

# HOW TO KEEP BUYERS ON TRACK FOR A SUCCESSFUL CLOSING




MARSHA THOMPSON

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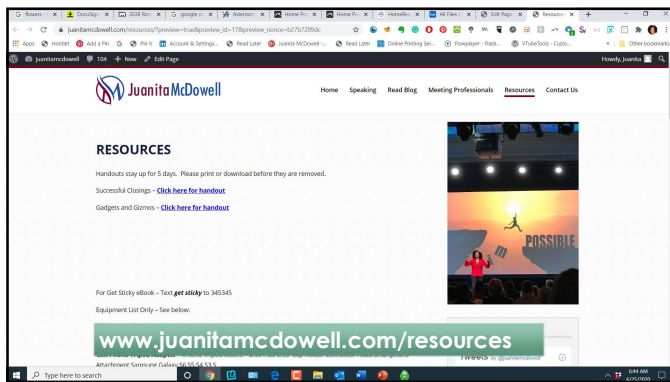
## Learning Modules

|   |  |
|---|--|
| 1 | Prequalification   |
| 2 | Credit   |
| 3 | The Mortgage Process   |
| 4 | The Underwriter  |
| 5 | The Challenge – Homebuyer Tips, Common Mess-ups, The Oops File, and Info/Situations Agents Should Know About |
| 6 | Q&A  |

Co-VID19 Edition



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Resources

Handouts stay up for 5 days. Please print or download before they are removed.

Successful Closings - [Click here for handout](#)

Gadgets and Games - [Click here for handout](#)

For Get Sticky eBook - [You get sticky to 345345](#)

Equipment List Only - See below:


[www.juanitamcdowell.com/resources](http://www.juanitamcdowell.com/resources)

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Module 1 - Prequalification

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### Why Prequalification?

- ▶ Affordability
- ▶ Shows Commitment
- ▶ Documentation

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### Ways to Apply

- Online application
- Phone application
- Face-to-Face application

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Prequalification

- ▶ Credit Pull
- ▶ Monthly Payments
- ▶ Cash Required at Closing



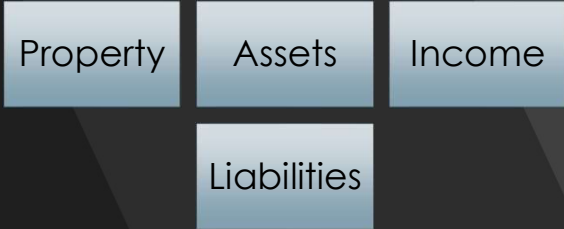
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Gather Your Documents



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P-A-I-L



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Property

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Assets

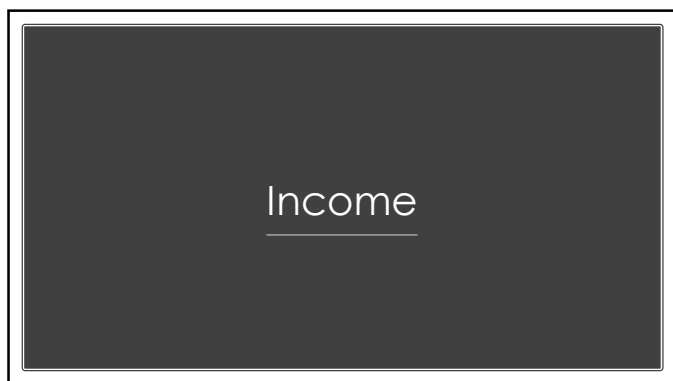
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Assets

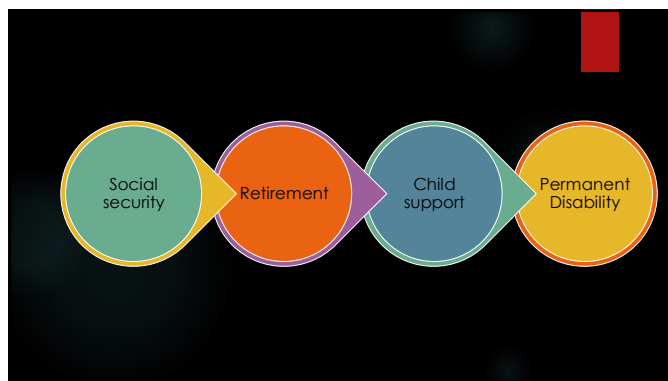


Bank statements      401K

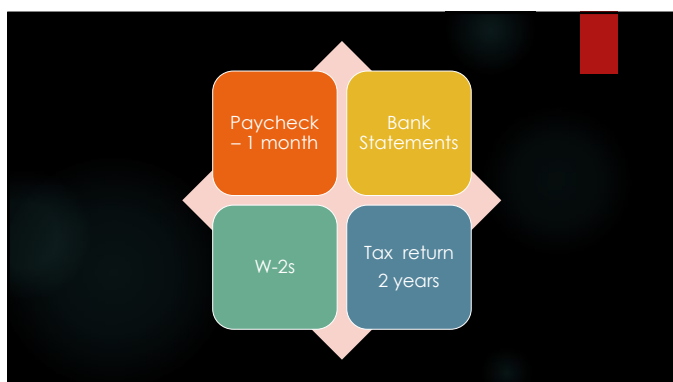
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CO-VID19 Credit Changes

- ▶ 580 min → 620 min
- ▶ With Overlays
- ▶ 2 months reserves
- ▶ DTI – 45 CAP
- ▶ No Gifts

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Debt-to-Income

Lenders typically want to see that your total monthly debts are no more than 36% of your monthly gross income.

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Example

$400 \text{ (monthly debt)} + \$1,500 \text{ (PITI/house payment)} + \$50 \text{ HOA}$

Divide by gross income of \$5000

**1950/5000**

**DTI = .39**

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## Self-employed Borrower

- ▶ Tax Returns
- ▶ P&L Statement
- ▶ Bank Statements
- ▶ Analysis
  - ▶ *What effect will the pandemic have on your business?*

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## Liabilities

20

## Loan Types



- Government loans
- Conventional products

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## FHA Loans

Loans issued through the U.S. Department of Housing and Urban Development (HUD) are insured by the **FHA**.

*Government*





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## FHA

Geared for:

- First time buyers
- With limited funds
- Past credit challenges

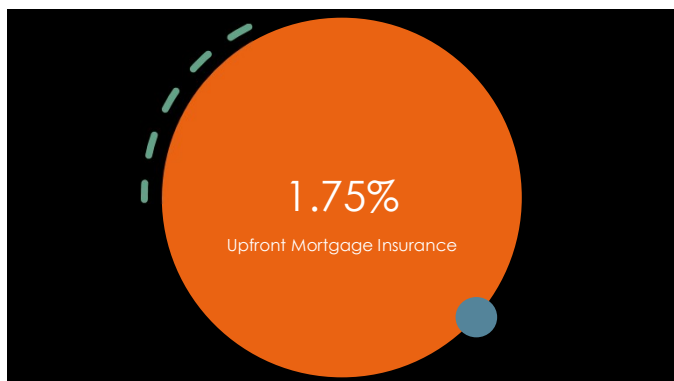


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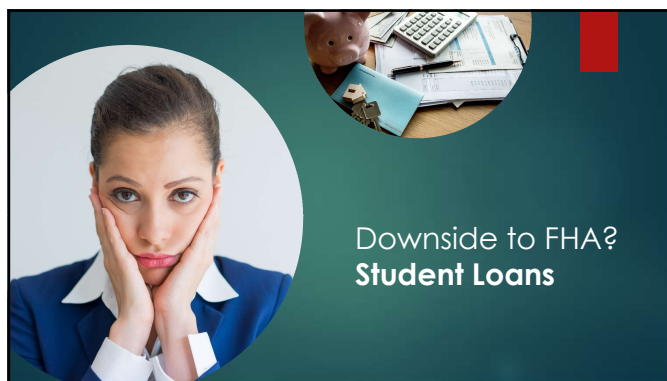
## Downside to FHA? Mortgage Insurance




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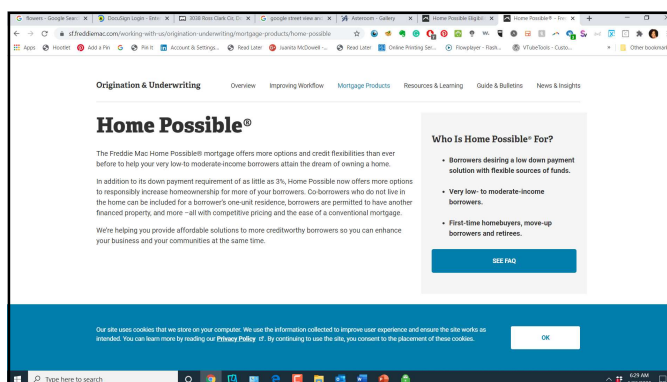
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### Qualifying Amount

- ▶ The **higher** of ...
- ▶ 1% of balance, or
- ▶ Actual payment

▶ Exercise: John has a \$150,000 student loan. The LO must qualify him based on what monthly amount in student loans?

