ You have resources that make it easier to buy or sell in distressed communities
 - ☒ You know how to increase the buying power of your clients through their own financing or untapping family equity
-



BUILD AND STRENGTHEN REFERRAL PIPELINES

- ☒ Through partnerships with program providers, nonprofits, builders and lenders
- ☒ Through relationships with credit or resource challenged buyers and their families
- ☒ Through networking with HOAs and helping them know the investor guidelines of their development



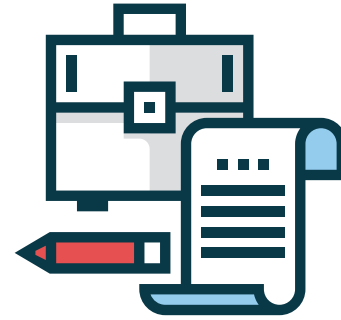
REALTOR[®] RESOURCE

FINANCIAL LITERACY TOOLS FOR REALTORS[®] AND HOME BUYERS



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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

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



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

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.



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*.

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



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

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



[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

<input checked="" type="checkbox"/> Property Information	<input checked="" type="checkbox"/> Actual Property	<input checked="" type="checkbox"/> Law Enforcement
<input checked="" type="checkbox"/> Household Information	<input checked="" type="checkbox"/> Sales Price	<input checked="" type="checkbox"/> Firefighter
<input checked="" type="checkbox"/> Special Circumstances	<input checked="" type="checkbox"/> Currently Own a Home	<input checked="" type="checkbox"/> Healthcare
<input checked="" type="checkbox"/> General Search - City, County, Town, etc.	<input checked="" type="checkbox"/> Household Income	<input checked="" type="checkbox"/> Disability
	<input checked="" type="checkbox"/> Veteran	<input checked="" type="checkbox"/> Military
	<input checked="" type="checkbox"/> Educator	<input checked="" type="checkbox"/> 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>

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.

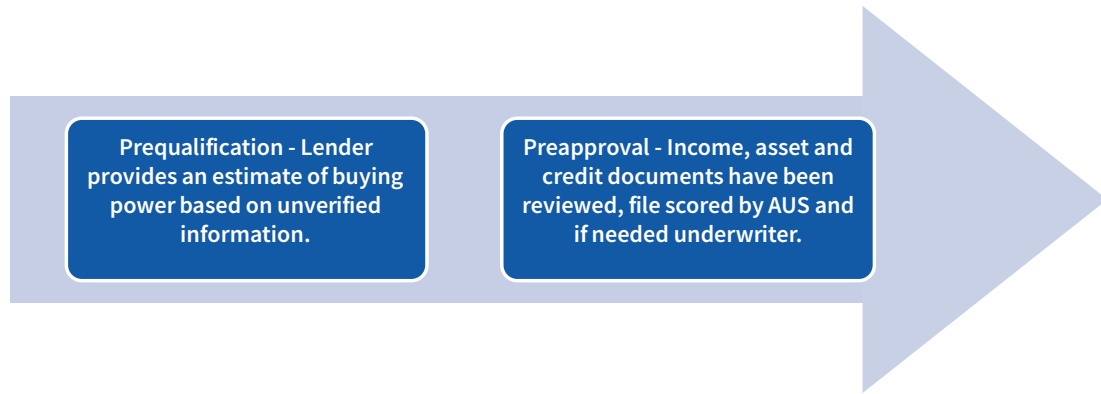
TYPICAL SERVICES THEY PROVIDE	5 WAYS YOU CAN PARTNER WITH NONPROFIT HOUSING AGENCIES
Pre-purchase home buyer education	1. Volunteer as a subject matter expert at their first-time buyer workshops
Financial and debt management counseling	2. Become a board member
Default and foreclosure prevention and counseling	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

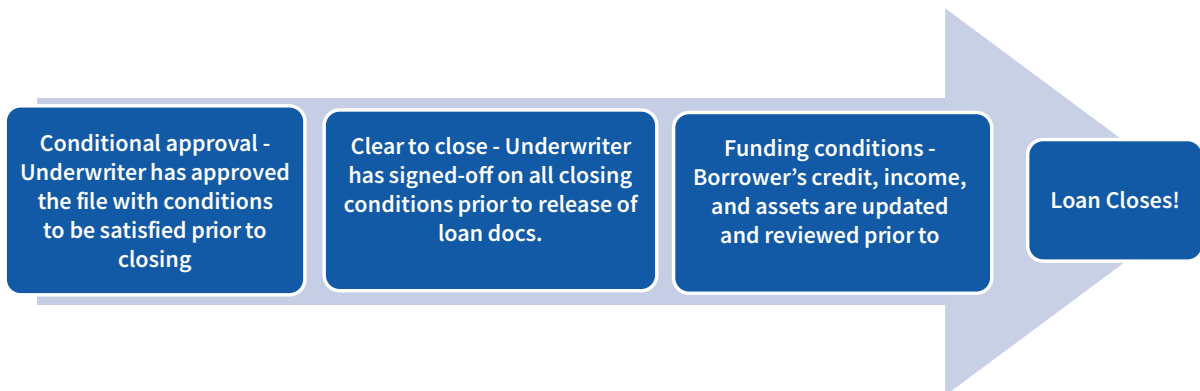
- ☒ HUD-approved agencies can be found at: www.hud.gov/findacounselor
- ☒ NeighborWorks organizations can be found at: www.neighborworks.org/Our-Network/Network-Directory
- ☒ Credit counseling organizations can be found at: www.nfcc.org

Loan Approval and Closing Steps

PRE-CONTRACT STAGE



CONTRACT TO CLOSE STAGES



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!**



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