MGIC

For Sale to Sold

A mortgage handbook for real estate agents

Facilitator Guide

Welcome to your *For Sale to Sold* Facilitator Guide

Tips for hosting a successful seminar

Along with our seminar slides and participant handbooks, this facilitator guide is all you need to host a seminar for potential real estate partners. The following pages include discussion points for each slide.

While our mortgage insurance partner MGIC created this presentation, ***you*** are delivering it. So when discussion points refer to what a lender would do or require, you'll note the script uses "we," "us" and "our," instead of "lender." You can use those opportunities within the script to plug your company's name.

Figure out your format

Determine the best way for you to deliver the material.

Do it yourself: The entire presentation takes about 90 minutes, including discussion. Of course, you can skip over material to tailor it to certain agents' needs. Or you could break it into multiple brief sessions, perhaps a series of 15-minute breakfast meetings with coffee and bagels on you.

Involve a top underwriter or processor – or your MGIC representative – in your presentation for added expertise.

Let MGIC do it for you: Gather participants in a conference room with reliable WiFi and tap into MGIC's recorded seminar. Pause the seminar for questions and discussion

Don't forget your downloads!

Download the For Sale to Sold slide deck from mgic.com/fsts. Create your own branded opening and closing slides.

Participant materials

For in person seminars, contact your MGIC representative to order copies of *For Sale to Sold: A Mortgage Handbook for Real Estate Agents*. TIP: Hand out the manual after your presentation so that your audience is focused on you and what you're saying rather than leafing through the book.

For web-based presentations, have this link to the PDF of the manual ready to send to participants ***after*** your presentation, mgic.com/fsts.

Nail down the details

Find a location, date and time for your presentation.

Promote your seminar

- Download an editable flyer at mgic.com/fsts. Add your seminar details – date, time, location, contact information and a deadline to r.s.v.p.
- Start promoting 1 month ahead of your seminar date
- Create a mini email campaign:
  - Email 1: 1 month before the event, invite agents to your seminar
  - Email 2: A week before the event, remind participants about your seminar. Include directions and parking instructions

Sample promotional email

Subject: You're minutes away from happier customers and a larger referral network

Email body:

Homebuyers look to your expertise as they navigate the mortgage process. But where can you go for guidance?

Join me for a complimentary Lunch & Learn seminar that breaks down the main components of the mortgage process, from preapproval through closing.

- **Seminar date**
- **Time**
- **Location**

If you're ready to boost your mortgage industry savvy – and enrich homebuyer relationships and enhance your referral network in the process – just reply to this email to reserve your seat.

Tips for generating leads from your seminar

While we can't directly co-brand our materials for you, we suggest you try one or more of the following:

- Print labels with your contact info and stick one on the cover of each participant handbook
- Create your own branded slides: one to put onscreen during check-in time for your seminar and one to close your presentation
- Download a co-brandable flyer from mgic.com/creativecafe and add your photo and contact info. Print one for each participant
- Invite participants to check out MGIC's readynest.com website for first-time homebuyers

Presenter tips

- Study the participant handbook to become familiar and comfortable with the information you'll be presenting
- Practice! Don't just flip through the slides – find a private space to practice presenting out loud. Study along with MGIC's prerecorded seminar
- Engage participants with questions and/or activities
- As you discuss slides, weave in your company's processes, programs, turn times, etc.
- Pause for questions
- Listen

Day-of seminar checklist

For in-person presentations, don't forget to bring:

- *For Sale to Sold* handbooks
- Sign-in sheet for follow-up
- Pens/pencils
- Seminar slide deck
- A/V equipment for presentation (and an extension cord)

Optional:

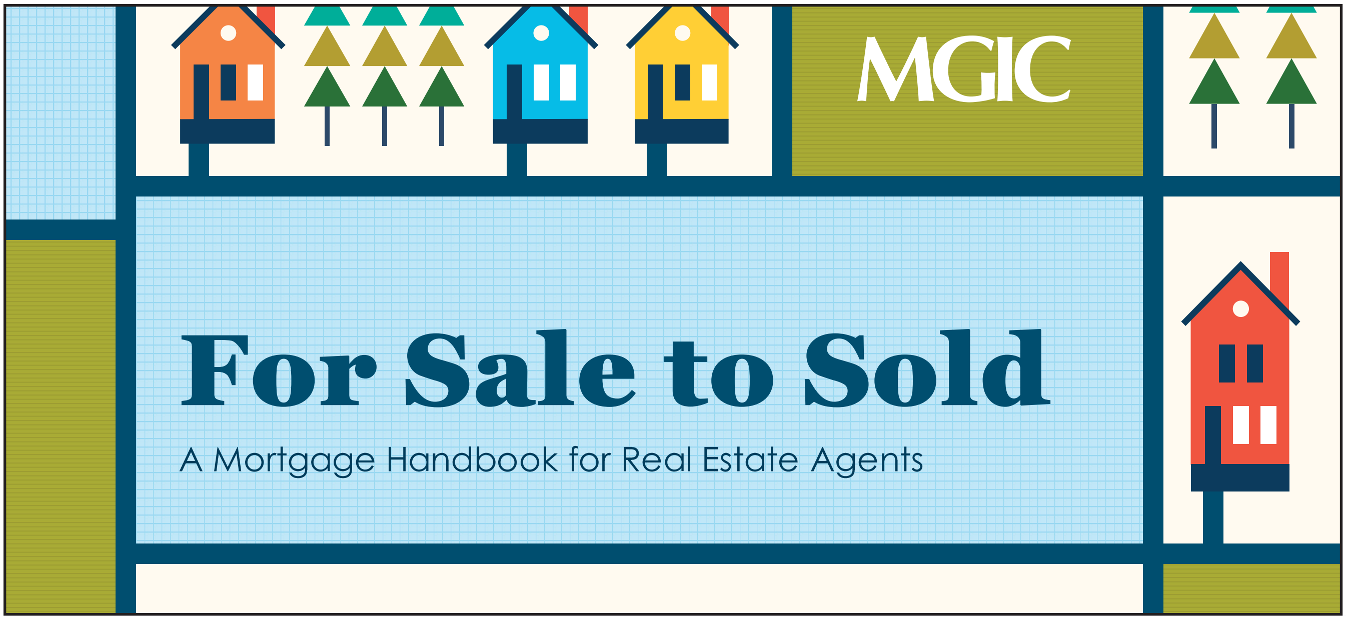
- Snacks and beverages
- Name tags or tent cards (get to know your potential customers)
- Flip chart/markers
- Notepads
- Evaluation forms if you want to solicit feedback

When you get to your presentation space:

- Arrive early to set up and test A/V equipment and your presentation
- Place a notepad and pen or pencil at each space
- Set up a registration table where participants can sign in and pick up a name tag
- Make sure your lighting, sound and temperature are comfortable

For web-based presentations:

- Have your meeting open 15-30 minutes ahead of time to begin admitting participants to your presentation
- Have a physical list of participants ready, in the event you'd like to take attendance
- Prepare an itinerary, including a list of housekeeping items, such as asking participants to keep microphones muted and use the chat feature to communicate questions and comments to you



Discussion points

Welcome participants

Introduce yourself

Address housekeeping items

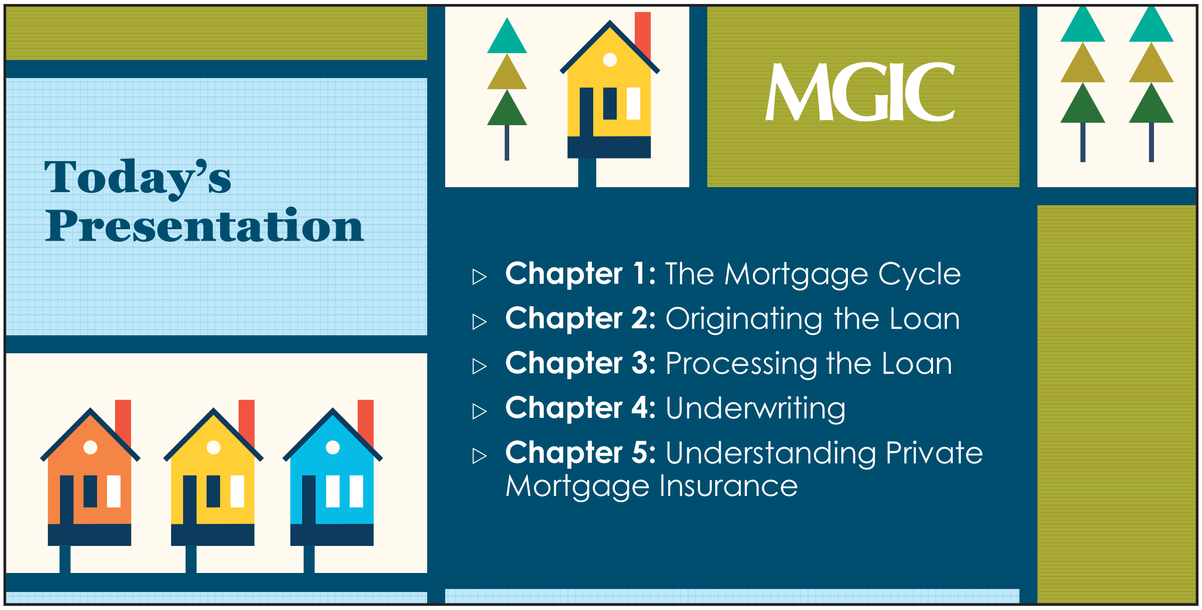
Do a participant icebreaker, for example:

- Take a couple minutes to ask agents what qualities their ideal homebuyer has. Write their responses on a white board or presentation pad. Their responses might include qualities like "well-funded," "good credit," "pre-approved," "homebuyer education," "responsive." Review their answers and tie them into the presentation

Share your expectations as facilitator and what participants will gain from your presentation

- "While we can't create the perfect homebuyer, by participating in this presentation, you'll come away with a deeper understanding of the components of the mortgage process, everything from preapproval through closing"
- "With that knowledge, you'll be able to create close-to-ideal homebuyers by helping them understand what to expect on their homebuying journey, delivering a powerful customer experience and fostering relationships that last beyond the closing table"

Transition: **"Here's what we'll cover in today's presentation."**

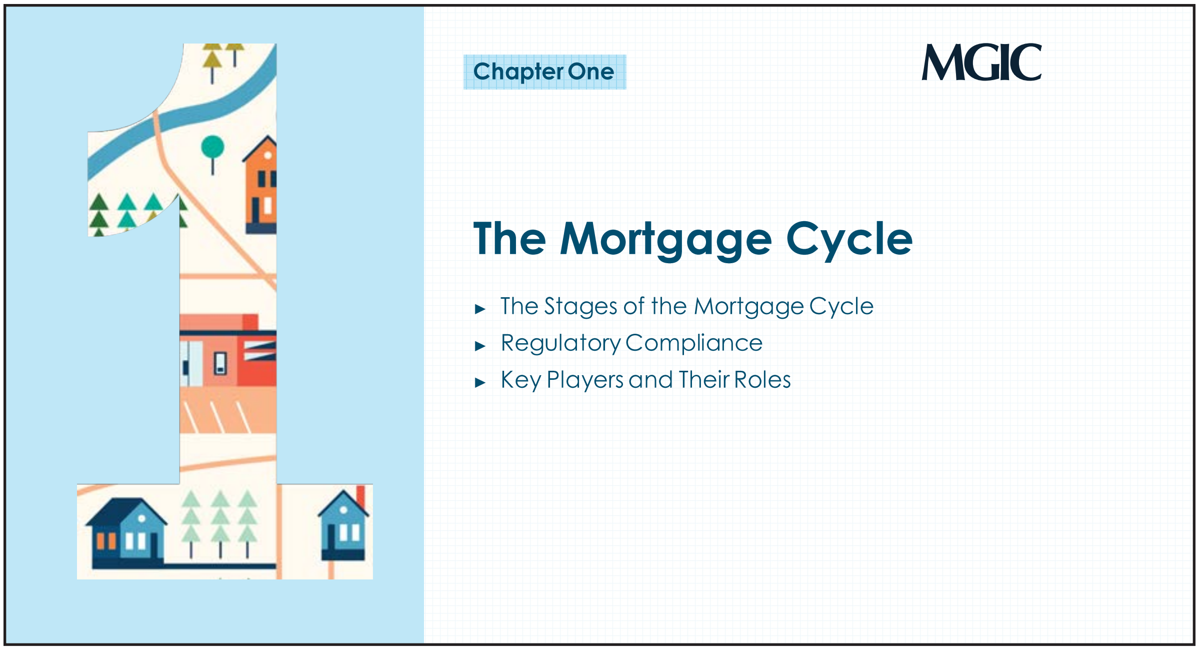


Discussion points

Today we'll cover:

- The Mortgage Cycle – the fundamental stages in the life cycle of a mortgage, regulatory compliance and the key players in the cycle and their roles
- Originating the Loan – loan options for your homebuyers and an introduction to the loan application
- Processing the Loan – the relevance of processing and documentation to substantiate your homebuyers' financial snapshot
- Underwriting – measuring The 4 Cs – Credit, Capacity, Capital and Collateral – as they apply to your homebuyers and as a means to making a sound mortgage decision
- Understanding Private Mortgage Insurance – MI's place in the Mortgage Cycle and the value it brings you and your homebuyers

Transition: **"Let's get started!"**



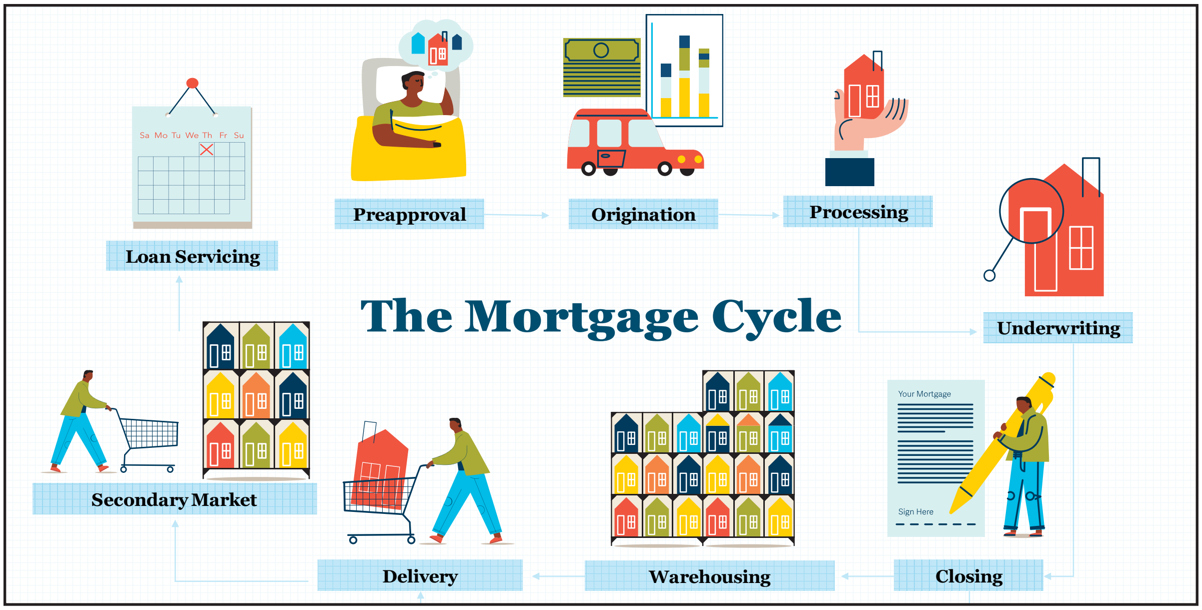
Discussion points

"We'll start out by reviewing the life cycle of a mortgage as it moves through the Mortgage Cycle and highlight the parts of the cycle where you, as a real estate agent, come into play.

"We'll take a high-level view of matters of regulatory compliance that affect you and your homebuyers.

"And we'll wind up this first chapter of my presentation discussing other players in the cycle."