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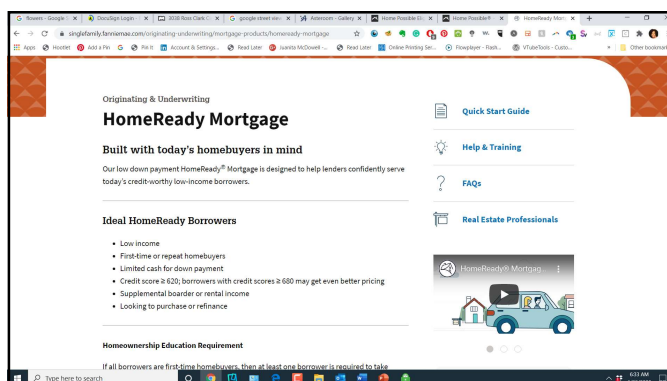


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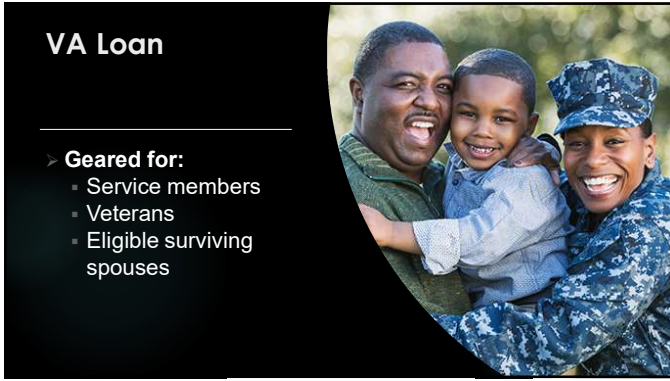
### Home Possible • 3% Down

- Use the actual student loan payment
- MI cancelled (80% value)
- Income restrictions

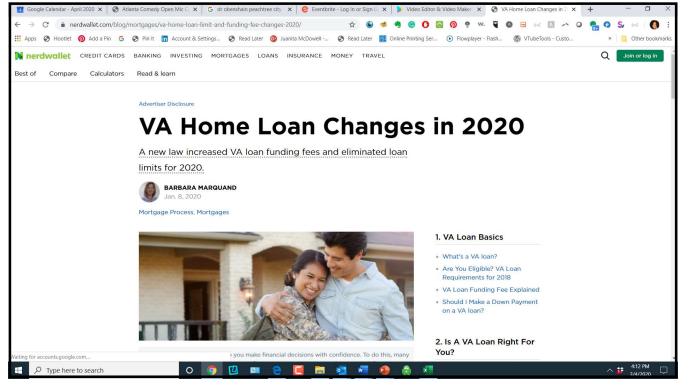
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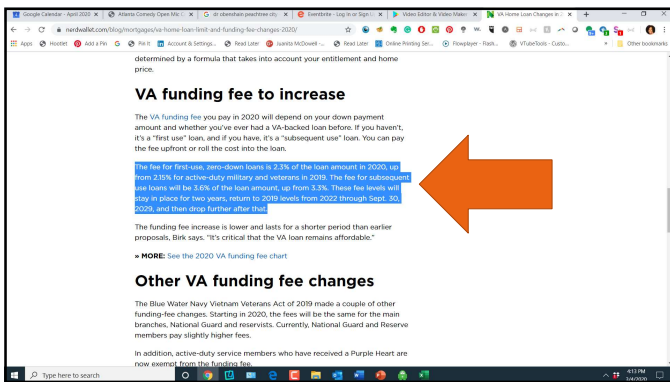
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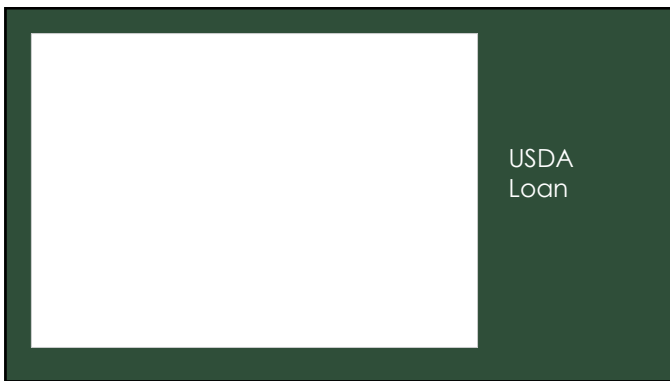
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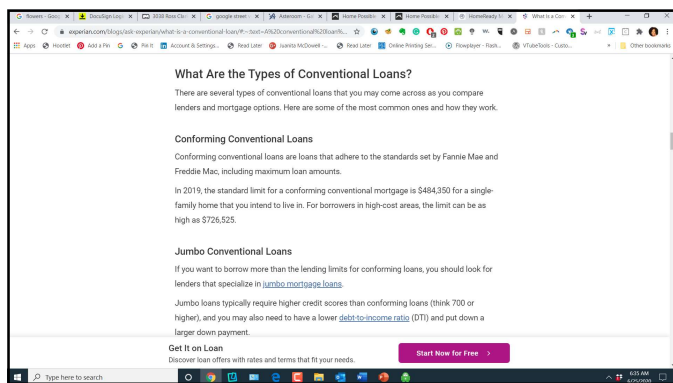
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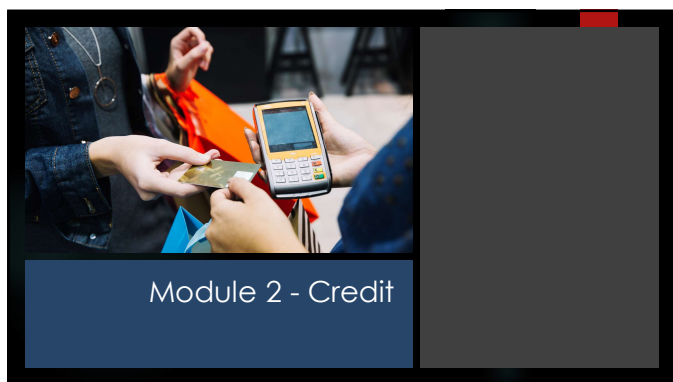
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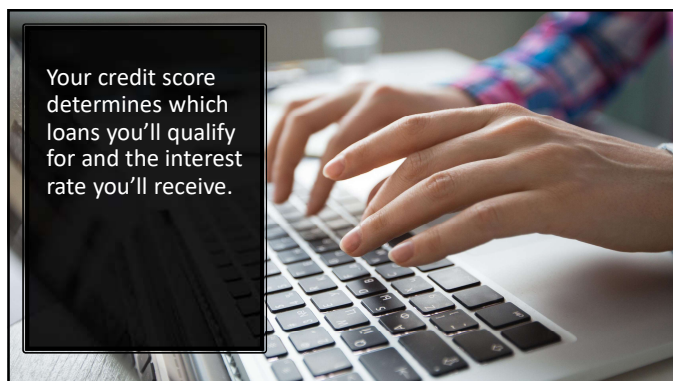
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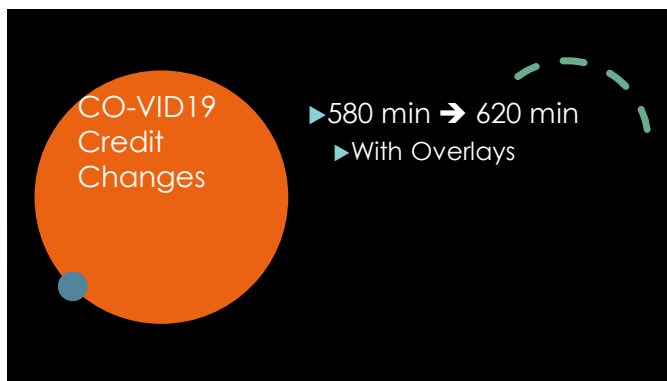
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Overlays

- ▶ 2 months reserves
- ▶ No gifts
- ▶ DTI 45.000000000

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640

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credit challenge

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**True or False**

Consumers can now self-report a utility bill to all three bureaus.

