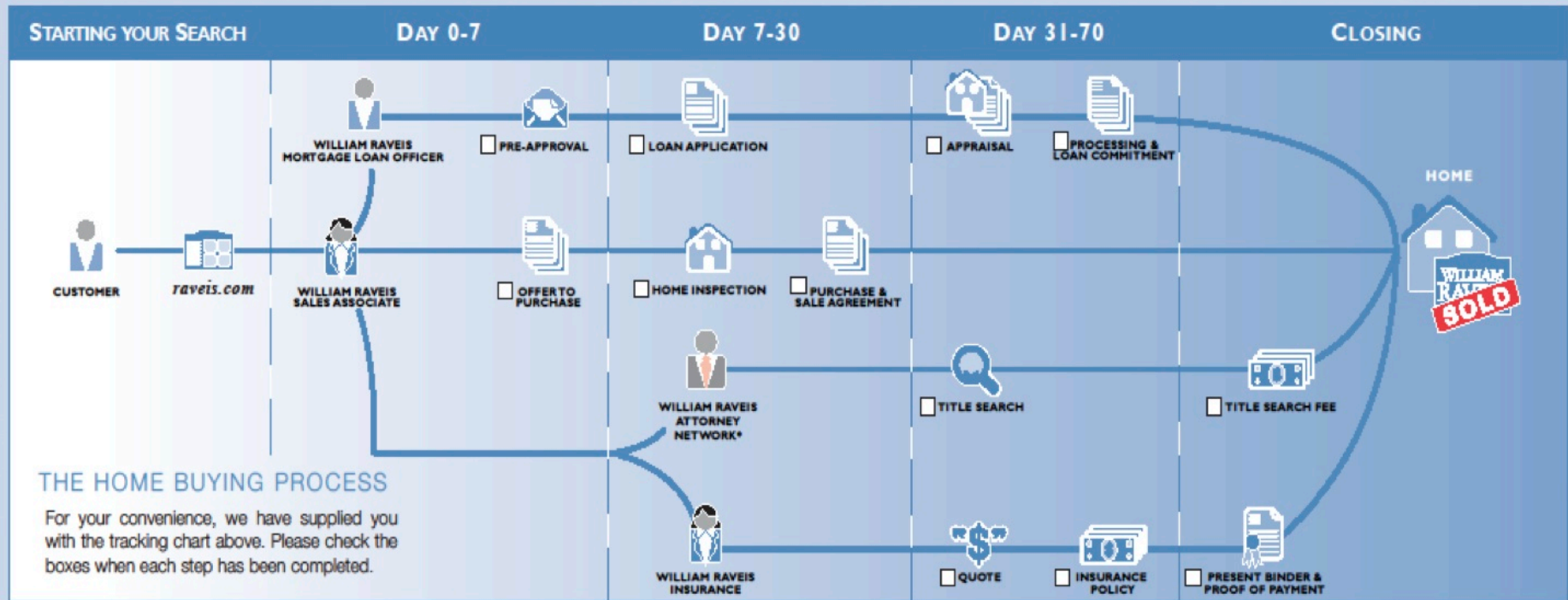


# Home Buying Road Map



# ATR

Ability To Repay

- Income
- Job Stability
- Assets to Close
- Collateral
- Credit



# Credit

- FICO Score Range - Rates vary depending on the score – The higher the better!
  - Less than 640 – Extremely limited options
  - 640 to 700 – FHA/VA/USDA/Conventional
  - Over 700 – Conventional, Jumbo, Niche products.
- Outstanding debt
- Late payments
- Tax liens, Judgments, collection accounts
- Inquiries
- Fraud alerts, AKAs





# Income/Employment

- Job stability – 2 year history of employment in same (or similar) field
- Type of income – salaried, hourly, commission based. For bonus & overtime (is there a 2 year history of receipt and is it likely to continue?), Child Support/Alimony (must continue for 3 years), SSI, Pension. Does borrower work for a family business?
- Self Employed – Sole Proprietor, Partnership, S-Corp, Corp? Must use a 2 year average to determine income (unless the most recent year is lower in which case we would use a 12 month average of that year).
- Documentation requirements – 1 month of paystubs, most recent 2 year's W2's & Federal Tax Returns (all pages) & business returns (if applicable), Divorce Decree (all pages), Award Letters





# Assets

- Must verify sufficient liquid funds to complete transaction plus reserves (usually 2 months of PITI, but, is generally higher for jumbo loans).
- Documentation Requirements
  - Borrower Funds – All pages of most recent 2 months statements for all asset accounts. Large deposits (typically over \$1,000, but, up to UW discretion) must be sourced and verified with a paper trail.
  - Gifts – Acceptable from an immediate family member. Must document donor's ability to give gift and transfer of funds to borrower.