Transition: **"The Mortgage Cycle encompasses 9 stages..."**



Discussion points

"Here's an illustration of the parts and processes of The Mortgage Cycle. You come in right at the beginning of the process – Stage 1: Preapproval.

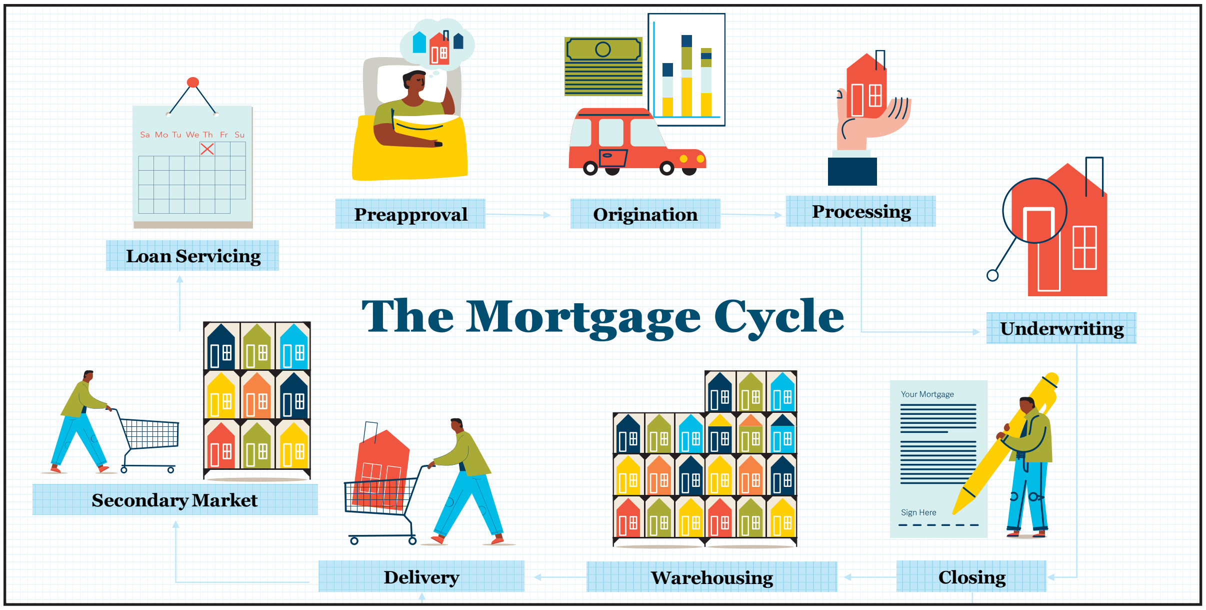
"Often, even before they've found a home, homebuyers request preapproval to find out how much they can afford to spend and to qualify in advance for a mortgage. While not a required step, a preapproval can serve your homebuyers – and you – well:

- Your homebuyers know how much home they can afford, so you can keep their search focused in that price range
- They can build a budget based on that price, a good step toward sustaining homeownership
- When homebuyers come to [YOUR COMPANY'S NAME] for a preapproval, it gives us the ability to measure whether they can afford the mortgage and evaluate their willingness to pay
- Homebuyers are more attractive to sellers once we've determined that they can afford their offer"

Ask participants: "Can you tell me the difference between mortgage preapproval and prequalification?"

- **Mortgage preapproval** is based on the homebuyers' income and asset information, which the lender verifies. With their lender's help, they will complete a loan application. Their lender will check their credit, bank statements and other documentation and approve the homebuyers for a specific loan amount
- **Mortgage prequalification** is also based on income and asset information homebuyers provide a lender, but the lender may not verify it. The lender provides the homebuyers an estimate of how much they can afford

Transition: "Let's continue with the other stages of the Mortgage Cycle and see where else you come into the picture."



Discussion points

"In Stage 2: Origination, we help homebuyers complete the loan application.

" In Stage 3: Processing, our processors gather and verify documentation for the loan file."

"In Stage 4, all the bits and pieces of data and documentation come together for our underwriter's review and evaluation to determine whether the loan is a good credit risk."

"The underwriter considers 4 critical areas of risk known as The 4 Cs – Credit, Capacity, Capital and Collateral. We'll discuss The 4 Cs in depth later on.

"You may be contacted by an underwriter during Stage 4 if there are any questions about the sales contract."

"You'll likely also be a participant in Stage 5: Closing, where the homebuyers sign loan documents and the sellers transfer the title."

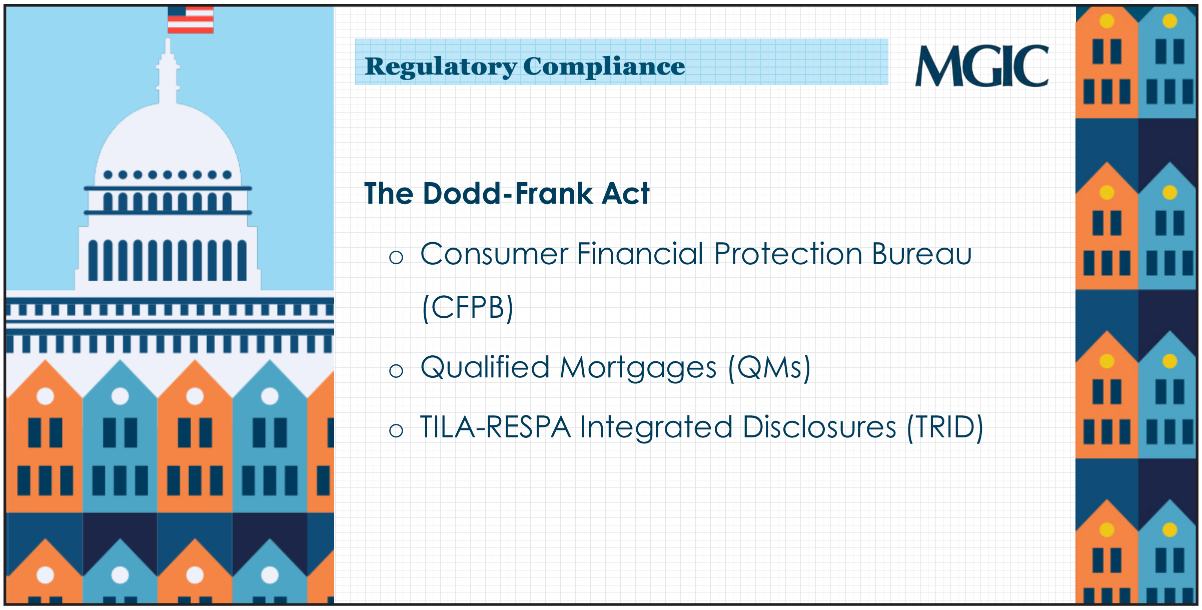
"In Stage 6, Warehousing, a lender may temporarily warehouse closed loans.

In the next stage, Delivery, the lender packages and sends the loan to an investor.

In Stage 8, Lenders and investors buy and sell mortgages in the Secondary Market. By selling a loan to an investor, the lender gets money back to begin the whole Mortgage Cycle over again with funding available for new homebuyers.

In the last stage of the Morrgage Cycle, Loan Servicing, third parties collect their payment."

Transition: **"Let's discuss regulatory compliance, which is woven throughout the Mortgage Cycle."**



Discussion points

"Certain regulatory acts go into effect the moment homebuyers request information on mortgage rates, products or services."

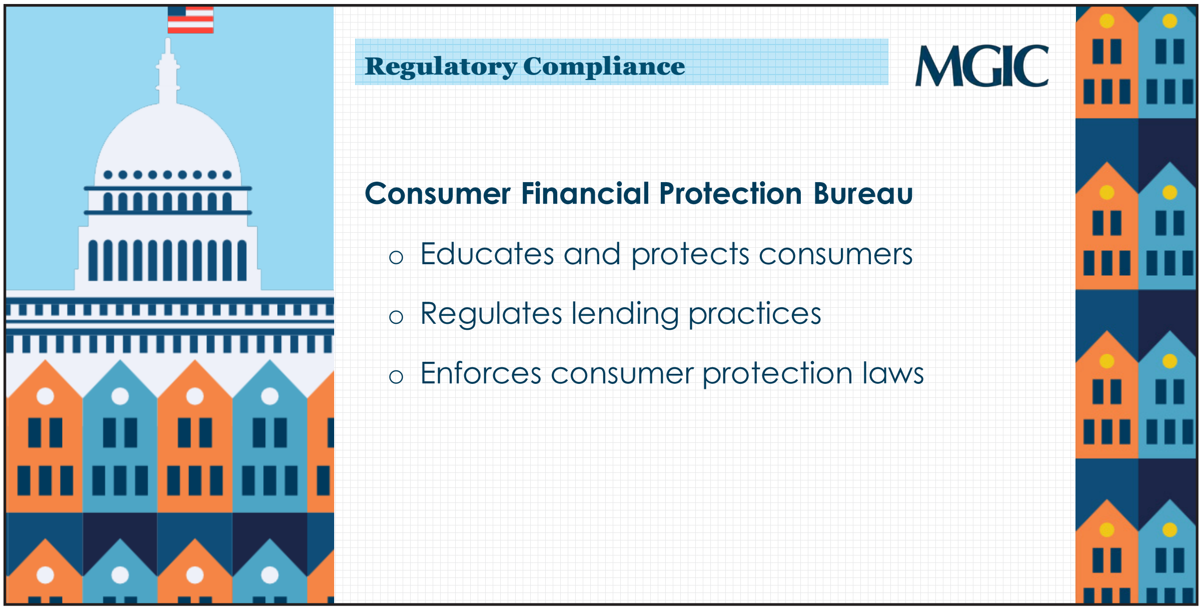
Ask participants: "What laws and regulations affect your job?"

"The most notable of these laws and regulations is The Dodd-Frank Wall Street Reform and Consumer Protection Act; Dodd-Frank, for short.

Enacted in July 2010 in an effort to prevent financial crisis, Dodd-Frank enforces transparency and accountability in the financial industry with regulatory processes that help protect consumers. Its reforms include:

- The Consumer Financial Protection Bureau (CFPB)
- Qualified Mortgages (QMs)
- TILA-RESPA Integrated Disclosures (TRID)"

Transition: **"Let's take a little deeper look into the CFPB's purpose."**



Discussion points

Discuss the first 2 bullets.

“The CFPB also enforces consumer protection laws, such as the Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act, the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA).”

Transition: **“That leads us to the TILA-RESPA Integrated Disclosures, known as TRID.”**

Discussion points

"The Loan Estimate helps consumers understand the key features, costs and risks of the mortgage loan for which they are applying. Creditors must issue the LE to consumers no later than 3 business days after they submit a loan application."

"Creditors must provide the Closing Disclosure to consumers 3 business days before they close on a loan."

"The integrated disclosures use clear language to make it easier for consumers to locate key information, including interest rate, monthly payments and closing costs. The forms also provide more information to help consumers decide whether they can afford the loan and compare the cost of different loans, including the cost of the loans over time.

"The LE and CD generally require the disclosure of categories of information that will vary based on the loan type, the loan's payment schedule, the fees charged, the terms of the transaction and certain state law provisions. Most closed-end consumer mortgages secured by real property require use of these disclosures."

Transition: **"After my presentation, I will [email you/hand out] a *For Sale to Sold* handbook, which provides details about additional laws and regulations we need to be mindful of as mortgage professionals as well as examples of these TRID documents. Now that we've covered some of the rules that are the framework of the Mortgage Cycle, let's talk about the key players and their roles..."**

Discussion points

"In addition to the roles we – real estate agents and lenders – and homebuyers play in the Mortgage Cycle, intermediaries, investors and others also play important parts:

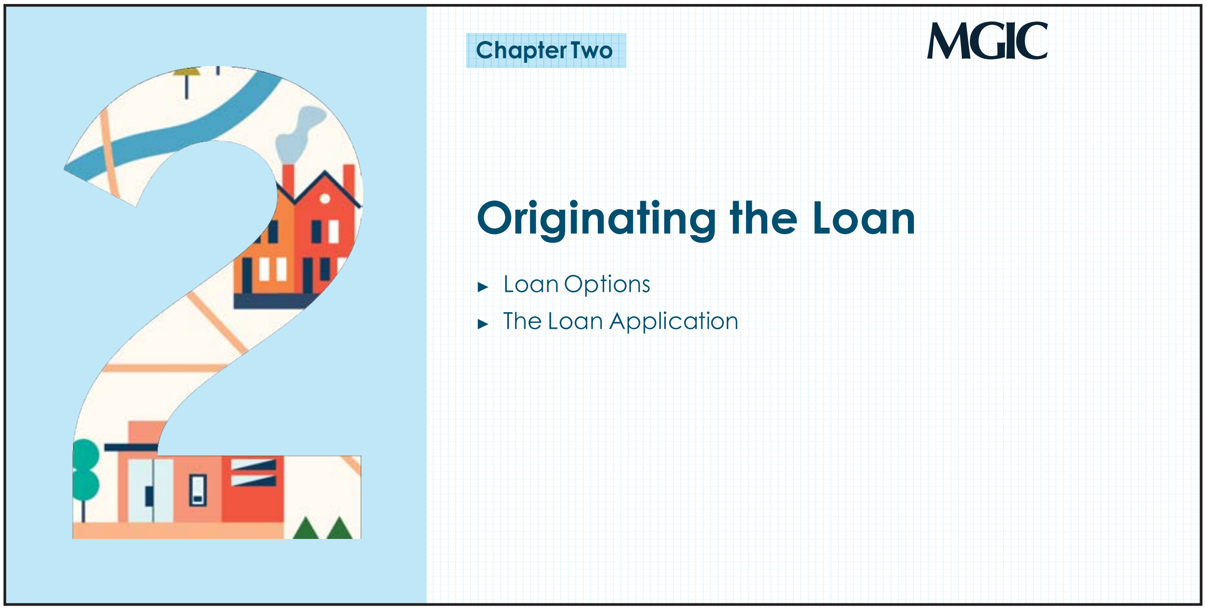
- "Intermediaries move loans from origination to the end investor. The GSEs serve as an intermediary when they sell mortgage-backed securities in the Secondary Market. Wholesalers are organizations that provide funds for mortgage brokers. They package loans and sell them to correspondents, aggregators, the GSEs, etc. Aggregators are companies whose purpose is to package loans for whole-loan and mortgage-backed securities to sell to investors
- "Investors like Fannie Mae and Freddie Mac play an additional role in the Secondary Market, acting as an investor by holding mortgages as assets. Depository institutions, insurance companies, investment firms, pension funds and foreign investors are also investors in the Secondary Market

Other key players that perform significant, specialized roles in the Mortgage Cycle include:

- The US Department of Housing and Urban Development (HUD)
- The US Department of Veterans Affairs (VA), Federal Housing Administration (FHA) and US Department of Agriculture Rural Development (USDA-RD)
- Private mortgage insurance (PMI) companies and Appraisal Management Companies (AMC)
- Title companies and credit agencies
- Federal Home Loan Banks (FHLBs) and Housing Finance Agencies (HFAs)

Ask participants to identify key players who interact with their companies.