46

FALSE

47

**False**

Consumers CAN self-report to Experian. Look for "Experian Boost" as you can have certain utility accounts included in your credit report to help increase your score.

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## True or False

Consumers now have a new FICO option that can help increase your credit score, called the UltraFICO.

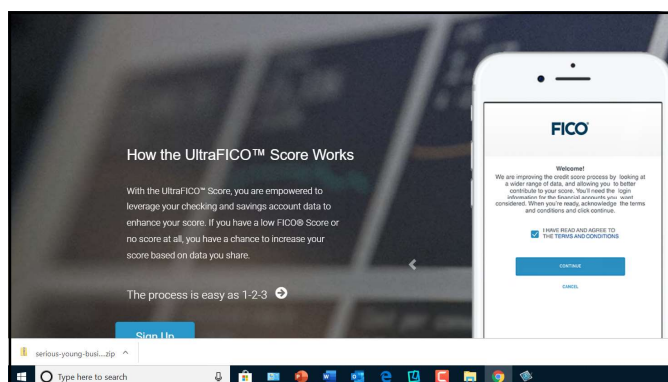
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TRUE

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## Class Question

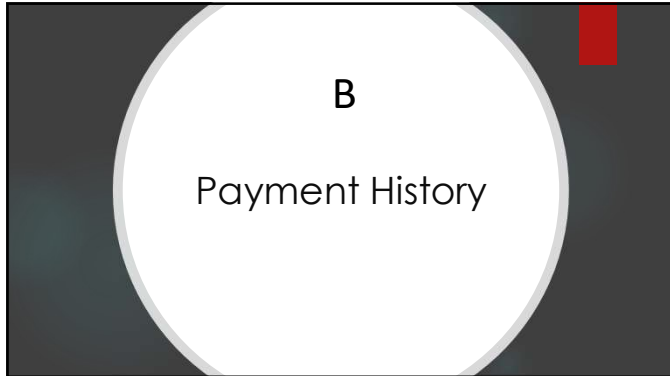
What information from a credit report impacts the score the most?

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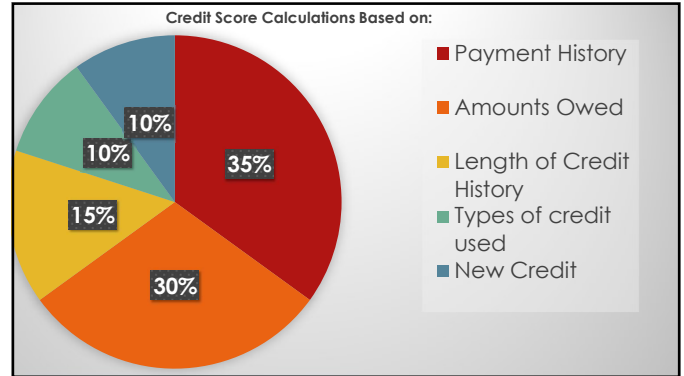
## Select

- A. Length of Credit History
- B. Payment History
- C. Amounts you owe

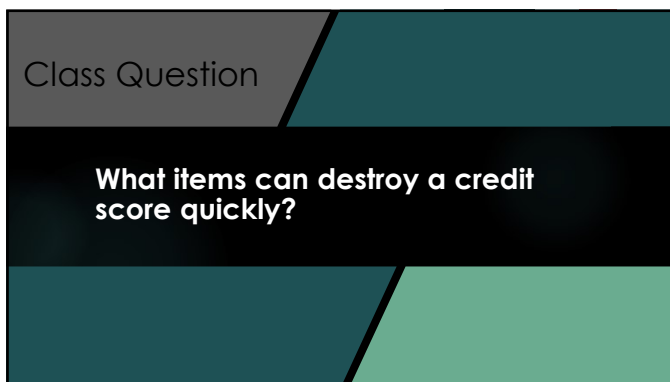
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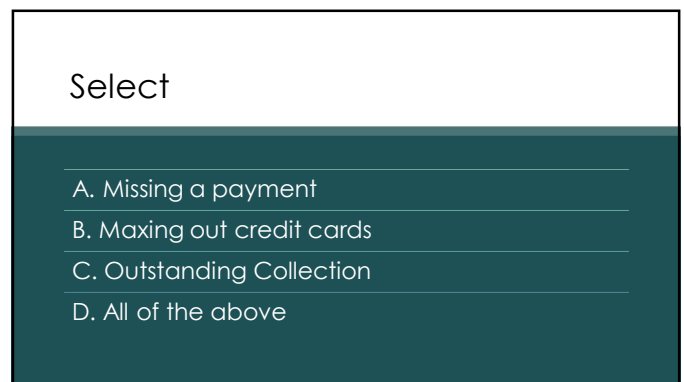
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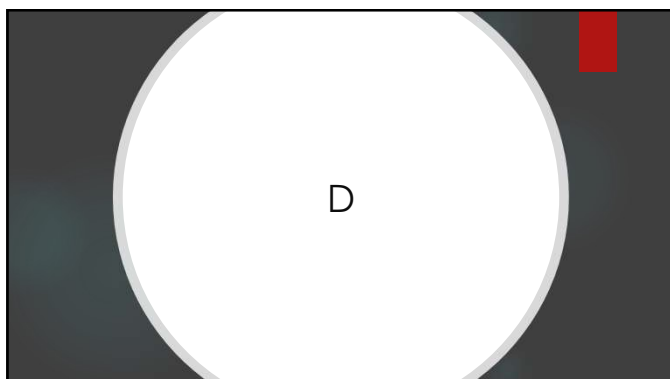
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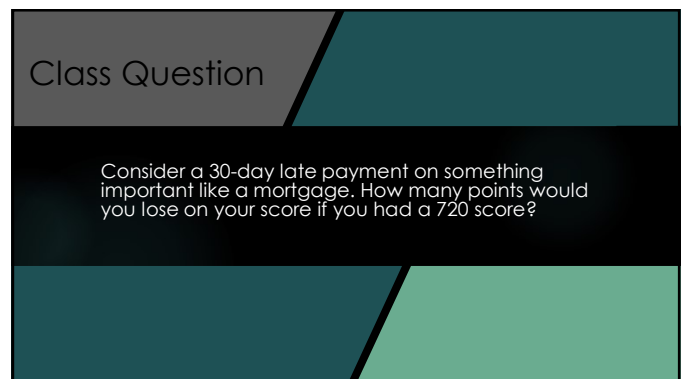
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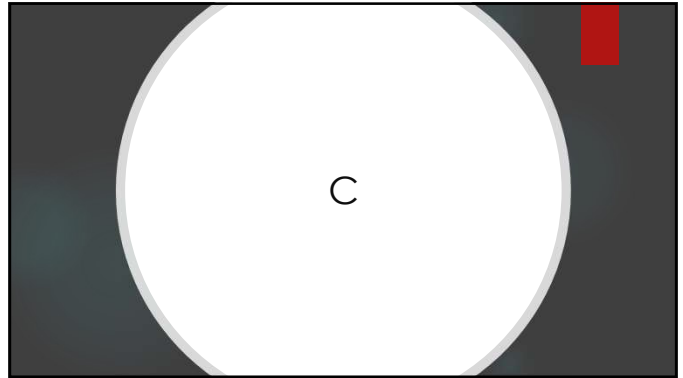