# Pre-Qualification Vs. Pre-Approval



## Pre-Qualification

Based on:

- Information regarding income, assets & employment provided verbally by the buyer
- Credit Report and FICO Scores





# Pre-Approval

Based on:

- Completed Online 1003
- Credit Report and FICO Scores
- AUS Findings
- Supporting documentation



# WILLIAM RAVEIS

— M O R T G A G E —

raveismortgage.com

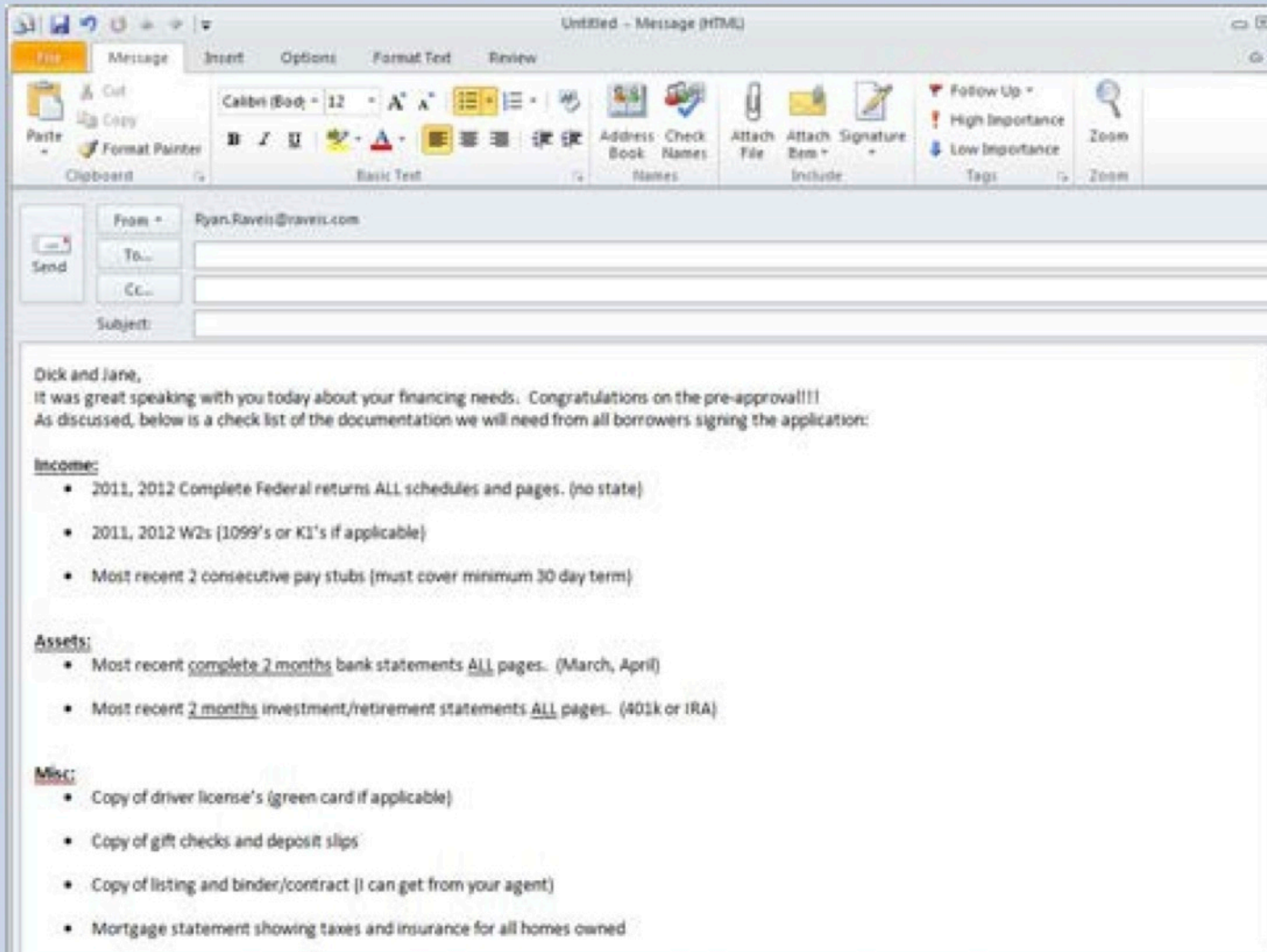
Most pre-approval letters are good for

**60 - 90 DAYS**



William Raveis Mortgage, LLC 7 Trap Falls Road, Shelton, CT 06484 | NMLS 2630 \* CT Mortgage Correspondent Lender License 15524 \* MA Mortgage Broker/Lender License MC2630  
NY Licensed Mortgage Banker-NYS Banking Department LMBC 106535 \* RI Lender & Broker # 20051918LL & 20051919LB | Licensed by the NH Banking Department as Mortgage Banker License 11083-MB  
NJ Residential Mortgage Lender 2630

# Borrower Checklist



From: Ryan.Raveis@raveis.com

To:

Cc:

Subject:

Dick and Jane,

It was great speaking with you today about your financing needs. Congratulations on the pre-approval!!!