Transition: **"Now we're ready to move on to the next stage of the Mortgage Cycle: Origination, where we'll discuss your homebuyers' loan options and the loan application."**

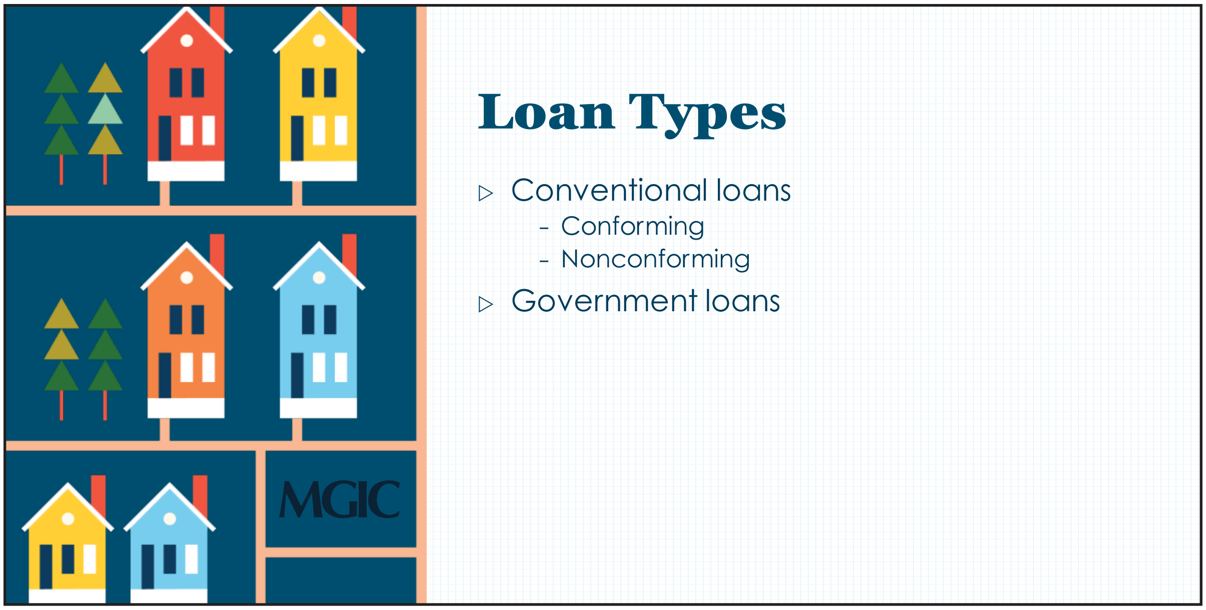


Discussion points

"Once your homebuyers reach this stage of the Mortgage Cycle, our first step will be to help them select the best loan for their circumstance. While you may not be directly involved at this point, you can play a very important role by preparing your homebuyers' expectations and responsibilities."

TIP: Tie in the benefits of working with you and your company.

Transition: **"Let's start by looking at your homebuyers' loan options."**



Discussion points

"As a real estate professional, your familiarity with the various loan types and programs, can only benefit your homebuyers and reinforce your role as Trusted Advisor.. "

- **Conventional loans** are NOT insured or guaranteed by the federal government. They fall into 2 categories:
  - **Conforming loans** meet all requirements to be eligible for purchase or securitization by an investor, such as Fannie Mae or Freddie Mac
  - **Nonconforming loans** feature some aspect – loan amount, loan-to-value (LTV) ratio, term, etc. – that exceeds investor limits. A jumbo loan – one that exceeds Fannie Mae/Freddie Mac's maximum loan amount limit – is an example of a nonconforming loan
- **Government loans** are either insured or guaranteed by a federal government agency such as the FHA, VA or USDA-RD

"We'll focus on common conventional loans.

Conventional loans with a down payment less than 20% require private mortgage insurance, also called "PMI" or "MI." MI provides protection that allows lenders like my company to make more loans with high LTVs and require less money down. We'll talk more about private MI later on."

Transition: **"Loans are further categorized into loan programs."**

Loan Programs

- 15- and 30-year fixed-rate mortgages
- Balloons
- Temporary buydowns
- Adjustable-rate mortgages (ARMs)

Discussion points

"These are the most commonly offered loan programs."

TIP: Introduce some of your company's products and programs; discuss them in greater detail at the end of the presentation.

Discuss each bullet point.

Transition: **"Loan program selection will be based on your homebuyers' needs. Let's discuss some considerations that may come up."**

Loan Program Considerations

- ▷ How important is payment certainty?
- ▷ How important is rapid equity buildup?
- ▷ Do the homebuyers anticipate increasing income?

Discussion points

"To help your homebuyers think through the best loan program for their situation, you can help them think through their answers to these questions."

Review each question.

Ask participants: "How will the answers to these questions influence your homebuyers' loan program selection?"

Discuss other factors to consider:

- The homebuyers' ability to qualify at market rates for the loan amount selected
- How long they plan to live in the home they're purchasing
- Where market rates stand – high versus low
- The possibility of significant changes in interest rates
- Up-front costs, such as application or processing fees

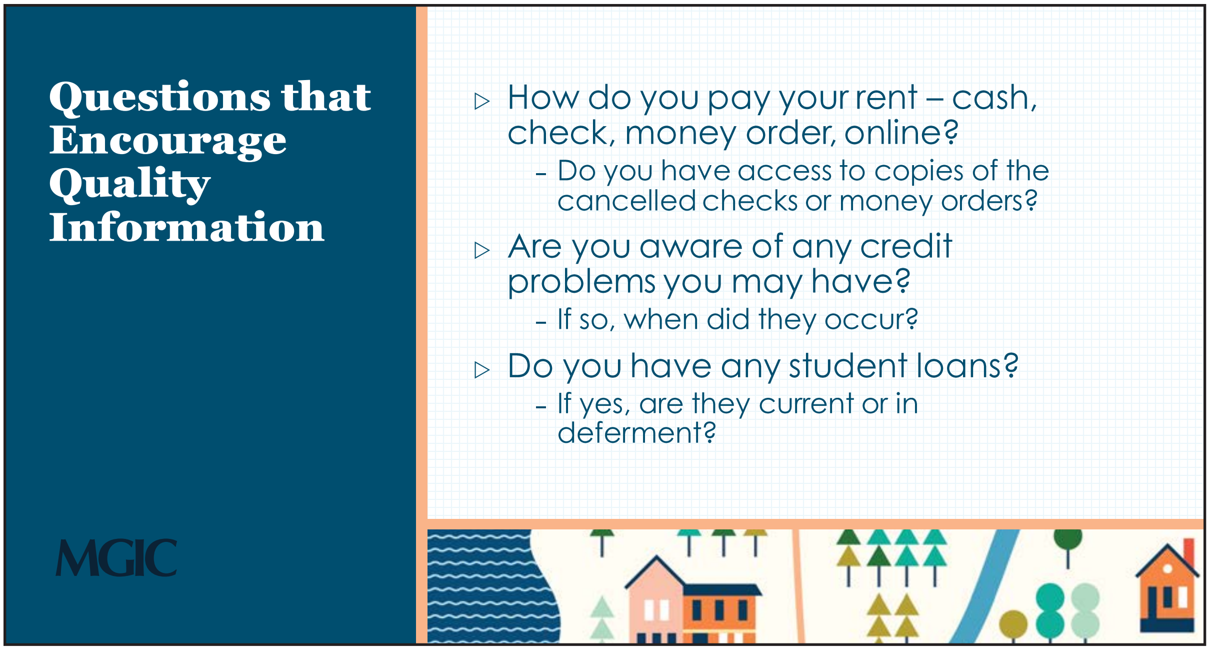
Transition: **"Thinking through these options with your help, your homebuyers will be ahead of the curve when they meet with us to complete their loan application."**

Discussion points

"Understanding the information in the loan application will help you explain to your homebuyers what we're looking for."

Discuss bullet points.

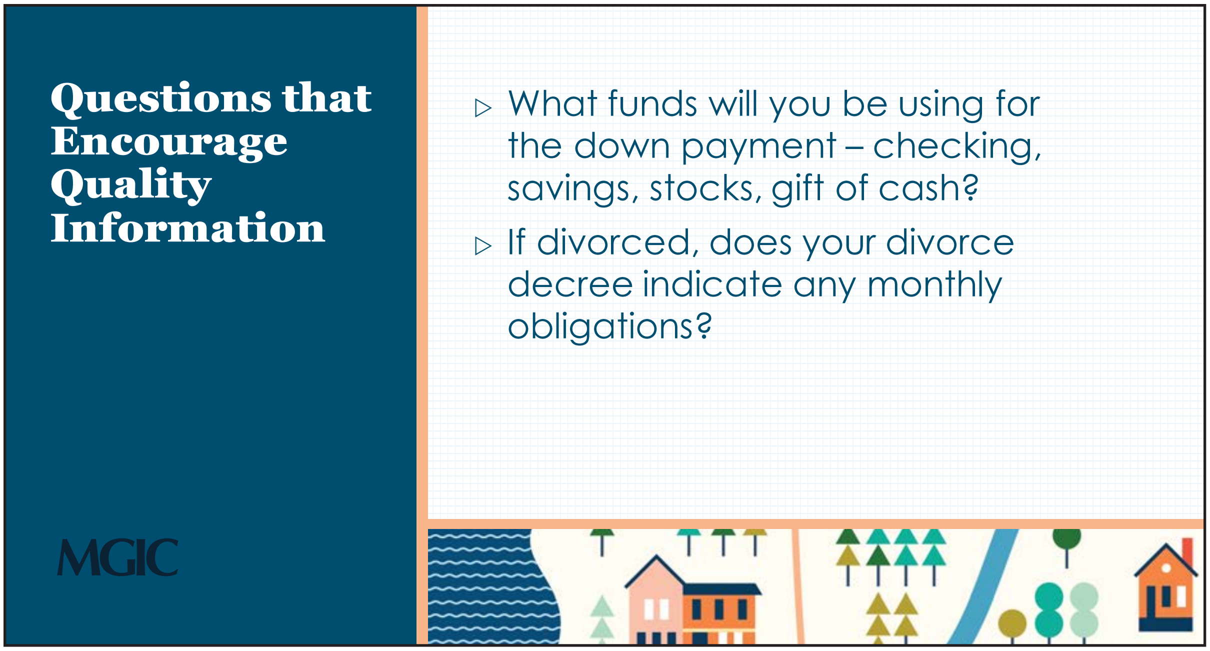
Transition: **"Let's discuss the importance of quality information in a little more depth."**



Discussion points

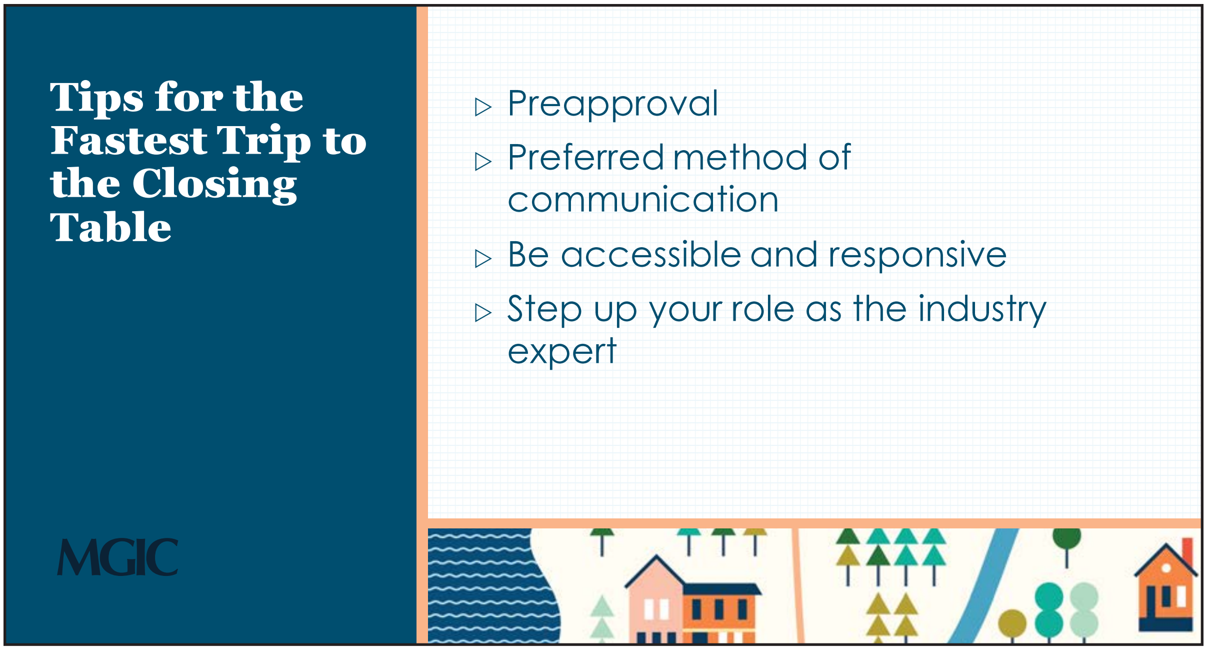
"Thorough, accurate information throughout the homebuying process is the quickest way to move your homebuyers into their new home. As a Trusted Advisor, you can guide their thinking by preparing them with thoughtful questions we may ask them – like these."

Transition: **"and these..."**



Discussion points

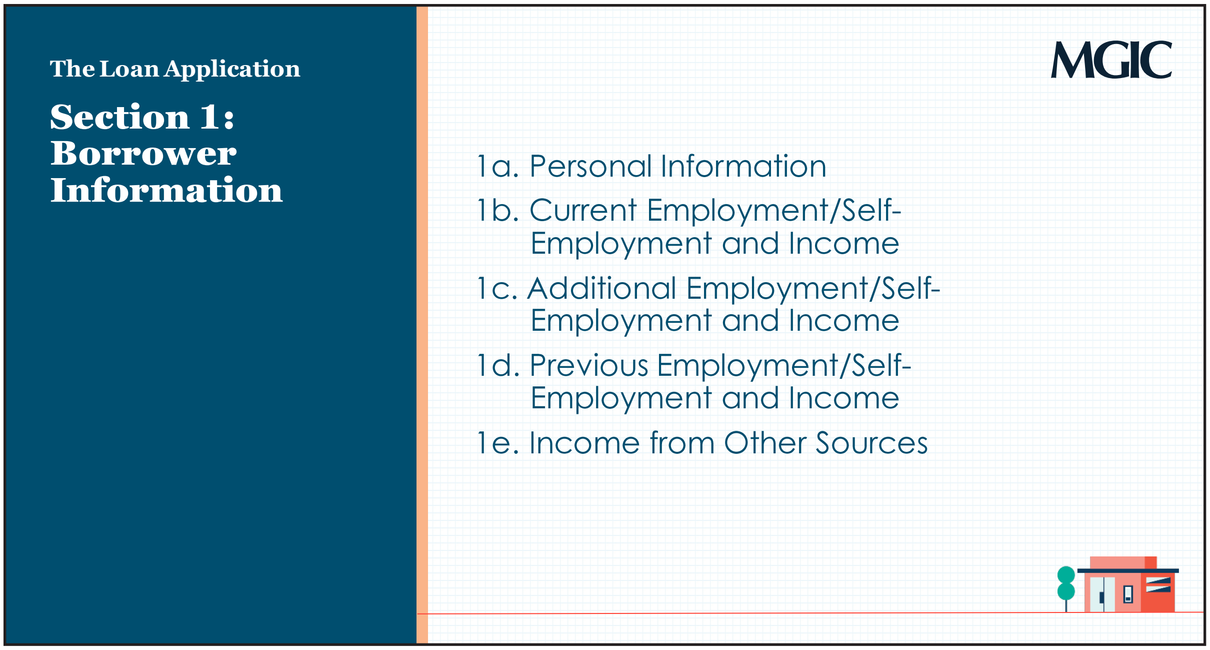
Transition: **"In addition to providing quality information, here are some other tips for you and your homebuyers to help get everyone to the closing table as quickly as possible with as few bumps as possible..."**



Discussion points

- If your homebuyers come to you without a preapproval, consider referring them to us early in the process
- Determine your homebuyers' preferred method of communication – calls, texts, emails – and establish time frames for their timely responses
- Be accessible and responsive to all parties; likewise, encourage their accessibility and responsiveness
- Step up to your role as the industry expert. Your homebuyers will be comforted by your expertise

Transition: **"Now we're ready for a high-level walk-through of the loan application and the information we will request from your homebuyers."**



Discussion points

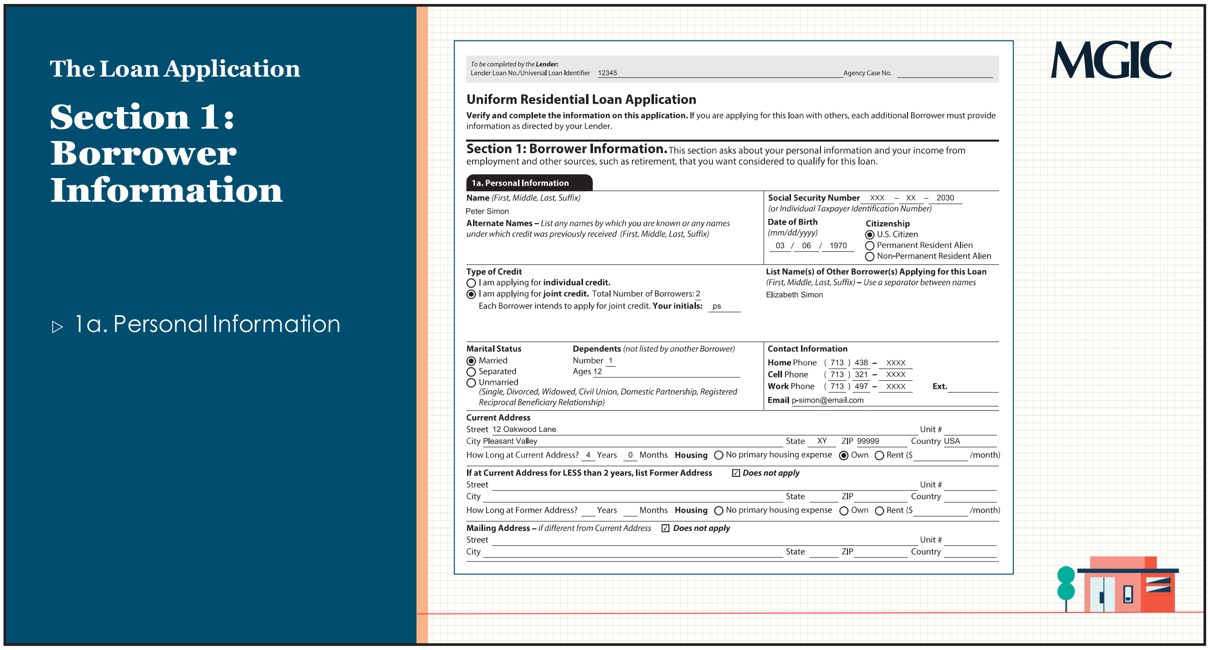
"The importance of this section of the loan application cannot be overstated.