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Select

- A. Possibly 50 points
- B. Possibly 100 points
- C. Possibly 140 points
- D. None if it's your first late, 200 points if it's not

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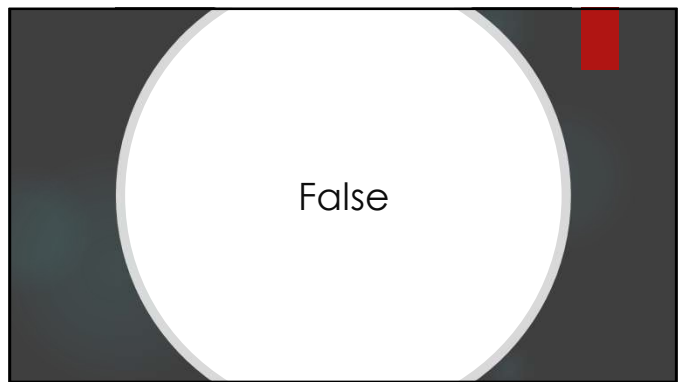


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**True or False**

Under Federal law, consumers can receive a FREE credit report every 6 months from the 3 credit reporting agencies (Equifax, Experian, and TransUnion).

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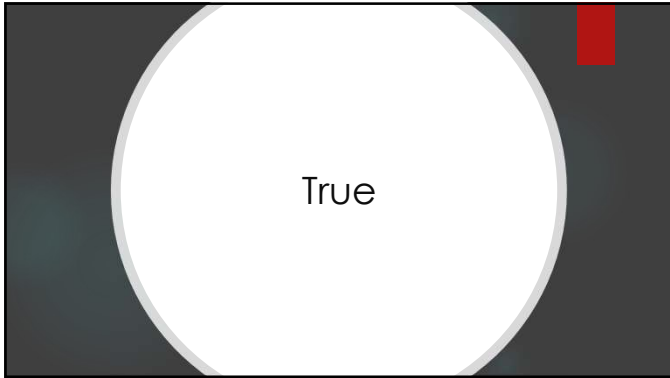
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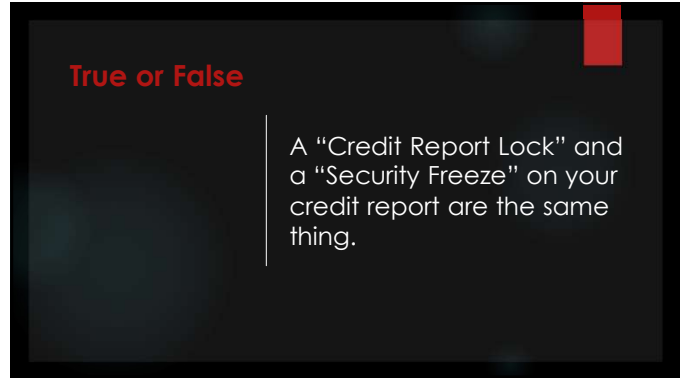
**True or False**

Lenders can now pull credit reports which tell them whether or not a consumer can gain additional points on their credit and HOW.

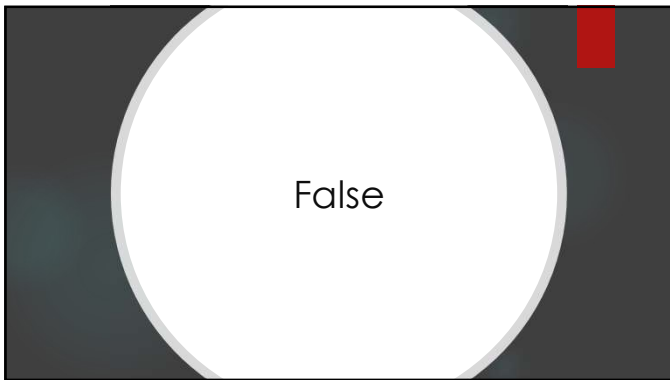
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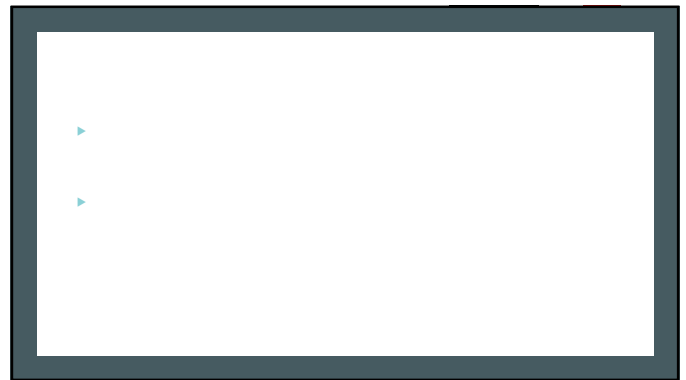
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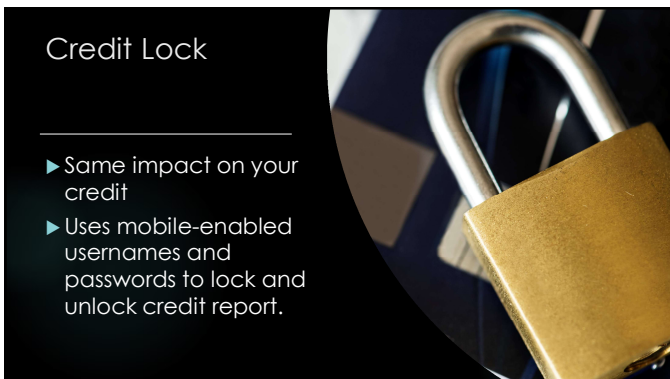
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## Mortgage Consultation and Prequalification

- ▶ Affordability
- ▶ Downpayment/Programs
- ▶ Estimated monthly payment
- ▶ Qualification
- ▶ Credit



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## Let's talk Interest Rates



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## Your Clients Need to Know These Percentages

1

Interest Rate

2

APR

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## Interest Rate vs APR


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Interest Rate does not include other fees associated with obtaining a mortgage

---

APR includes the Interest Rate AND other factors such as closing costs


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### When writing contracts:

- ✓ List the buyers' name as it appears on their driver license (i.e. middle initials and suffix designations).
- ✓ Check USPS.com to verify the exact address, including county and directionals. (Ex: 123 Main Street SE)
- ✓ Provide fully executed contract, with all pages, all amendments to lender immediately.




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Check e911

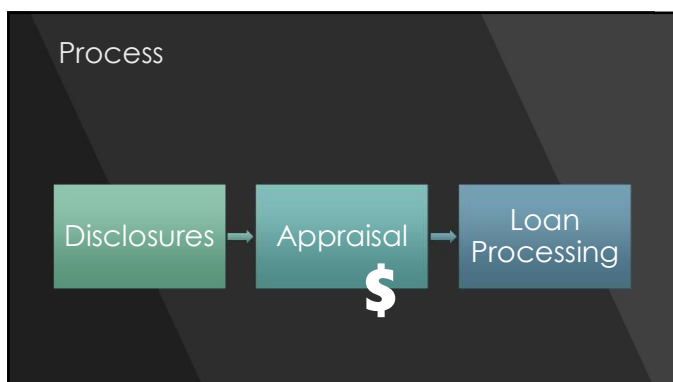
- ▶ For your county

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- ✓ Send any executed amendments to the lender immediately
- ✓ Provide copy of earnest money check.
- ✓ Provide closing attorney (name and closing location) on original contract.
- ✓ **Ten days** before closing, verify final sales price, seller contributions and # of amendments with the lender.