As discussed, below is a check list of the documentation we will need from all borrowers signing the application:

Income:

- 2011, 2012 Complete Federal returns ALL schedules and pages. (no state)
- 2011, 2012 W2s (1099's or K1's if applicable)
- Most recent 2 consecutive pay stubs (must cover minimum 30 day term)

Assets:

- Most recent complete 2 months bank statements ALL pages. (March, April)
- Most recent 2 months investment/retirement statements ALL pages. (401k or IRA)

Misc:

- Copy of driver license's (green card if applicable)
- Copy of gift checks and deposit slips
- Copy of listing and binder/contract (I can get from your agent)
- Mortgage statement showing taxes and insurance for all homes owned





# Once you apply...

## Do's

### **NOTIFY US OF INCOME CHANGES**

Please notify your Mortgage Consultant if there are any changes from your loan application.

### **KEEP DOCUMENTATION OF ALL LARGE DEPOSITS**

Lenders will verify where you received the money for any large deposit(s).  
This could include copies of checks, bank statements and letters explaining the deposit(s).

### **PAY BILLS ON TIME**

Stay current on existing accounts. ONE 30-day late can cost you between 50-100 points on your credit score.

## Don't

### **APPLY FOR NEW CREDIT OF ANY KIND**

Every time that you have your credit pulled by a potential creditor, your credit score could be adversely affected.

### **OVER CHARGE ON YOUR CREDIT CARDS**

Since all lenders check your credit report immediately before settlement, the best policy is to not use credit cards AT ALL during the loan process. If you do use them, try to keep your balance under 50% of your total credit limit.

### **CONSOLIDATE YOUR DEBT ONTO 1 OR 2 CREDIT CARDS**

When you consolidate all your debt onto one card, it appears that you are maxed out on that card.  
This can negatively affect your credit score.

### **CHANGE/QUIT YOUR JOB**

If you plan to change jobs, please consult your Mortgage Consultant immediately. A change could adversely affect your mortgage approval.

# Additional Documentation Requirements

The following documents will be required to complete the application (if applicable). While they are not necessary to produce the Pre-Approval letter the borrower should be gathering these items to be prepared once a property is selected:

Divorce Decree or Separation Agreement

Relocation documentation

School Transcripts (if recent graduate)

Mortgage statements, tax & insurance bills for other REO

Copy of photo ID (Driver's License/Passport/Green Card)





# Appraisal

- Necessary to determine if the value of the property is supported in the market area.
- Must be performed by a licensed appraiser and ordered through an Appraisal Management Company (cannot choose appraiser).
- Condition of Appraisal - “As Is” or “Subject to Completion”. If subject to repairs or completion a re-inspection will be required.
- Comparable Sales
  - Similar style as subject (cape/colonial)
  - Within 1 mile of subject (some exceptions)
  - Sold within 6 months of appraisal
  - Non-Arms Length transactions





# Conforming Loans

- Fixed & Adjustable Rates
- LTV's up to 95%
- Primary, second homes and investment properties
- Conforming Loan Limits:
  - 1 Unit – \$417,000.00
  - 2 Units - \$533,850.00
  - 3 Units - \$645,300.00
  - 4 Units – 801,950.00
- High conforming loan limits are available for certain counties.
  - MA (Essex, Middlesex, Norfolk, Plymouth, Suffolk) - **\$470,350.00**
  - CT Metropolitan Area (Bridgeport, Stamford, Norwalk) Component County (Fairfield) - **\$601,450.00,**
  - **NY \$625,500**
- FICO Scores – 640 and above
- Delegated Underwriting



# Jumbos

- Fixed & Adjustable Rates
- LTVs up to 80%
  - 90% LTV w/no MI available for loan amounts up to \$650,000.00.
- Primary Residences & Second Homes
- Loan amounts above conforming/high conforming limits
- FICOs above 700
- Non-Delegated Underwriting (loans must be shipped to investor for decision)



## FHA & Community Based Loans

### Excellent first time buyer options

- **FHA**
  - Fixed & ARM rates
  - 1-4 unit primary residences
  - Minimum down payment 3.5%
  - Minimum FICO – 640
  - Flexible guidelines
  - Up Front Mortgage Insurance Premium of 1.75% can be added to principal balance. Monthly mortgage insurance premium is 1.35%
- **MHFA/CHFA**
  - State Specific Housing Authority Loans
  - Income & Purchase Price restrictions
  - Low down payment options
  - No MI Programs (MHFA only)
  - Down payment Assistance Program (CHFA only)
  - Conventional low rate (CHFA only)