"It will guide our evaluation of 2 of The 4 Cs: Credit and Capacity.

"We will need complete, accurate information to order your homebuyers' credit reports, which are key to building their risk profile.

"Once the profile is built, we will be able to assess your homebuyers' willingness to repay the loan based on their prior use of credit."

Transition: **"We will collect information regarding your homebuyers' income and employment, a reflection of their capacity to repay based on the amount and stability of their income."**

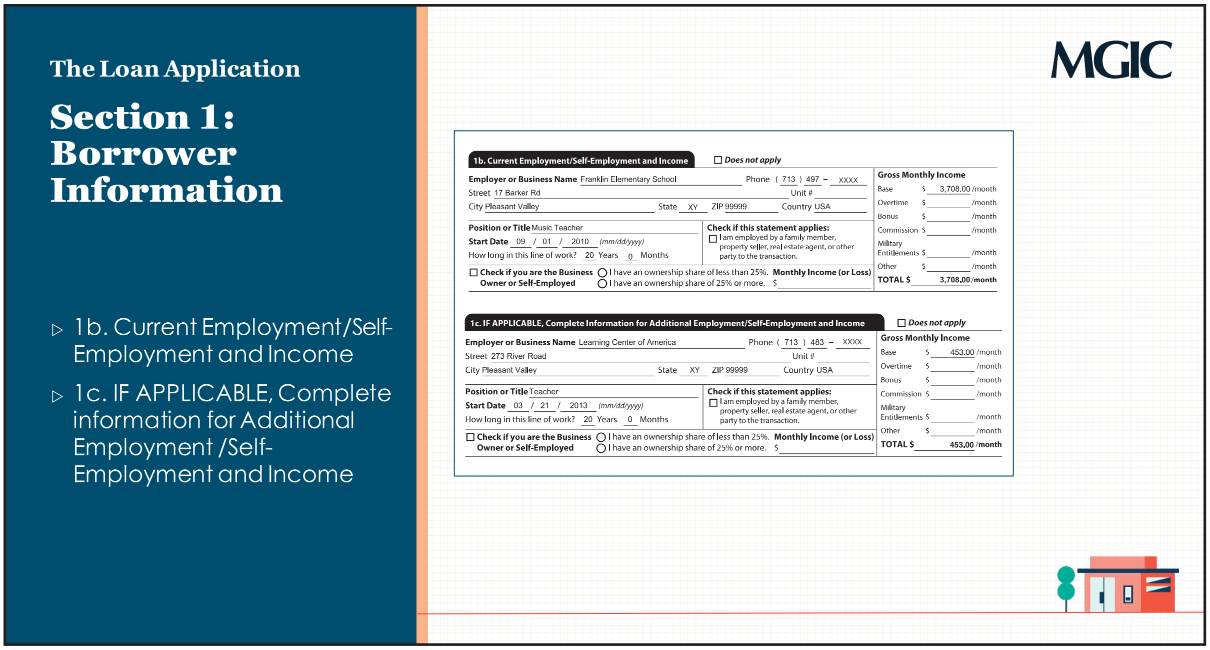


Discussion points

Highlight these areas in Section 1a:

- Name
- Type of credit
- Social Security number
- Contact information, etc.
- Marital status
- Address

Transition: **"In Sections 1b and 1c.."** [Flip to next slide.]



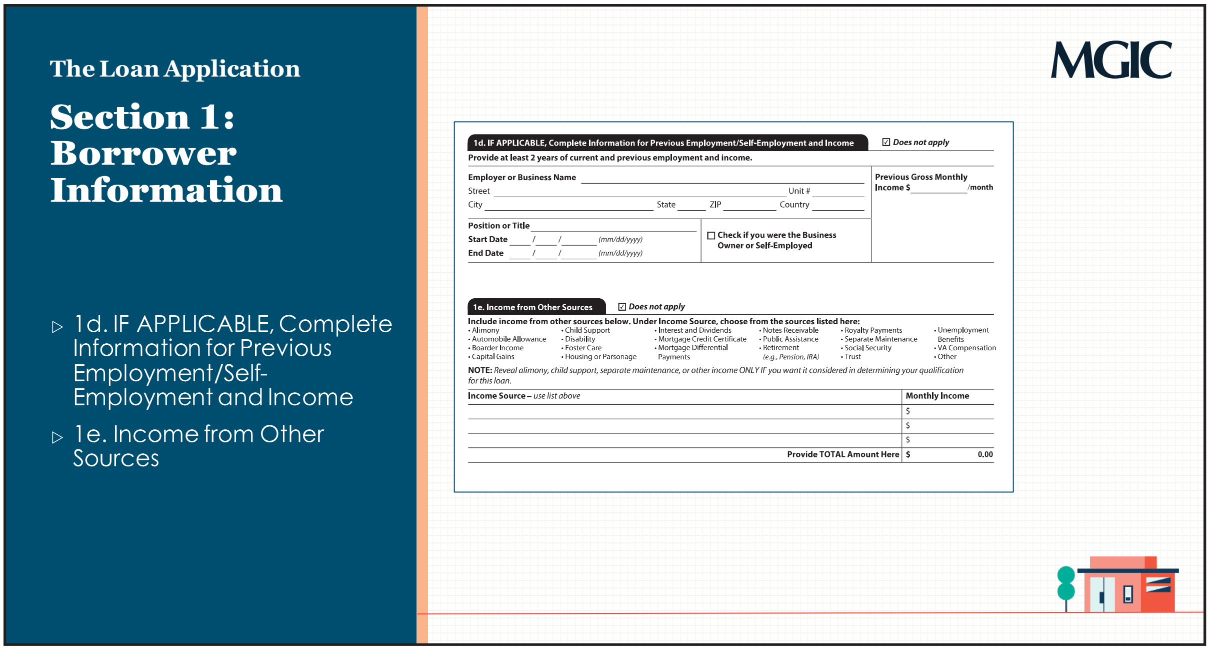
Discussion points

"... We'll gather information for income from current and additional employment your homebuyers want us to consider to qualify for their loan."

Highlight the areas on the form.

"If your homebuyers have any gaps in their employment history, we may require a letter of explanation."

Transition: **"In the last 2 sections of this portion of the Loan Application,... "**

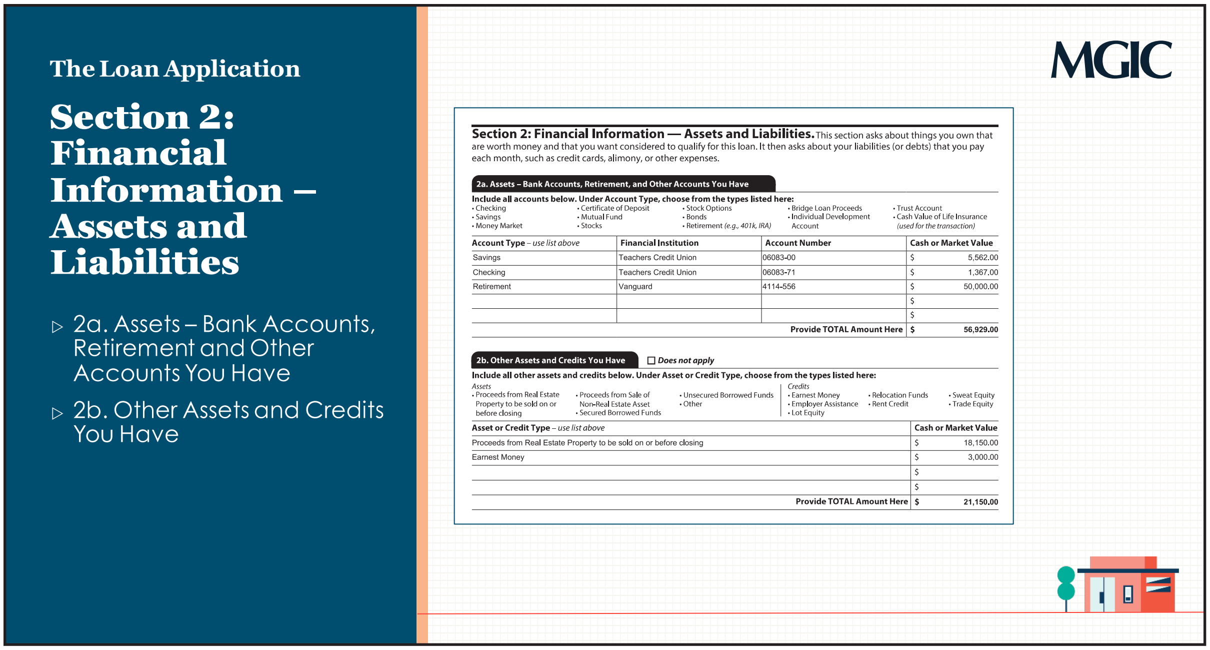


Discussion points

"... We'll gather information for income from previous employment and any other sources of income your homebuyers want us to consider to qualify for their loan."

Highlight the areas on the form.

Transition: **"Next, we move on to the homebuyers' financial information."**



Account Type – *use list above*	**Financial Institution**	**Account Number**	**Cash or Market Value**
Savings	Teachers Credit Union	06083-00	$ 5,562.00
Checking	Teachers Credit Union	06083-71	$ 1,367.00
Retirement	Vanguard	4114-556	$ 50,000.00
			$
			$
		Provide TOTAL Amount Here	**$ 56,929.00**

Asset or Credit Type – *use list above*	**Cash or Market Value**
Proceeds from Real Estate Property to be sold on or before closing	$ 18,150.00
Earnest Money	$ 3,000.00
	$
	$
Provide TOTAL Amount Here	**$ 21,150.00**

Discussion points

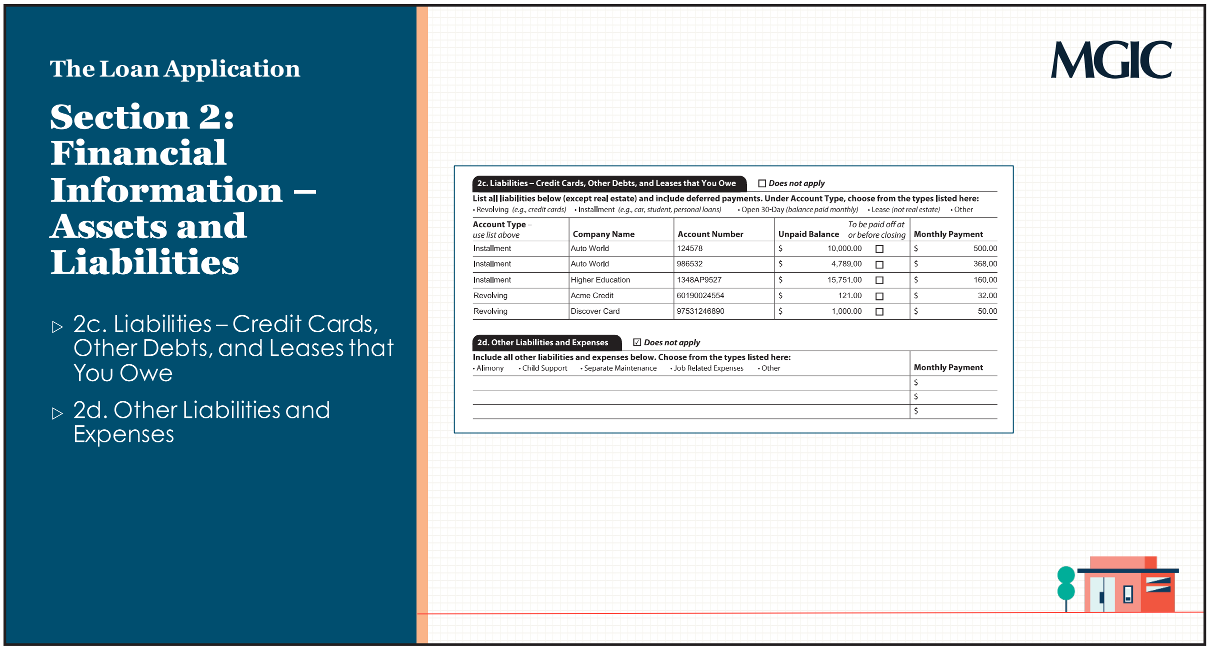
"Section 2 gathers information about the homebuyers' assets and liabilities. We'll focus first on assets.

"The Assets portion of Section 2 addresses the Capital component of The 4 Cs. With this information, we'll be able to confirm whether your homebuyers have enough capital to close the mortgage transaction."

Highlight the areas on the form.

"In order to close, we may need to get verification for each asset your homebuyers list from the respective financial institution."