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CoVID Update

▶ 3 VOEs

82

The M... Underwriter

**FALSE**

Module 4

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**Underwriter's Responsibility**

**Review application for completeness**

- o Residential history
- o Employment history

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**Underwriter's Responsibility**

**Review credit**

- o All debts counted
- o Payment history

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**Class Question**

**If an underwriter sees a late pay within the last 30 days, does that kill the deal?**

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**Payment history**

**Late payments, collections, judgments/public records, charge-offs?**

- If a late pay, is there a letter of explanation to support it?
- Extenuating circumstances?
- Has the seasoning requirements been met for any derogatory credit (i.e. foreclosure, short sale, deed-in-lieu, bankruptcy, judgment, liens)

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**UW Checking...**

**Has the borrower established an acceptable credit history?**

---

**Are there any credit inquiries in the last 120 days?**

---

**Has any new credit been opened? If it has, is it reporting on the credit report and been including in ratios?**

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**Asset review**

|        |   |
|--------|---|
| Review | Review bank statements for the following  |
| Make   | Make sure all pages are present   |
| Make   | Make sure the beginning and ending balance calculates based on transactions held                |
| Make   | Make sure all non-payroll deposits are sourced (need letter of explanation and docs to support) |

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## Asset review

- Make sure that any joint owner has provided authorization to use the funds (gov't loans only)
- Make sure all debits (payments) are for accounts listed on credit report – if not, they must be addressed and can potentially be added to the liabilities impacting your debt to income ratio
- Make sure any large withdrawals are not related to major purchases that may require additional monthly payments
- Any deposits that are a result of a gift must be documented including donor's ability (FHA only)

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## Income Review

- Paystub contain all information: borrower/company name, pay periods, year to date income?
- If no, do we have a written VOE in the file?
- How is the borrower paid? Bi-weekly, monthly, semi-monthly?

Review the paystub to make sure that we have the most current one in the file with at least 30 days of earnings

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## Income Review

- Does the income reported support the income that is being used to qualify?
  - If not, was there a recent raise granted or did the borrower take unpaid time off?
  - If yes, has this been documented? (If not documented, then we have to use the current supported income)

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## Debt to income ratio

Debt → house payment (PITI)+ HOA + debt divide

Gross monthly income

Example:

1000/\$3000

.33

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## Income Documents

Review W2's to make sure income is consistent/in line with income that is being used for qualification

- Does the borrower have the required tax deductions?

Review tax returns for:

- Any write offs that may have to be counted against qualifying income
- Change in family status/size (if different from 1003)
- Address matches information reported on 1003
- Income claimed/reported matches W2's on file

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## The Mortgage Process

### Review The Closing Disclosure:

- Client must receive and acknowledge the closing disclosure (CD) three days prior to closing
- CD confirms all lender charges
- Final CD will be delivered at closing
- Buyers to wire funds for closing to attorney

### Closing:

- Three days after buyer returns the signed CD, the buyer is able to close on the loan! (Three day waiting period excludes day CD is signed by all Buyers, Sundays and any Federal holidays)
- At closing, all final loan documents are executed
- Deed is recorded transferring title from seller to buyer
- Buyer will receive original deed once recorded, title insurance will be sent after closing

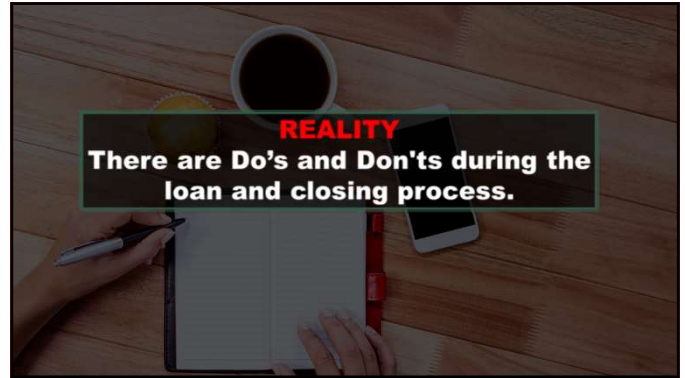


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## The Challenge

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1

Mr. Yanda Gupta wants to buy a \$400k house. You're his agent. He plans to put 50% down but he needs a loan for the remaining part. You refer him to a LO but he says, "Yeah, there may be a problem with getting a loan—I don't believe in debt and so I pay everything in cash."

99

Will this be a problem?

Yes

No

Maybe

100

Maybe

101

2

A survey was done by over a thousand loan officers, and they were asked, what do you worry about the most when it comes to qualifying consumers. And the number one concern, coming in at 59% was:

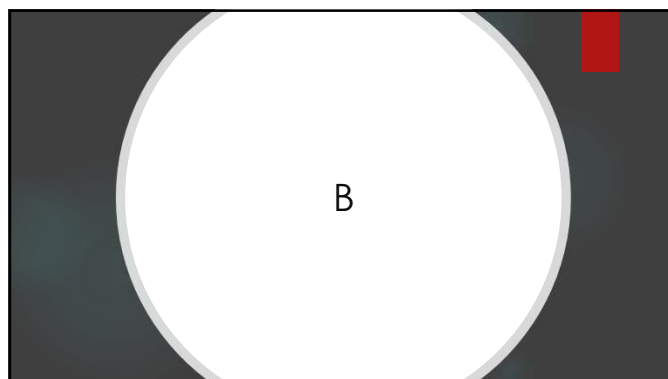
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a. Credit Score

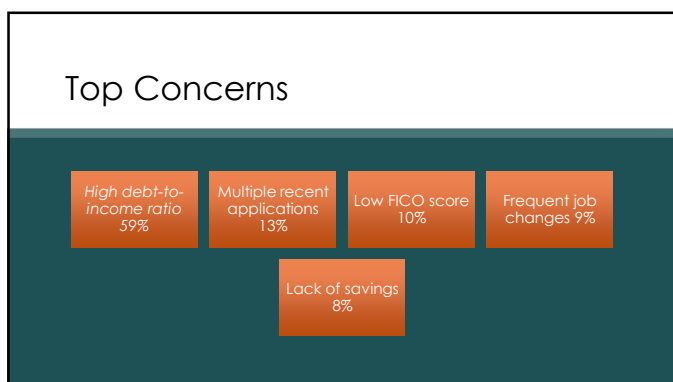
b. High Debt-to-Income ratio

c. Multiple recent applications

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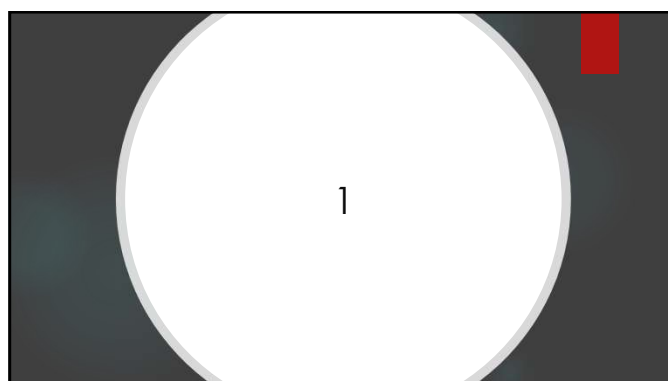
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Your Buyer Shanna Long works in the Accounting Dept at Bifton IT Services. She has already gone through underwriting on her brand new house... \$410k. Her loan is approved and ready to close in one week and a half. She calls you and tells you, "Hey, um, I don't work at Bifton. That job was driving me crazy. I just wanted you to know. And btw, I'm not crazy, I have a new job and I start in 3 weeks. What should you, the agent, do?"

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- 1  
Call your LO and tell them immediately!
- 2  
Ride it out. She's already approved.
- 3  
Pretend you never had this conversation with your Buyer Shanna Long

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4

Buyer Linda McPherson is buying a home and has a high DTI. She takes care of her 82-yr-old mother by having her job deduct \$400 per month out of her paycheck and direct depositing it into her mother's account. This is not a garnishment, nor is it anything more than a family contribution she chooses to make to help her mother. How should the LO treat this deduction before submitting the file?