# Streamline 203k Loans

- Provides borrowers with an affordable financing solution that combines the purchase of the home along with the costs of the improvements into a single loan
- Use the value of the home AFTER improved to determine the loan amount TODAY.....
- Allows borrowers to finance up to an additional \$35,000, including fees and contingency reserve into their mortgage to make improvements
- 30 year fixed-rate mortgages only
- Minimum FICO - 640
- Owner Occupied Properties only
  - Attached and detached single family residences, FHA approved condos and PUDs
  - 2-4 unit properties
- Interested party/seller contributions allowed up to 6% (regardless of LTV)



# USDA Guaranteed Rural Housing

- 100% financing for qualified low and moderate income families looking to purchase a primary residence. Ideal for first time buyers or borrowers with little or no down payment.
- 30 year fixed rate only
- 2% Guarantee Fee and annual fee of 40 bps (collected monthly)
- Single family/RD eligible condo/PUD or Townhome
- No reserve requirements
- Property must be located in a RD eligible area (take a look for your territory, you may be surprised by the locations included)
  - <http://eligibility.sc.egov.usda.gov>





# VA Loans

- Allows the Veteran to finance up to 100% of the sales price with no MI
- Conforming and Jumbo Products
- Fixed & ARM rates
- Minimum FICO – 620
- Flexible Underwriting
- Seller Concessions up to 4%
- VA Funding Fee (insurance) – 2% (can be waived for disabled veterans)
- Available to:
  - Active Duty Service Members
  - Reserve and National Guard Members
  - Unmarried surviving spouse of an eligible service member who died as a result of service or a service connected injury
  - A Veteran who was honorably discharged





## Potential Obstacles & Red Flags

- Power of Attorney – must be approved by closing manager prior to scheduling
- Incorrect Homeowner's Insurance Binder (wrong mortgagee, insufficient coverage)
- Delays in proposed deed from seller (atty)
- Incomplete commission statements (atty)
- Title Issues – outstanding liens (atty)
- Borrowers with expired licenses (atty)



# Final Docs

- Note
- Mortgage
- Deed/Title
- HUD1





# Note

- **Note** – a legal document obligating a borrower to repay a loan at a stated interest rate during a specified period; the agreement is secured by a mortgage that is recorded in the public records along with the deed.





# Mortgage

- **Mortgage** - a lien on the property that secures the Promise to repay a loan. A security agreement between the lender and the buyer in which the property is collateral for the loan. The mortgage gives the lender the right to collect payment on the loan and to foreclose if the loan obligations are not met.



# Deed

- **Deed** - a document that legally transfers ownership of property from one person to another. The deed is recorded on public record with the property description and the owner's signature. Also known as the **Title**.



# HUD1 Settlement Statement

- **HUD1** – A statement that itemizes the services provided and the fees charged for those services. This form is completed by the Settlement Provider and must be available for review by the borrower at least one day prior to closing.





- **Page 1 of the HUD-1 summarizes all of the charges and credits to the buyer and seller.**
  - Line 101 – Sales Price
  - Line 103 – Total settlement charges from page 2
  - Lines 106 to 112 – Items the buyer's are reimbursing the sellers for i.e. taxes & HOA dues
  - Line 120 – Total of the 100 section and is the amount you owe
  - Lines 200 to 209 – Includes credits for items paid by the buyer i.e. EMD, Advanced Fee reimbursement, seller credits
  - Lines 210 to 219 – credits from the seller for items owed by seller that are due after settlement.
  - Line 220 – Total of all credits
  - Line 303 – The amount the buyer must bring to the closing table



- **Page 2 of the HUD-1 is an itemization of the total settlement charges**
  - 700 Series – Total Real Estate Broker Fees
  - 800 Series – Items payable in connection with the loan i.e. appraisal, credit report, tax service fee,
  - 900 Series – Items required by lender to be paid in advance i.e. prepaid interest, upfront mortgage insurance, homeowner's insurance premium
  - 1000 Series – Reserves deposited with lender i.e. property taxes, hazard insurance
  - 1100 Series – Title Charges i.e. Title insurance (lender's and owner's)
  - 1200 Series – Government Recording and Transfer Charges
  - 1300 Series – Additional Settlement Charges i.e. Survey, Pest inspections, etc.
  - Line 1400 – Total Settlement Charges





## Page 3 of the HUD-1 is made up of two sections: the Comparison Chart and the Loan Terms.

- **Comparison Chart** – Helps the buyer compare the charges disclosed on the initial GFE and the actual charges on page 2 of the HUD-1
- **Loan Terms** – Assures the buyer that the loan they applied for is the same as the loan they are receiving at settlement.





# Take the Direct Route – Get there Faster!