Transition: **"In Sections 2c and 2d, we'll gather information about your homebuyers' liabilities."**



2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe ☐ *Does not apply*

List all liabilities below (except real estate) and include deferred payments. Under Account Type, choose from the types listed here:
• Revolving *(e.g., credit cards)* • Installment *(e.g., car, student, personal loans)* • Open 30-Day *(balance paid monthly)* • Lease *(not real estate)* • Other

Account Type – *use list above*	Company Name	Account Number	Unpaid Balance	*To be paid off at or before closing*	Monthly Payment
Installment	Auto World	124578	$ 10,000.00	☐	$ 500.00
Installment	Auto World	986532	$ 4,789.00	☐	$ 368.00
Installment	Higher Education	1348AP9527	$ 15,751.00	☐	$ 160.00
Revolving	Acme Credit	60190024554	$ 121.00	☐	$ 32.00
Revolving	Discover Card	97531246890	$ 1,000.00	☐	$ 50.00

2d. Other Liabilities and Expenses ☑ *Does not apply*

Include all other liabilities and expenses below. Choose from the types listed here: • Alimony • Child Support • Separate Maintenance • Job Related Expenses • Other	Monthly Payment
	$
	$
	$

Discussion points

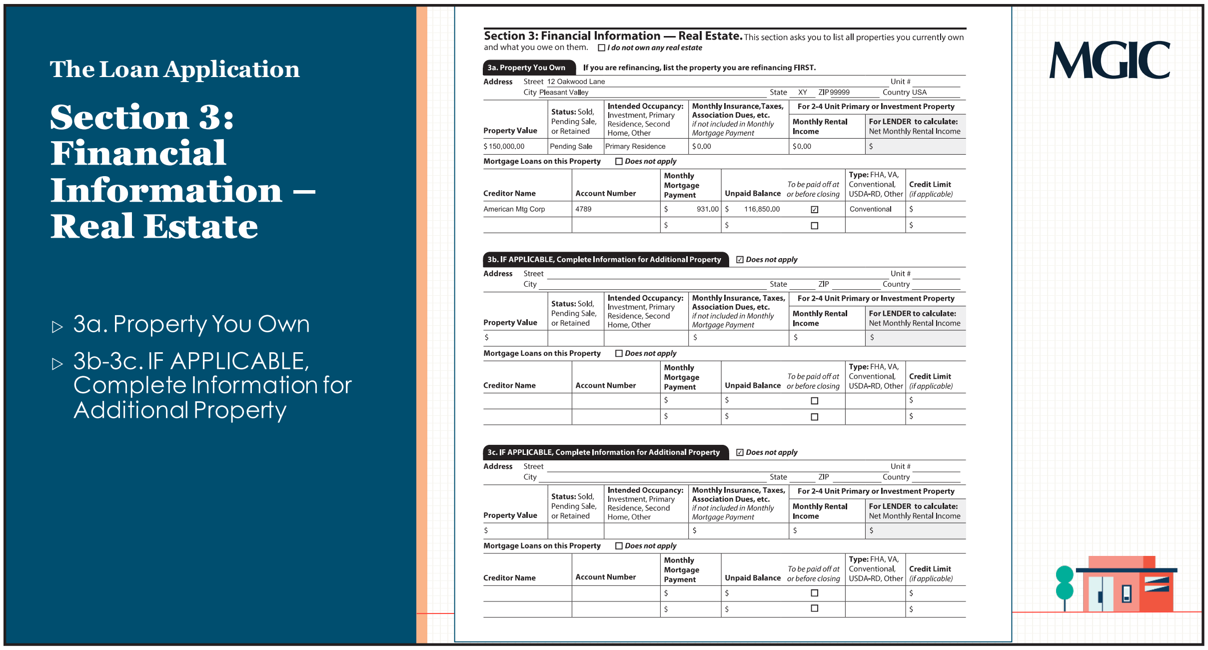
"In the Liabilities portion of Section 2, we revisit your homebuyers' capacity to repay their new mortgage relative to the amount of debt they carry."

Highlight the areas on the form.

"While most debts will appear on the credit report, there are some, such as child support and alimony, that do not.

"To minimize surprises later in the process, it's important your homebuyers discuss with us exactly what their monthly debt obligations include, such as deferred student loans and auto lease payments."

Transition: **"Next, the loan application moves onto collecting information about any real estate your homebuyers own."**



Discussion points

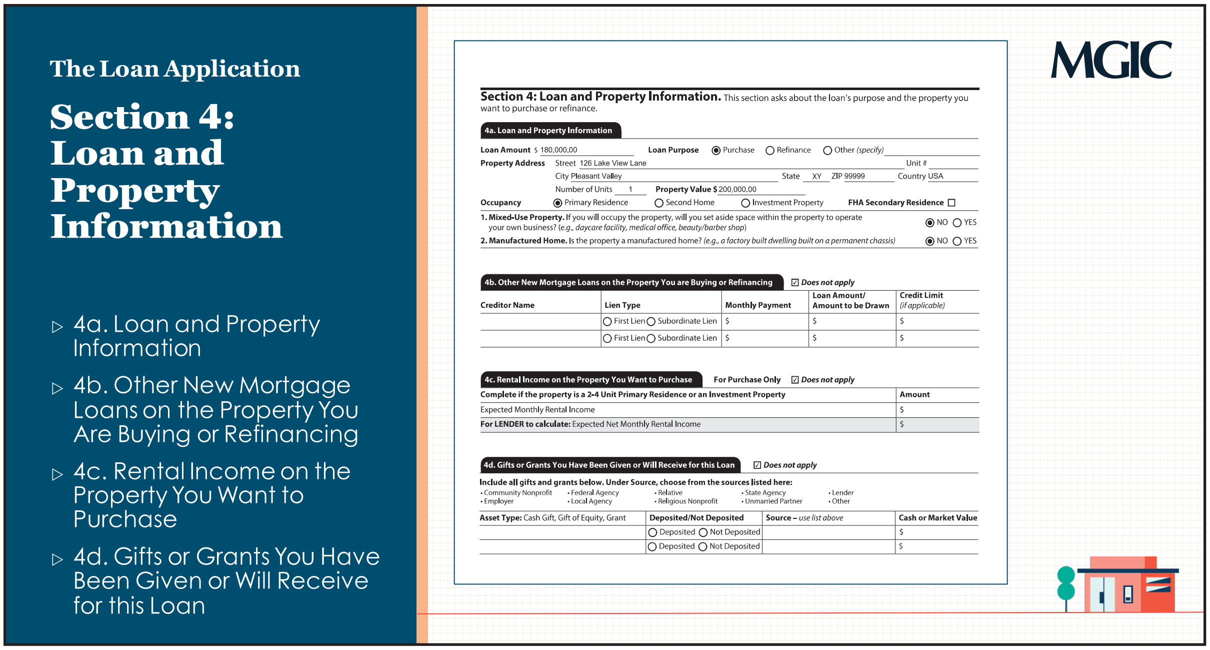
"In Section 3, we'll collect details about any properties in which your homebuyers have an ownership interest."

"This section asks homebuyers to list all properties they currently own and what they owe on them. They must provide details for each property if they are obligated on a mortgage, no matter what their relationship is to the property – whether they own the property individually, jointly with someone else or are not on the title to the property."

"We'll use this information with the credit report to verify any existing balances and monthly payments and to check for any late payments on the account. A good mortgage history speaks well to your homebuyers' use of credit. "

Review the various fields in Section 3a and note that Sections 3b and 3c require the same information.

Transition: **"The next section of the loan application is specific to the property your homebuyers are purchasing."**



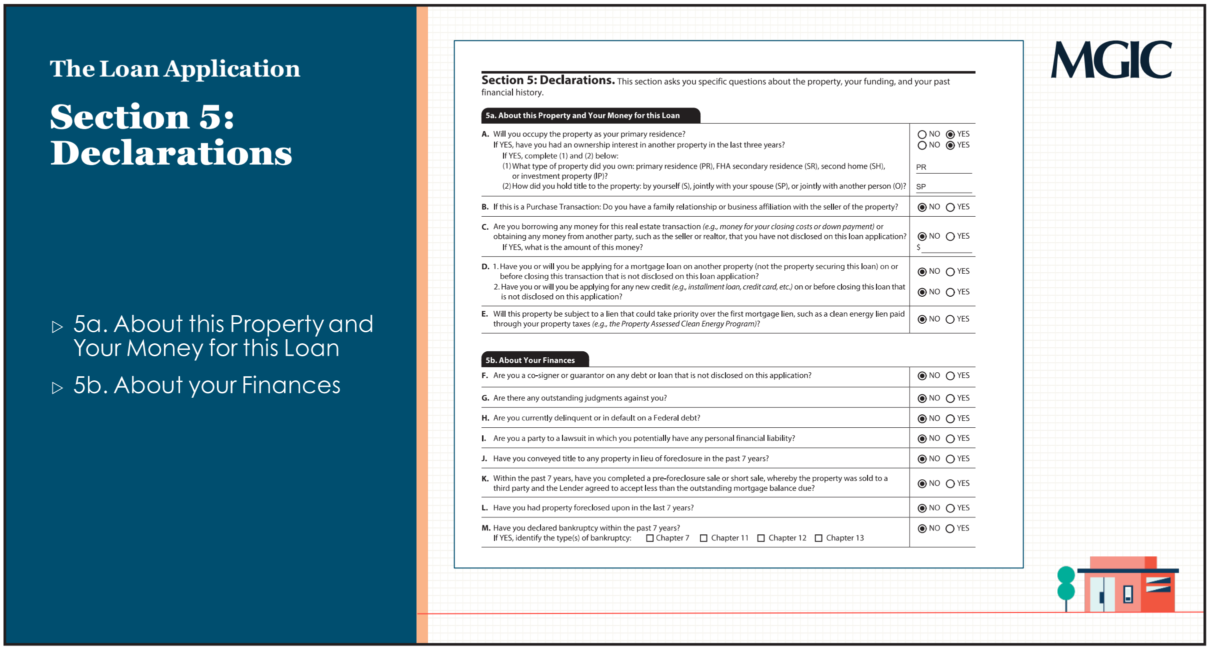
Discussion points

"In Section 4, we move on to describe the property, or in terms of The 4 Cs, the Collateral. We will provide some of this information to the appraiser to begin the appraisal process. The appraiser will validate whether the property's value and marketability will provide adequate Collateral, in other words, security for the loan."

"If any or all of your homebuyers' down payment is from a gift, which must be from a relative, they will need to provide us:

- "Evidence they received the gift
- "A gift letter signed by the donor stating:
  - "Donor's name and relationship to the borrowers
  - "Donor's mailing address and phone number
  - "Amount of the gift and the date the borrowers received it
  - "Repayment is neither expected nor required"

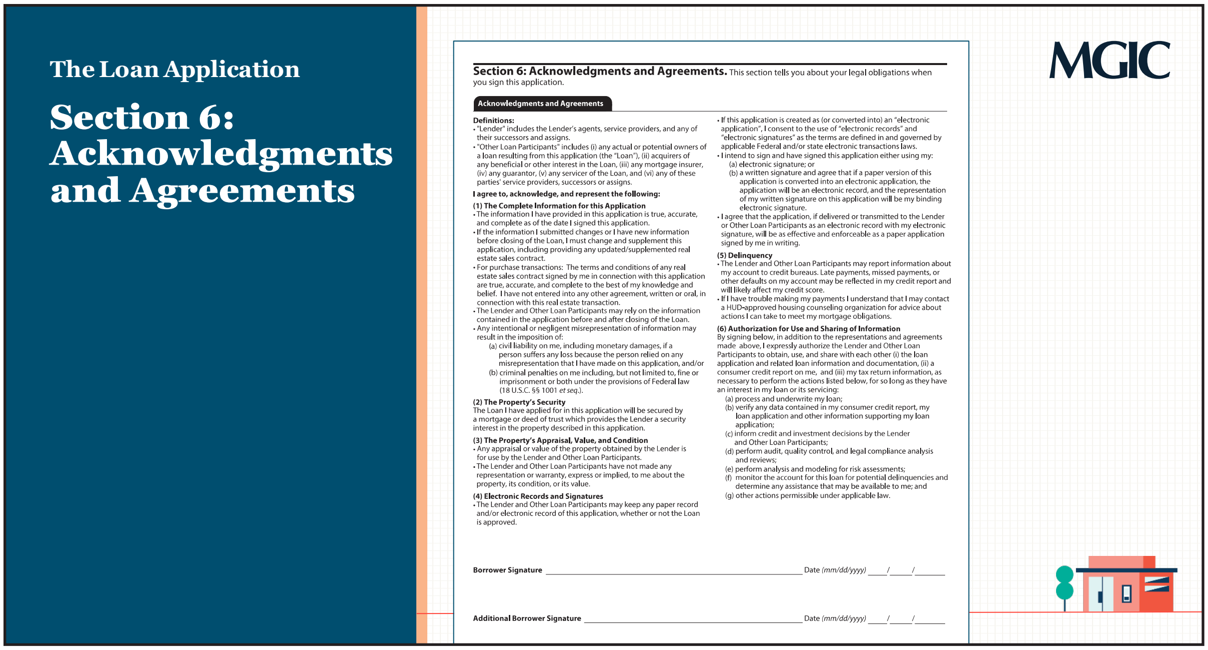
Transition: **"Moving on to Section 5: Declarations...."**



Discussion points

"This section provides a snapshot of the homebuyers' credit history from a legal perspective and further reveals their willingness to repay the loan based on their past use of credit. We will use their credit report to confirm their answers."

Highlight the areas of Section 5.



Section 6: Acknowledgments and Agreements. This section tells you about your legal obligations when you sign this application.

Acknowledgments and Agreements

Definitions:
- "Lender" includes the Lender's agents, service providers, and any of their successors and assigns.
- "Other Loan Participants" includes (i) any actual or potential owners of a loan resulting from this application (the "Loan"), (ii) acquirers of any beneficial or other interest in the Loan, (iii) any mortgage insurer, (iv) any guarantor, (v) any servicer of the Loan, and (vi) any of these parties' service providers, successors or assigns.

I agree to, acknowledge, and represent the following:

(1) The Complete Information for this Application
- The information I have provided in this application is true, accurate, and complete as of the date I signed this application.
- If the information I submitted changes or I have new information before closing of the Loan, I must change and supplement this application, including providing any updated/supplemented real estate sales contract.
- For purchase transactions: The terms and conditions of any real estate sales contract signed by me in connection with this application are true, accurate, and complete to the best of my knowledge and belief. I have not entered into any other agreement, written or oral, in connection with this real estate transaction.
- The Lender and Other Loan Participants may rely on the information contained in the application before and after closing of the Loan.
- Any intentional or negligent misrepresentation of information may result in the imposition of:
  (a) civil liability on me, including monetary damages, if a person suffers any loss because the person relied on any misrepresentation that I have made on this application, and/or
  (b) criminal penalties on me including, but not limited to, fine or imprisonment or both under the provisions of Federal law (18 U.S.C. §§ 1001 *et seq.*).

(2) The Property's Security
The Loan I have applied for in this application will be secured by a mortgage or deed of trust which provides the Lender a security interest in the property described in this application.

(3) The Property's Appraisal, Value, and Condition
- Any appraisal or value of the property obtained by the Lender is for use by the Lender and Other Loan Participants.
- The Lender and Other Loan Participants have not made any representation or warranty, express or implied, to me about the property, its condition, or its value.

(4) Electronic Records and Signatures
- The Lender and Other Loan Participants may keep any paper record and/or electronic record of this application, whether or not the Loan is approved.
- If this application is created as (or converted into) an "electronic application", I consent to the use of "electronic records" and "electronic signatures" as the terms are defined in and governed by applicable Federal and/or state electronic transactions laws.
- I intend to sign and have signed this application either using my:
  (a) electronic signature; or
  (b) a written signature and agree that if a paper version of this application is converted into an electronic application, the application will be an electronic record, and the representation of my written signature on this application will be my binding electronic signature.
- I agree that the application, if delivered or transmitted to the Lender or Other Loan Participants as an electronic record with my electronic signature, will be as effective and enforceable as a paper application signed by me in writing.

(5) Delinquency
- The Lender and Other Loan Participants may report information about my account to credit bureaus. Late payments, missed payments, or other defaults on my account may be reflected in my credit report and will likely affect my credit score.
- If I have trouble making my payments I understand that I may contact a HUD-approved housing counseling organization for advice about actions I can take to meet my mortgage obligations.

(6) Authorization for Use and Sharing of Information
By signing below, in addition to the representations and agreements made above, I expressly authorize the Lender and Other Loan Participants to obtain, use, and share with each other (i) the loan application and related loan information and documentation, (ii) a consumer credit report on me, and (iii) my tax return information, as necessary to perform the actions listed below, for so long as they have an interest in my loan or its servicing:
(a) process and underwrite my loan;
(b) verify any data contained in my consumer credit report, my loan application and other information supporting my loan application;
(c) inform credit and investment decisions by the Lender and Other Loan Participants;
(d) perform audit, quality control, and legal compliance analysis and reviews;
(e) perform analysis and modeling for risk assessments;
(f) monitor the account for this loan for potential delinquencies and determine any assistance that may be available to me; and
(g) other actions permissible under applicable law.