109

A. Gift for her mom. Do not count it in DTI.

or

B. A monthly debt amount

110

B

111

5

Borrower Bob submits his loan application then realizes that he has an outstanding judgment he never paid. The UW wants it paid. He pays it. Problem is, he is now "cash poor" and unable to bring the required funds he needs to the closing table

112

Is there anything that the lender can do?

Yes

No

Maybe

113

Maybe

114

6

Young couple Brad and Jen are excited about buying a home. They plan to use **conventional** financing and put 10% down for their home. The 10% is a gift from Jen's parents.

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Will this work?

- A. Yes, and they can continue to do conventional financing.
- B. No, when DP is less than 20%, **some portion** must come from them in "conventional" financing
- C. Yes, they can get a loan but they need to flip to FHA to use the full amount

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A

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7 TRUE OR FALSE

One of the biggest perks to obtaining a conventional mortgage is the ability to remove mortgage insurance. FHA borrowers (30 yr) need to refi to conventional to remove MI.

118

True

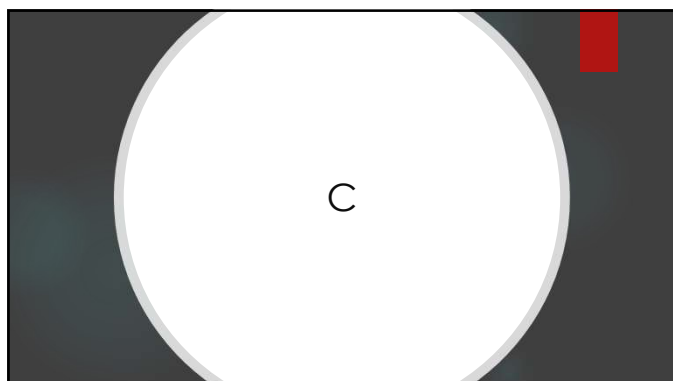
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One of the primary reasons why a Veteran buyer obtains a VA Loan is because

- a. a buyer can finance 100% of the home's appraised value.
- b. There is no mortgage insurance
- c. All of the above

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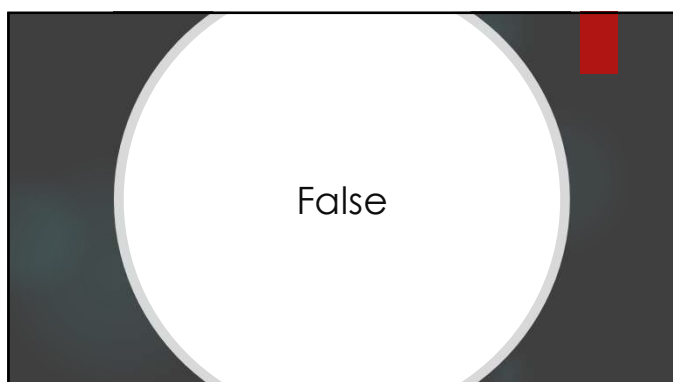


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### 9 TRUE OR FALSE

The FHA mortgage. A borrower can close with a with a fixed interest rate, however the paperwork they sign states that the Federal Housing Administration "reserves the right" to change the interest rate should HUD funding be in jeopardy.

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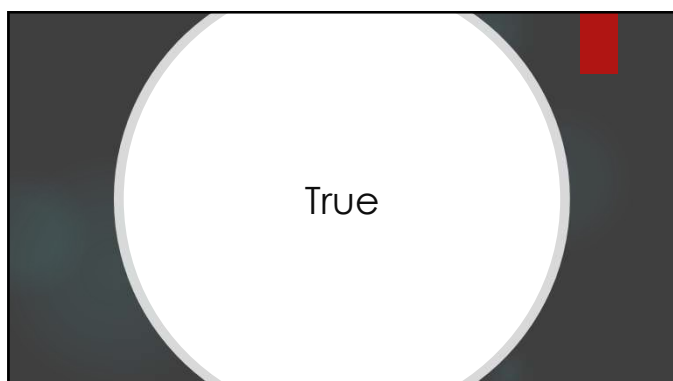


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### 10 - TRUE OR FALSE

A borrower can buy discount points and "buy down" the rate. This could potentially save them significant money over time.

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### 11 TRUE OR FALSE

Condition of the house. If your client is buying a home that needs repairs, they should use FHA or VA because they are more lenient about the condition of the house.

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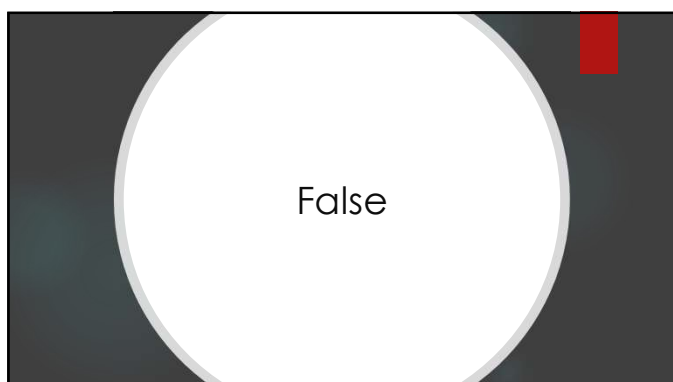


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## 12 TRUE OR FALSE

Your borrower says: "I'm excited about becoming a homeowner. So my payment will be \$1209 forever, right? After all, I have a fixed interest rate on a conventional loan. The LO (or the agent, if asked) should say, "Yes. Since your rate is fixed, your loan payment will never change."

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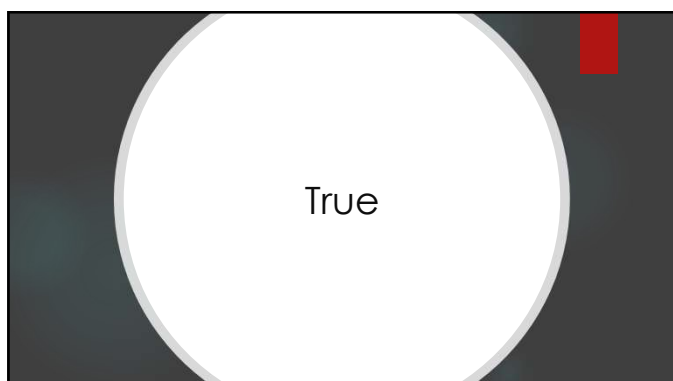


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## 13 TRUE AND FALSE

There are rarely any down payment assistance programs with conventional financing.

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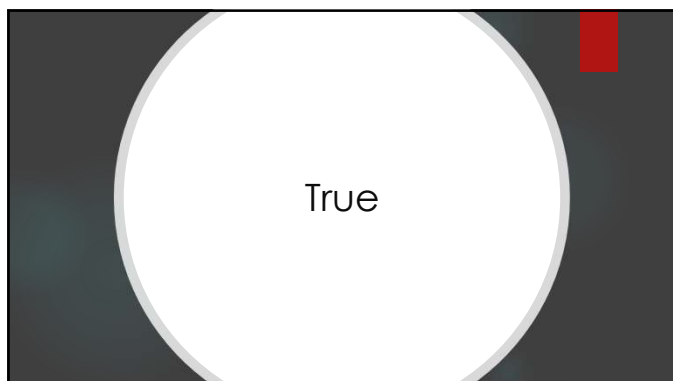


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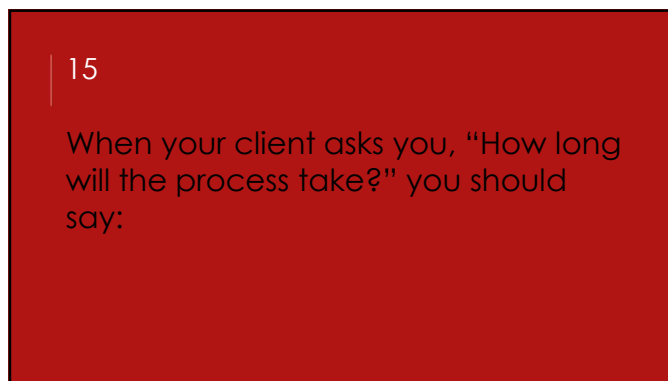
## 14 TRUE OR FALSE

One difference between FHA vs Conventional lending concerns refinancing. With conventional, you need a credit check, with FHA, you can do FHA streamline refi and no appraisal is needed.