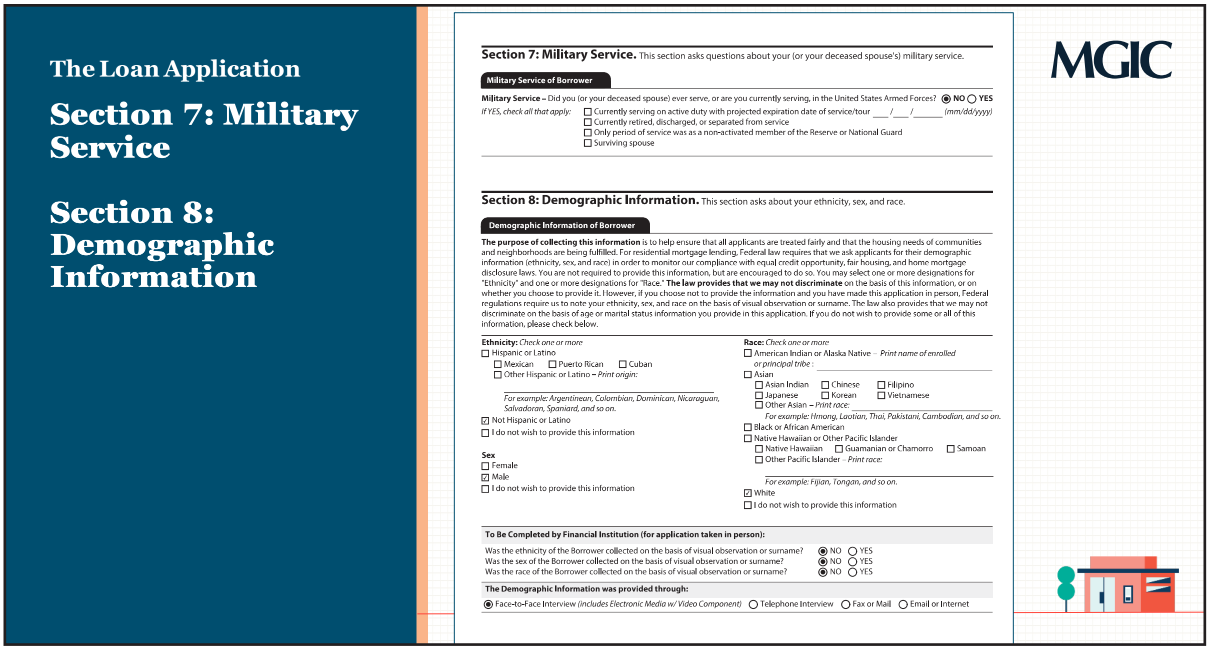
Borrower Signature ______________________ Date *(mm/dd/yyyy)* ____/____/______

Additional Borrower Signature ______________________ Date *(mm/dd/yyyy)* ____/____/______

Discussion points

"Section 6: Acknowledgments and Agreements lays out your homebuyers' legal obligations once they sign the loan application. The loan application is not a binding agreement unless it is signed by your homebuyers."

Highlight the areas of Section 6.



Discussion points

"Section 7: Military Service pertains to your homebuyer's or a deceased spouse's military service, as applicable."

Highlight the areas of Section 7.

"The information we collect in Section 8: Demographic Information satisfies the federal government's Home Mortgage Disclosure Act, also known as ***hum - da.***"

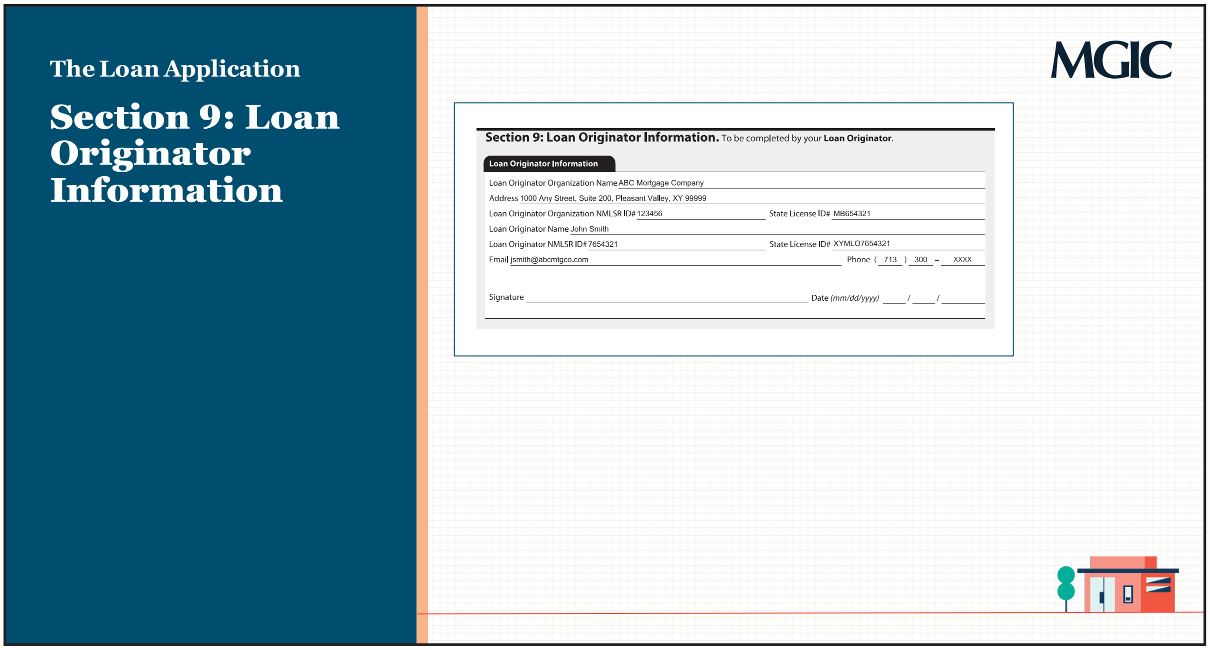
HMDA was designed to monitor whether financial institutions adequately serve the credit needs of their communities and to ensure that they do not redline.

HMDA requires institutions to report certain data regarding mortgage loan approvals and denials, such as the geographic location of the secured property; the race, ethnicity and sex of the loan applicant; and whether the loan was granted. In addition to identifying unfair lending practices, this information helps the government identify neighborhoods that could use its assistance.

Your homebuyers are not required to provide this information, but encouraged to do so. If the homebuyers choose not to furnish information regarding ethnicity, race or sex, under federal regulations, the lender is required to note the information based on visual observation or surname.

Highlight the areas of Section 8.

Transition: **"Now we move to the Lender Loan Information portion of the loan application."**

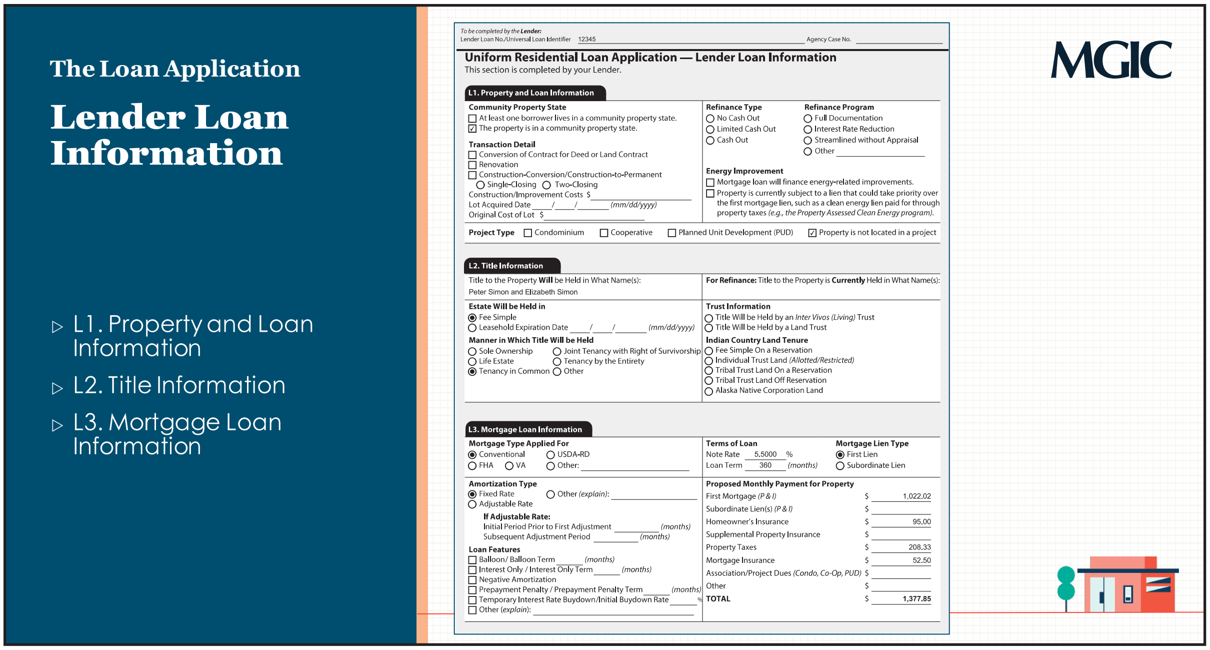


Discussion points

"Section 9: Loan Origination Information provides information about the lending company and the loan originator, including our licensing and contact information."

Highlight the areas of Section 9.

Transition: **"Now we'll move to the Lender Loan Information portion of the loan application."**



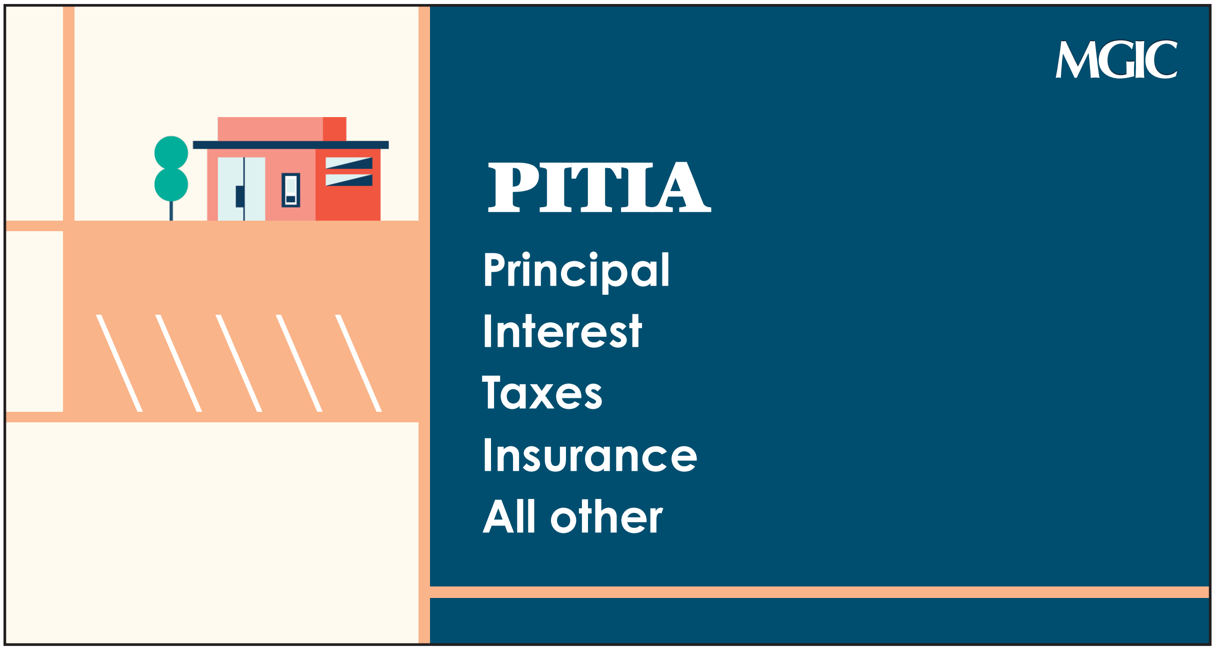
Discussion points

Highlight the areas on the form.

"Much of the Lender Loan Information data is obtained from documentation supplied by your homebuyers. Keep reinforcing with them the importance of providing requested documentation in a timely manner and its affect on expediting the mortgage process.

"In this portion of the loan application, we complete information about the property, loan title and the mortgage itself, including the proposed monthly mortgage payment, also call the PITIA."

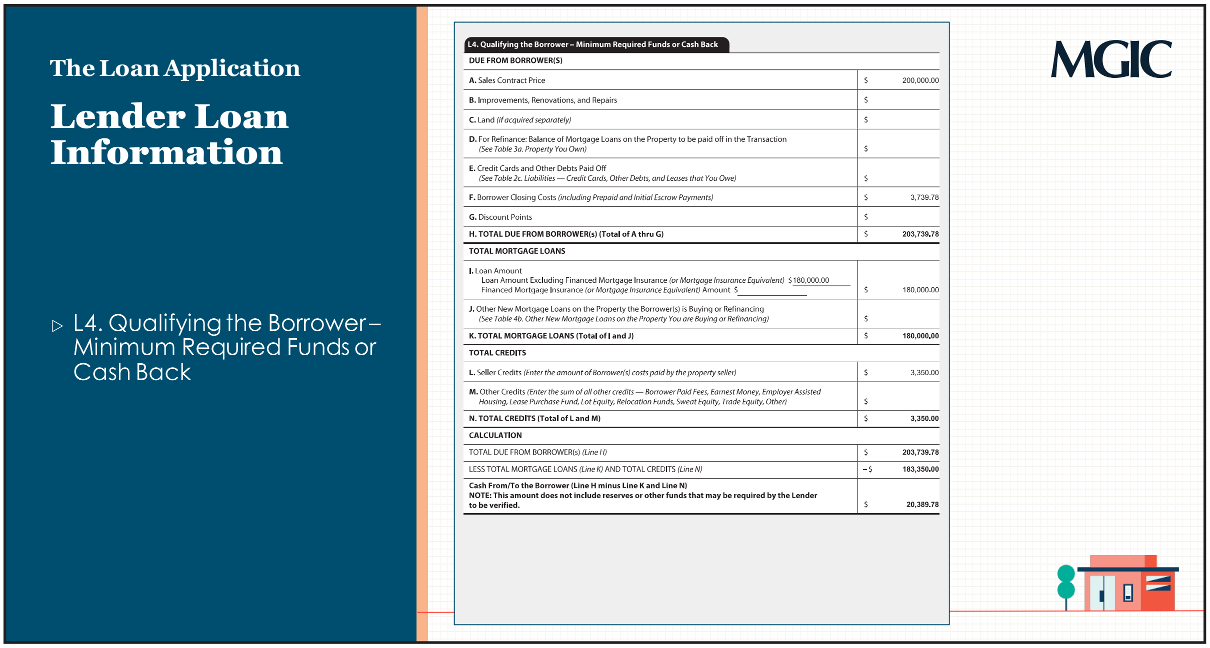
Transition: **"PITIA is an acronym for the 5 components of the monthly mortgage payment."**



Discussion points

- Principal is the portion of the payment used to reduce the loan balance
- Interest is the portion of the payment used to pay interest that is due
- Taxes: 1/12 of the annual property tax bill
- Insurance: 1/12 of the annual homeowners and, if applicable, supplemental property insurance (e.g., flood insurance) and mortgage insurance bills
- All other: homeowner association dues, property assessments

Transition: **"And that takes us to the final portion of the Lender Loan Information section."**



L4. Qualifying the Borrower – Minimum Required Funds or Cash Back

DUE FROM BORROWER(S)		
A. Sales Contract Price	$	200,000.00
B. Improvements, Renovations, and Repairs	$	
C. Land *(if acquired separately)*	$	
D. For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction *(See Table 3a. Property You Own)*	$	
E. Credit Cards and Other Debts Paid Off *(See Table 2c. Liabilities — Credit Cards, Other Debts, and Leases that You Owe)*	$	
F. Borrower Closing Costs *(including Prepaid and Initial Escrow Payments)*	$	3,739.78
G. Discount Points	$	
H. TOTAL DUE FROM BORROWER(s) (Total of A thru G)	$	**203,739.78**
TOTAL MORTGAGE LOANS		
I. Loan Amount Loan Amount Excluding Financed Mortgage Insurance *(or Mortgage Insurance Equivalent)* $180,000.00 Financed Mortgage Insurance *(or Mortgage Insurance Equivalent)* Amount $	$	180,000.00
J. Other New Mortgage Loans on the Property the Borrower(s) is Buying or Refinancing *(See Table 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing)*	$	
K. TOTAL MORTGAGE LOANS (Total of I and J)	$	**180,000.00**
TOTAL CREDITS		
L. Seller Credits *(Enter the amount of Borrower(s) costs paid by the property seller)*	$	3,350.00
M. Other Credits *(Enter the sum of all other credits — Borrower Paid Fees, Earnest Money, Employer Assisted Housing, Lease Purchase Fund, Lot Equity, Relocation Funds, Sweat Equity, Trade Equity, Other)*	$	
N. TOTAL CREDITS (Total of L and M)	$	**3,350.00**
CALCULATION		
TOTAL DUE FROM BORROWER(s) *(Line H)*	$	**203,739.78**
LESS TOTAL MORTGAGE LOANS *(Line K)* AND TOTAL CREDITS *(Line N)*	– $	**183,350.00**
Cash From/To the Borrower (Line H minus Line K and Line N) **NOTE: This amount does not include reserves or other funds that may be required by the Lender to be verified.**	$	**20,389.78**

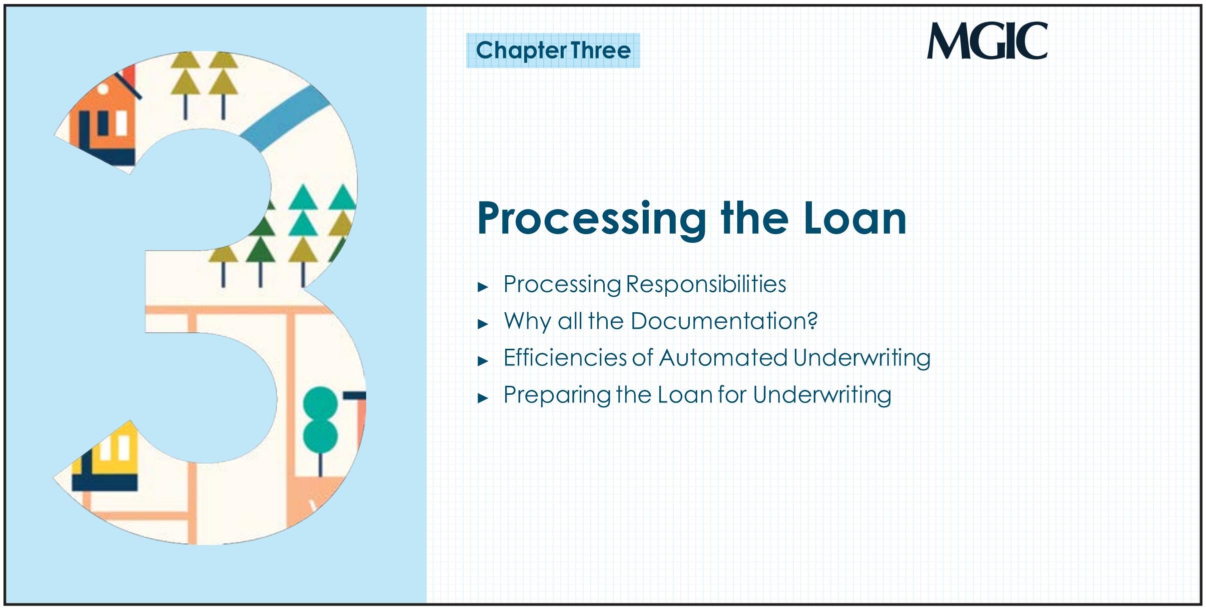
Discussion points

"Section L4. Qualifying the Borrower – Minimum Required Funds or Cash Back tallies the funds due from or to the borrowers, based upon the total costs of their transaction, their loan amount and credits."

Review the fields of Section L4.

"In order for us to complete this section of the loan application, it's important that we have current, accurate information from the sales contract from you in order to keep the process moving and get everyone to the closing table as soon as possible. We'll talk about the sales contract in more detail in a bit."

Transition: **"Once the loan application is complete, your homebuyers' loan is ready to be processed."**



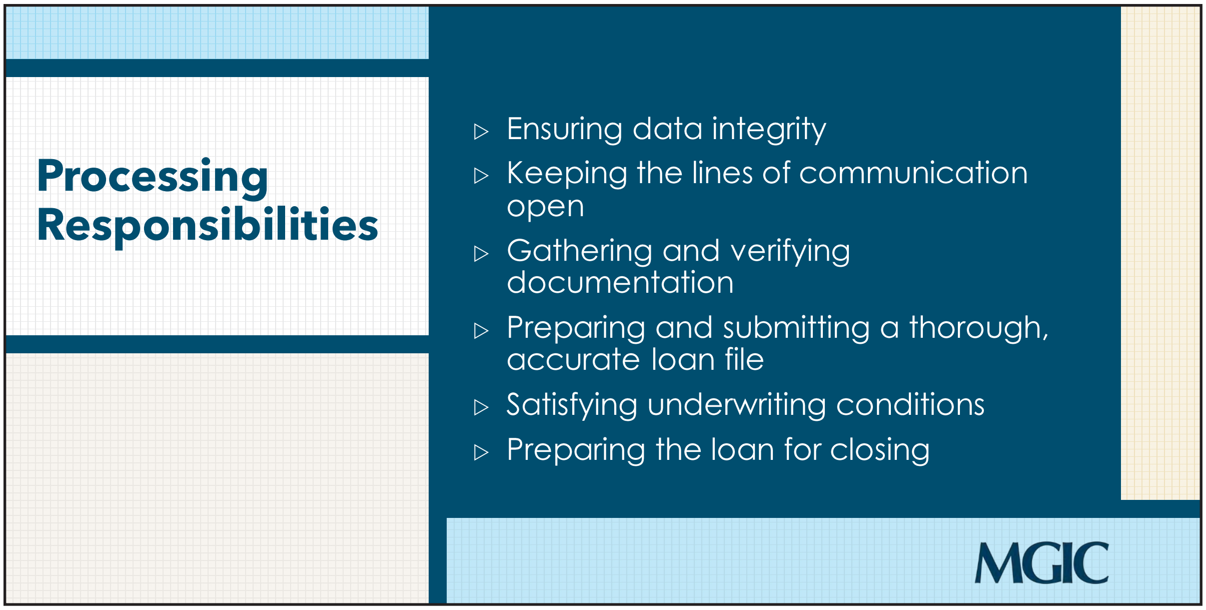
Discussion points

"Once your homebuyers have completed the loan application, the loan moves into the next stage of the Mortgage Cycle: Processing.

"In this stage, our loan processor will substantiate homebuyer information through verification and documentation. The extent of documentation required depends on:

- "Whether the loan will be underwritten by an automated underwriting system (AUS) or manually underwritten
- "The complexity of the file
- "The level of risk
- "Our requirements and/or investor requirements"

Transition: **"Proper processing is crucial for making an educated, prudent decision whether to approve the loan."**

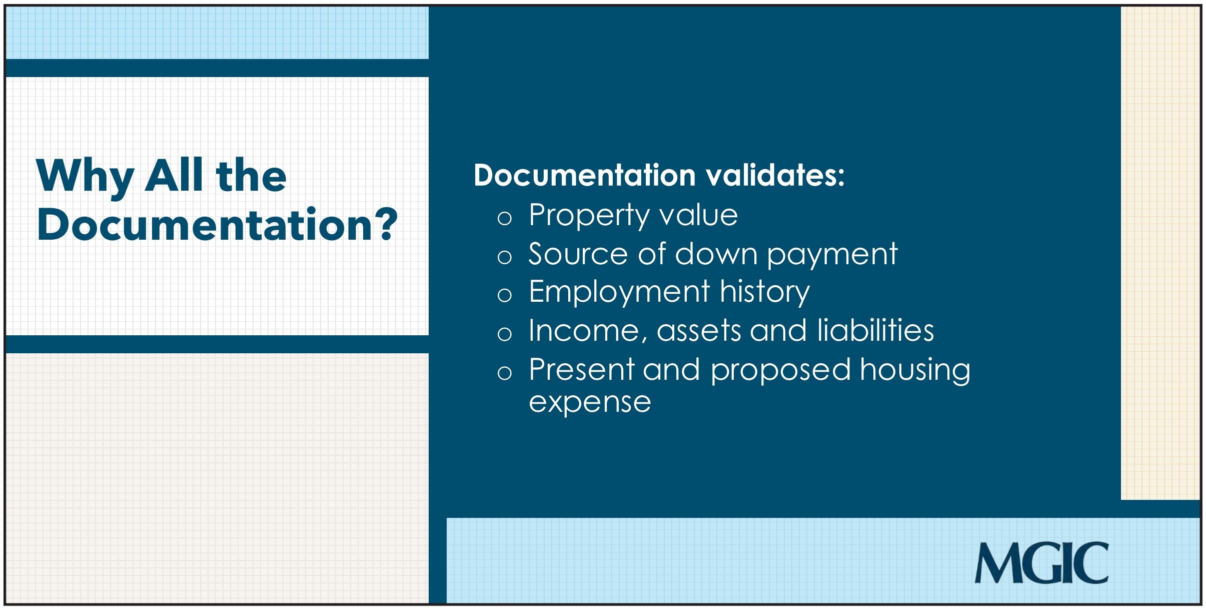


Discussion points

"Processors put their super powers to work to guide a loan toward the closing table:

- **"Ensuring data integrity** by providing accurate, complete information for the loan file, including data entry into an AUS
- **"Keeping the lines of communication open** among parties involved in the transaction by:
  - "Staying in constant contact with homebuyers regarding the status of their mortgage, to request documentation or to clarify questions
  - "Following up with underwriters and originators
  - "Contacting resources for documentation; scheduling the closing date with the borrowers, sellers, the lender and their representatives, etc.
- **"Gathering and verifying documentation** by:
  - "Discovering the necessary documentation and obtaining it from credit and service providers, employers, banking institutions, etc.
  - "Noting any inconsistencies among documents and the loan application
- **"Preparing and submitting a thorough, accurate loan file** for underwriting
- **"Satisfying the underwriting conditions** by gathering all the documents necessary for the underwriter to make an informed underwriting decision
- **"Preparing the loan for closing** by:
  - "Creating pay-off statements
  - "Reviewing the tax bill and title commitment to obtain a "clear-to-close" status
  - "Obtaining a verbal verification of employment"

Transition: **"While you may not be directly involved at this point, you can play a very important role by preparing your homebuyers' expectations and responsibilities and reminding them of the importance of responding to our processor's requests for documentation."**



Discussion points

"Documentation validates the information the homebuyers provided in the loan application."

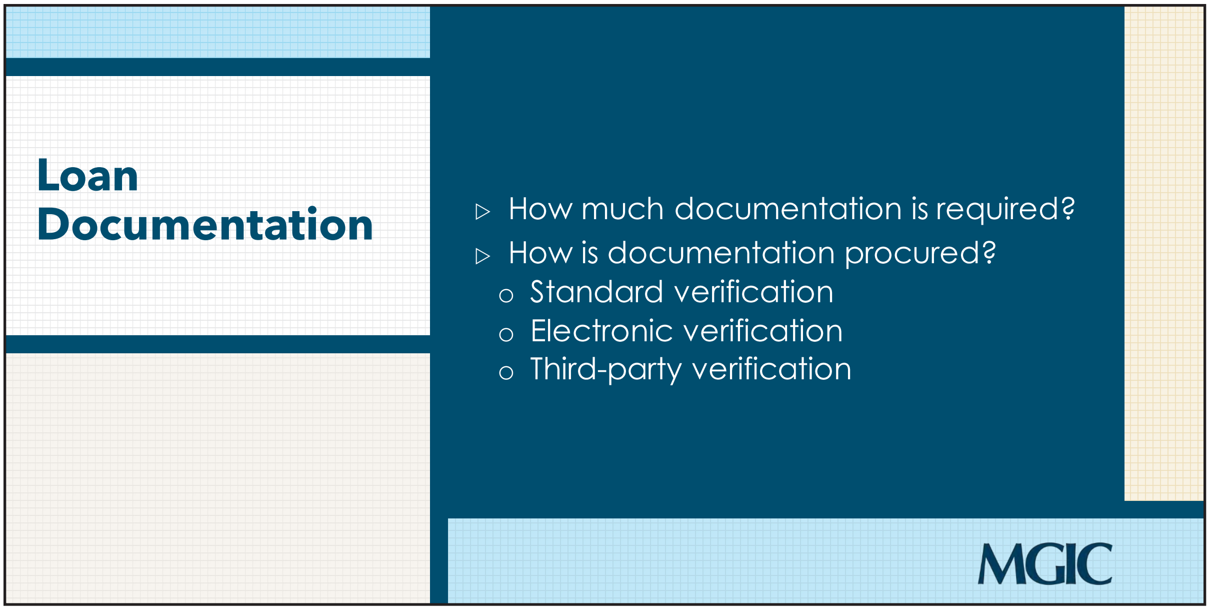
Discuss each bullet point.

"Documentation will guide the underwriter's evaluation of how well the homebuyers measure up against specific characteristics of risk.

"Ultimately, it's documentation that will support the underwriter's decision whether to approve the homebuyers' mortgage."

TIP: Encourage your homebuyers to use technology to provide documentation whenever possible. Using technology – and responding to our requests in a timely manner – will help expedite their path to the closing table.

Transition: **"By making sure your homebuyers understand the importance of their timely response and the completeness of loan documentation they provide us, you can expedite the mortgage process."**



Discussion points

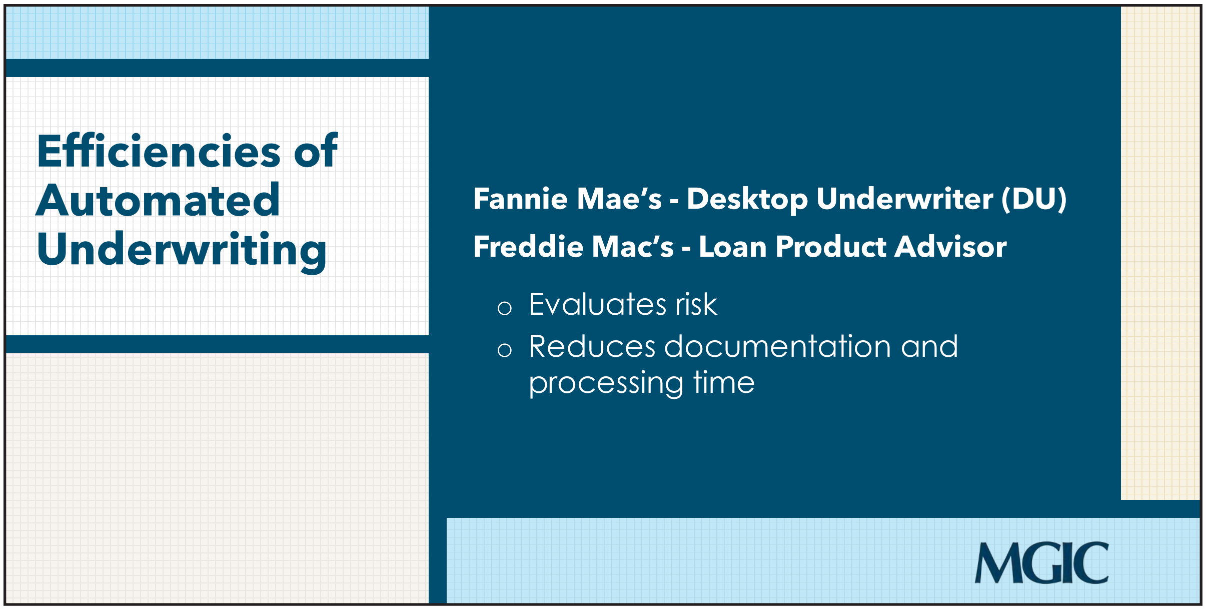
"Several factors influence the amount of documentation required for a loan, including whether the loan was underwritten by an automated underwriting system (AUS) and its risk assessment. Investors require less documentation for lower-risk loans than higher-risk loans.