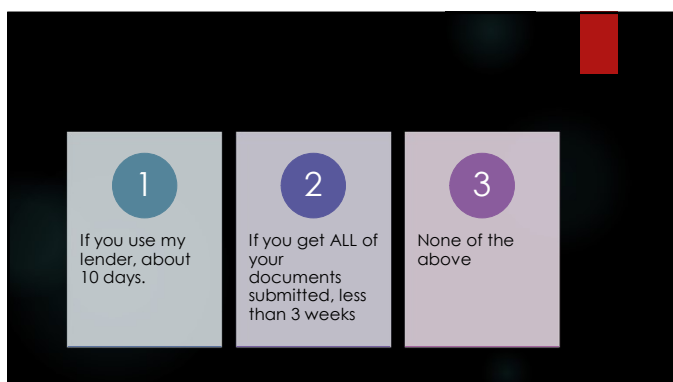
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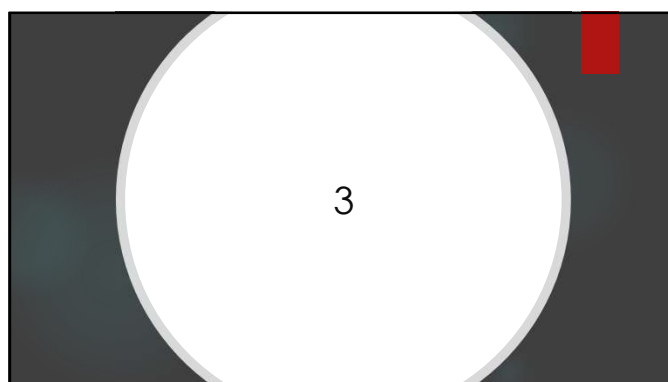
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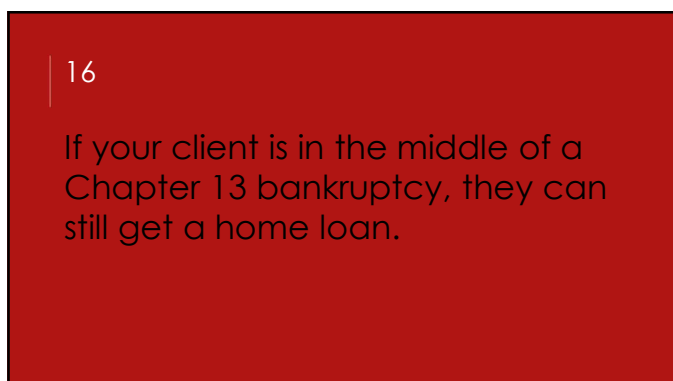
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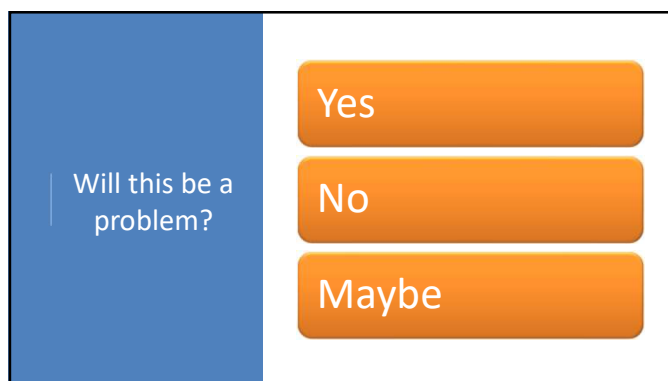
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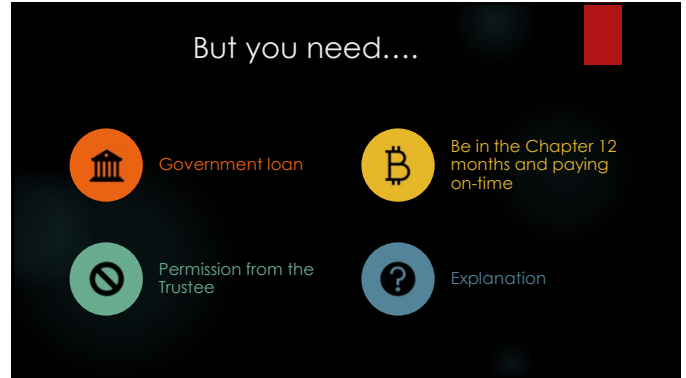
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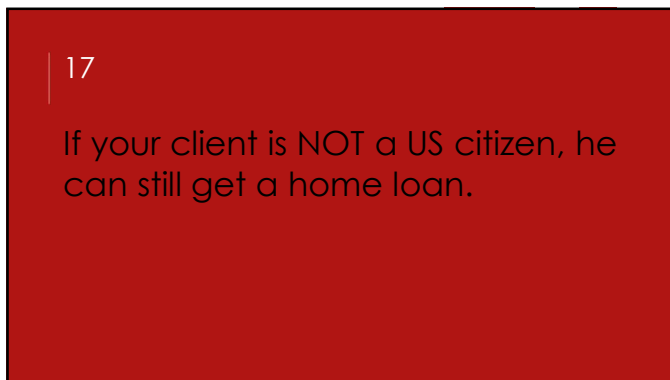
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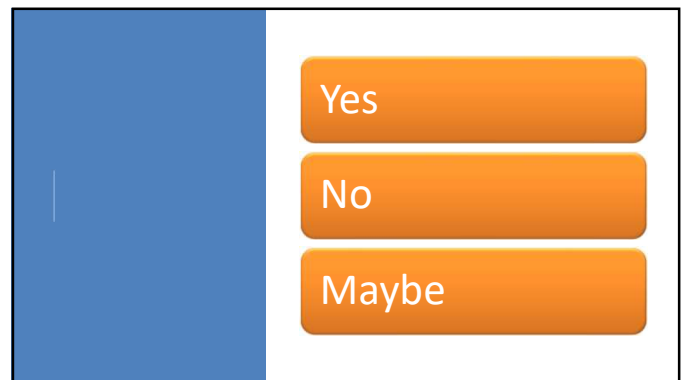
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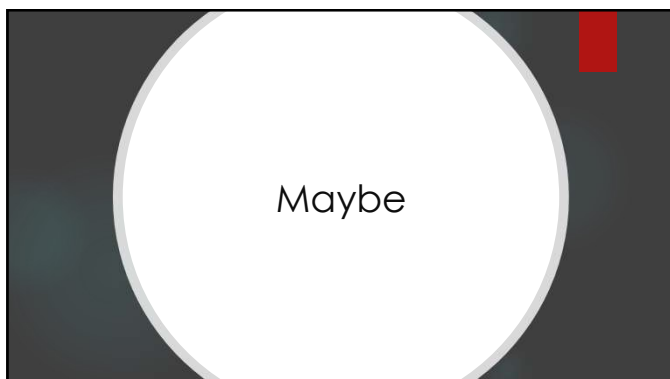
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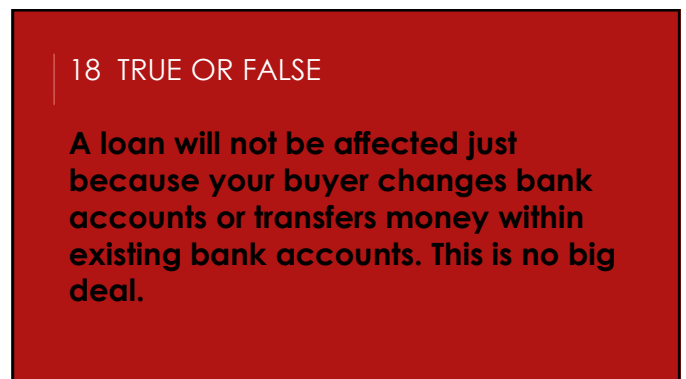
141



142

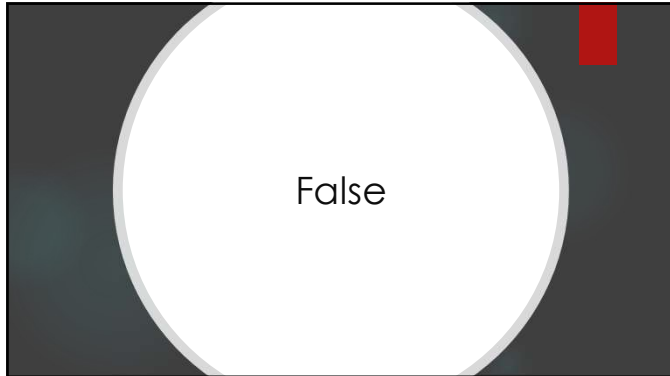


143

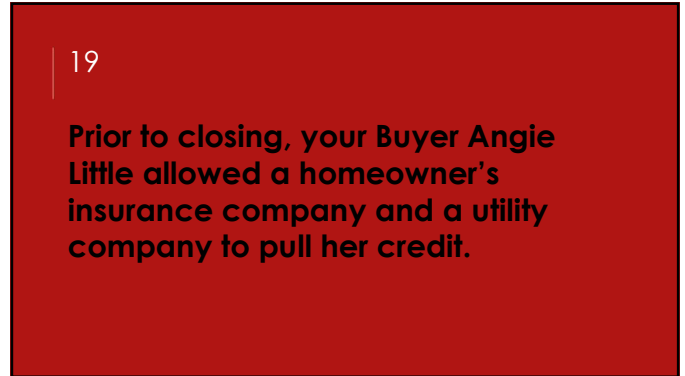


144

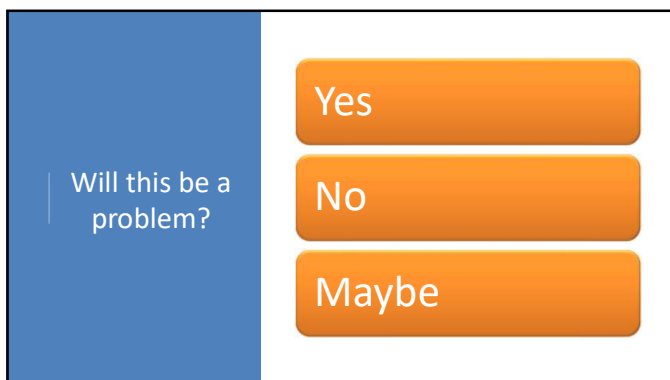




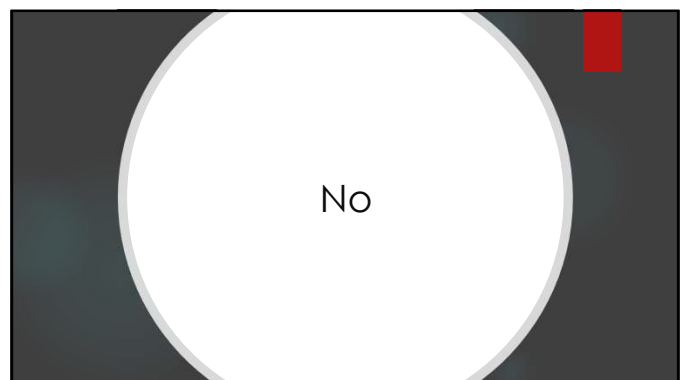
145



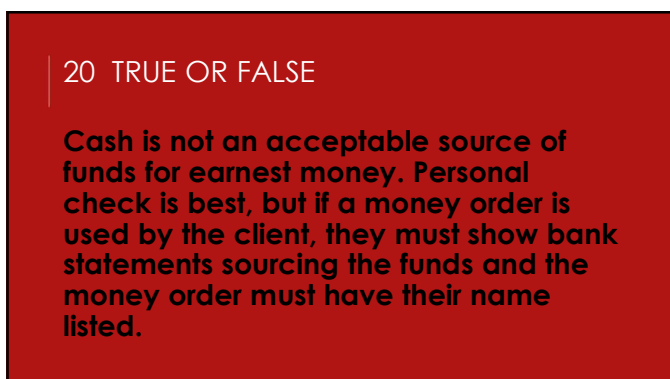
146



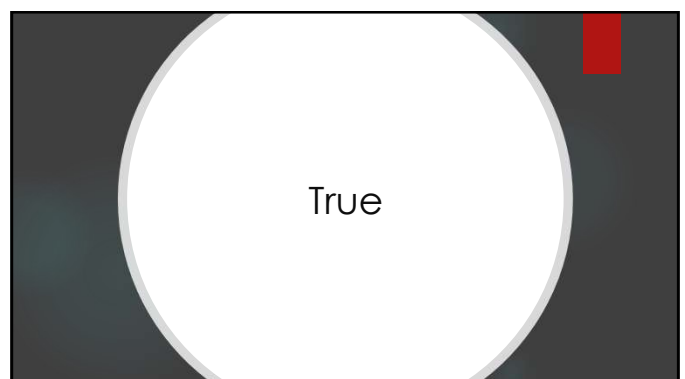
147



148



149



150

## 21 TRUE OR FALSE

The seller refuses to pay closing costs to your buyer. FHA allows you to roll these costs on top of the sales price.

151

Yes

No

Maybe

152

Maybe

153

## 22

Any applicant with a FHA foreclosure is automatically disqualified from getting another FHA loan (at any time).

154

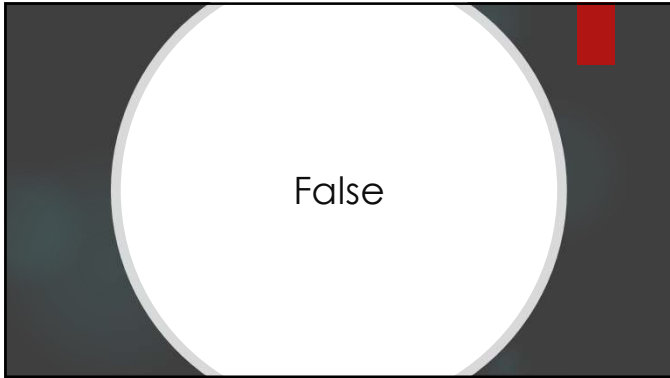
False

155

## 23 TRUE OR FALSE

Your client Jeannie is applying for a mortgage. Her credit shows that she is an authorized user on an AMEX card with a perfect payment history. If she has no other credit cards, she can use this line to qualify.

156



157



158

Waiting periods for agency products

|                       | Conventional                                     | Conventional<br>Waiting Period with<br>Extenuating<br>Circumstances | FHA  | VA   | USDA   |
|-----------------------|--|---|--|--|--|
| Foreclosure           | 7 Years from completion of foreclosure           | 3 Years- Max 90% LTV  | 3 Years from completion date. FHA pays the initial claim & dears CAMIS                                   | 2 Years from foreclosure date  | 2 Years from completion date   |
| Short Sale            | 4 Years from completion date                     | 2 Years from discharge/dismissal                                    | 2 Years if not delinquent at time of short sale  | 3 Years from completion date   | 3 Years from completion date   |
| Chapter 7 Bankruptcy  | 4 Years from discharge/dismissal                 | 2 Years from discharge/dismissal                                    | 2 Years from discharge- AUS approval   | 2 Years from discharge date  | 3 Years from discharge date  |
| Chapter 13 Bankruptcy | 2 Years discharge date<br>4 Years dismissal date | 2 Years discharge date<br>2 Years dismissal date                    | 1 Year of the payment period must have elapsed with satisfactory payment performance and permission from | 1 year in repayment plan, 12 months timely payments required with court permission to inquire date | 1 year in repayment plan, 12 months timely payments required with court permission to inquire date |

159



160