"The particular documents the processor may need to gather to validate the information in the loan application are determined by our internal processes, AUS Findings/Feedback reports, investor requirements and the information presented in the loan application itself.

"Processors use standard, electronic and third-party verification to obtain documentation."

Discuss each bullet point.

Transition: **"As I mentioned, automated underwriting influences the amount of documentation required for a loan. Let's look at other efficiencies it creates."**



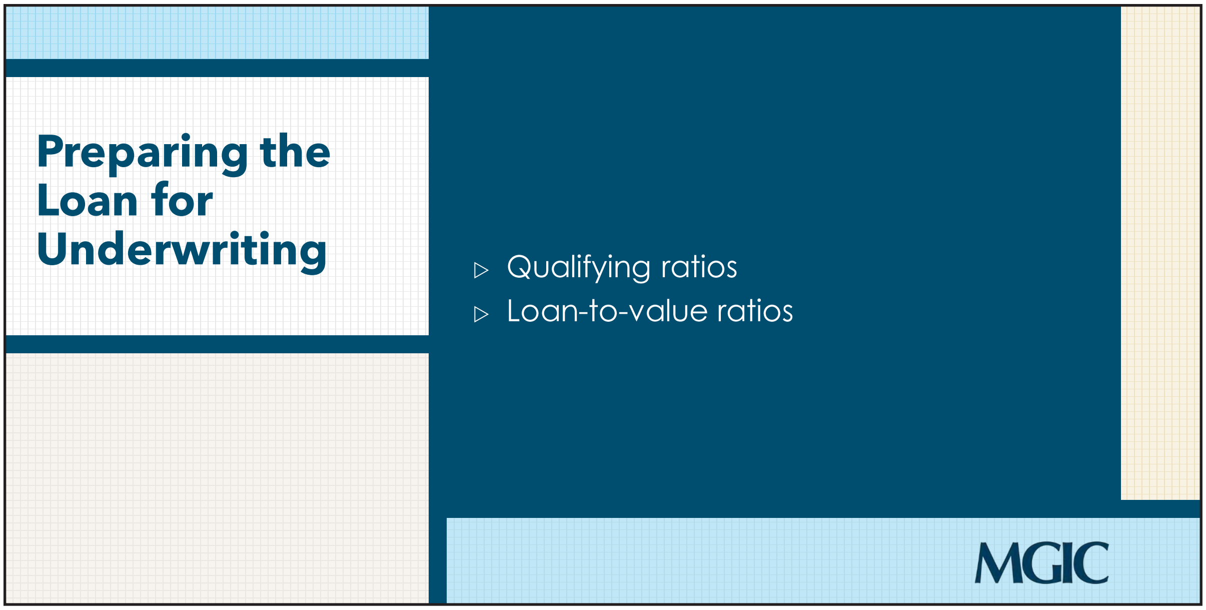
Discussion points

"In the automated underwriting world, each loan is considered unique, based on its individual set of risk factors. AUS systems pre-underwrite each loan and then provide processing direction according to the results.

"Fannie Mae's AUS, Desktop Underwriter (DU), and Freddie Mac's, Loan Product Advisor, take the data the processor submits and run it through complex models built on years of statistical loan experience. The AUS evaluates the data according to risk inherent in the homebuyers' profile.

"With the help of automated underwriting, we can qualify more homebuyers, reduce paperwork, submit for underwriting sooner and get homebuyers to the closing table faster. It all comes down to saving time and money and making customers happy."

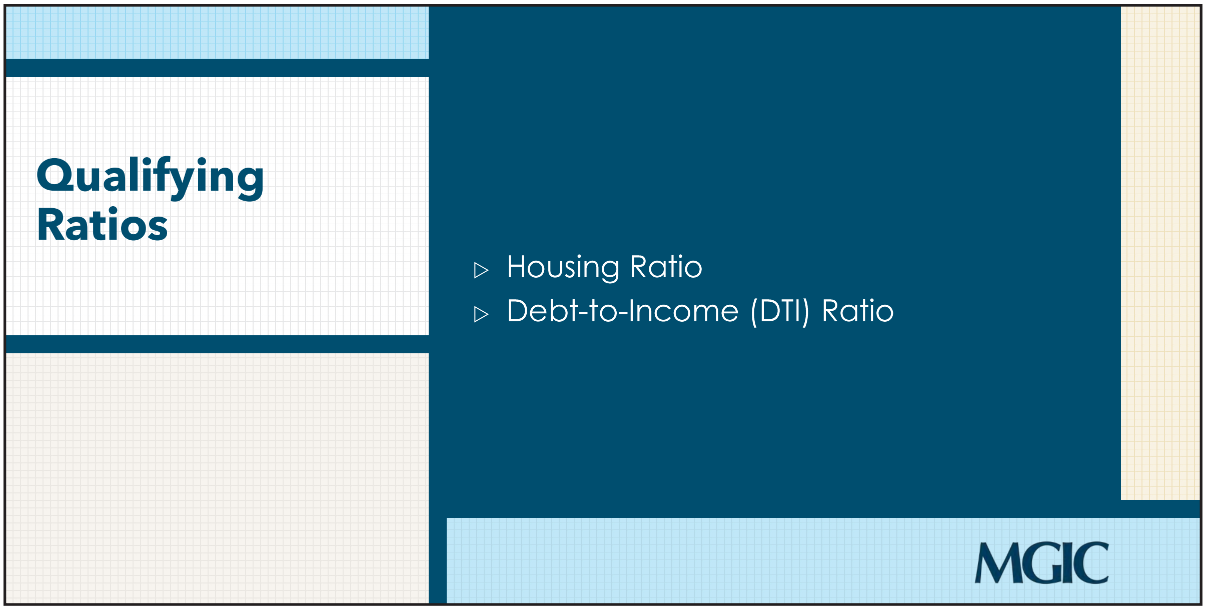
TIP: Discuss your company's procedure and the form you use.



Discussion points

"Most lenders use an AUS to process a loan application. The resulting Findings/Feedback report contains key data elements and provides totals and ratios detailing final income and debt figures, loan amount, interest rate and collateral information. This data will help assess risk, as well as determine the underwriting decision.

Transition: **"The processor will also calculate qualifying and LTV ratios that will be used by underwriters and investors to quantify the homebuyers' Capacity and Capital and evaluate the degree of risk associated with the loan. We'll discuss qualifying ratios first."**



Discussion points

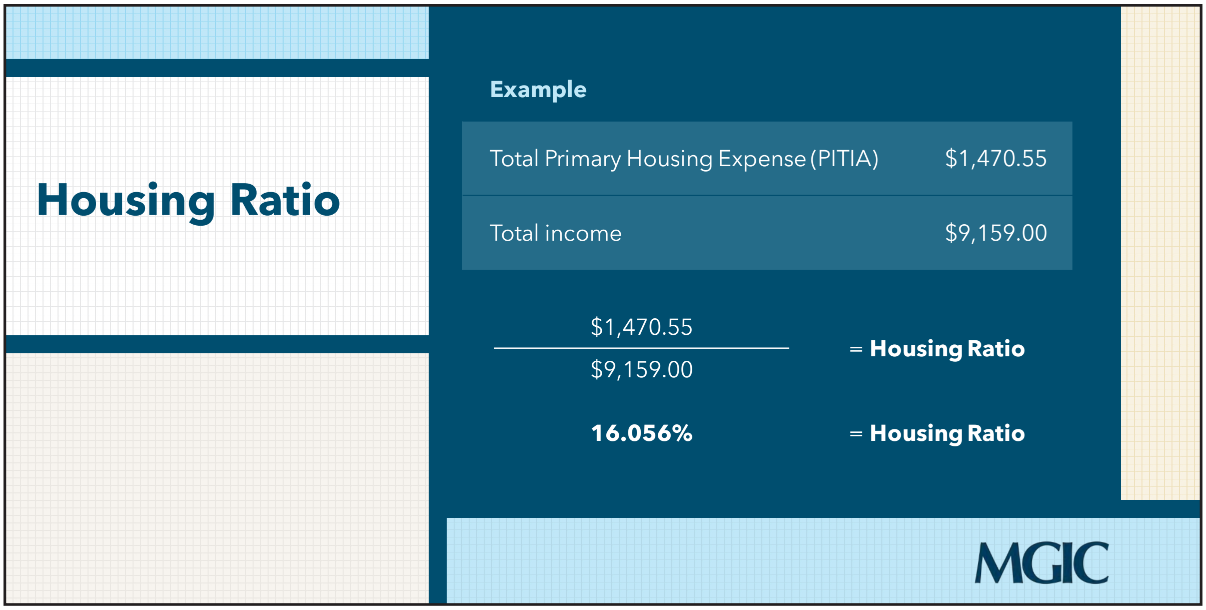
"Qualifying ratios may be calculated prior to processing – likely when the loan originator preapproved the borrowers.

"The housing ratio compares the borrower's total primary housing expense – the PITIA we talked about earlier – with the homebuyers' total income. It's also referred to as the ***top ratio*** or ***front-end ratio.***

"The DTI ratio compares the total of all monthly payments, including your homebuyers' PITIA, with the their total income. It's also known as the ***bottom ratio, back-end ratio,*** or ***total debt ratio.*** We will use total debt ratio and DTI interchangeably.

"As the loan moves through the system, processors will check and re-check the ratios as they receive and verify information."

Transition: **"Let's look at some examples for calculating each. First, the housing ratio."**



Discussion points

"Divide the Total Primary Housing Expense (PITIA) by the homebuyers' total income to calculate the housing ratio.

"Expressed as a percentage, this ratio provides the proportion of the homebuyers' total monthly income dedicated to their mortgage payment."

Walk through the example.

Transition: **"Now let's walk through an example that calculates the DTI ratio."**

Debt-to-Income (DTI) Ratio

Example

Total All Monthly Payments	$2,455.55
Total Income	$9,159.00

$$\frac{\$2{,}455.55}{\$9{,}159.00} = \textbf{Total Debt Ratio}$$

26.81% = **Total Debt Ratio**

Discussion points

"To calculate the DTI ratio, divide the total of all monthly payments, including your homebuyers' PITIA, by their total income.

"Also expressed as a percentage, the DTI ratio provides the proportion of the homebuyers' total income that will be used to pay their total monthly debt."

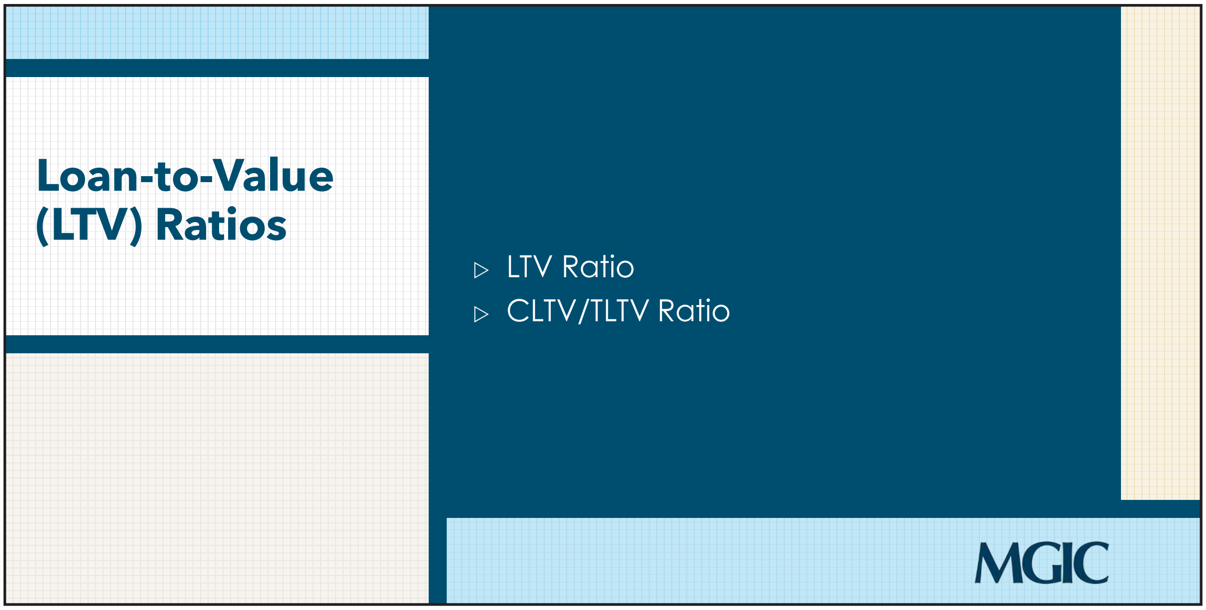
Walk through the example.

"Today's lending environment focuses more on homebuyers' maximum total debt ratios than on maximum housing ratios. Investors typically set 45% as the maximum total debt ratio. However, an AUS may consider higher total DTI ratios.

"Some investors remain sensitive to both ratios."

Indicate your company's requirements here.

Transition: **"Now that we're all warmed up, let's do more math!"**

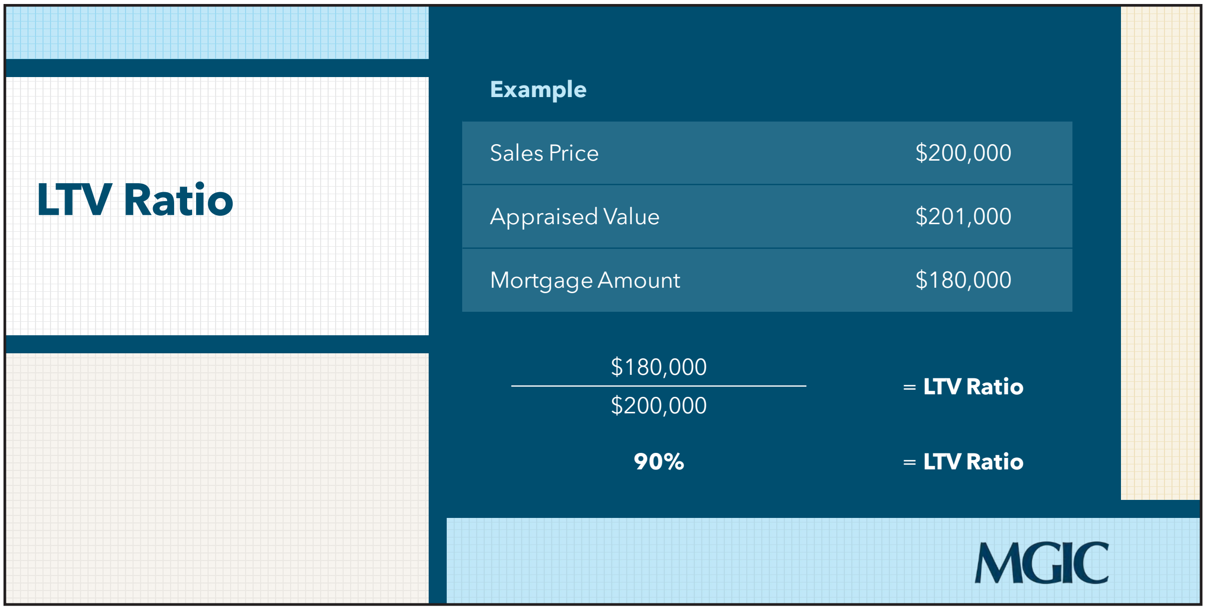


Discussion points

"LTV ratios express the percentage of the purchase price or appraised value, whichever is less, that will be lent to your homebuyers.

"LTV ratios also dictate the appropriate processing path to follow. For example, if a loan has an LTV greater than 80% (a down payment of less than 20%), investors often require mortgage insurance in order to meet their requirements. We'll talk more about mortgage insurance later on."

Transition: **"Now let's calculate some LTV."**



Discussion points

"To calculate the LTV, divide the original loan amount by the lesser of the sales price or the appraised value."

Walk through the example.

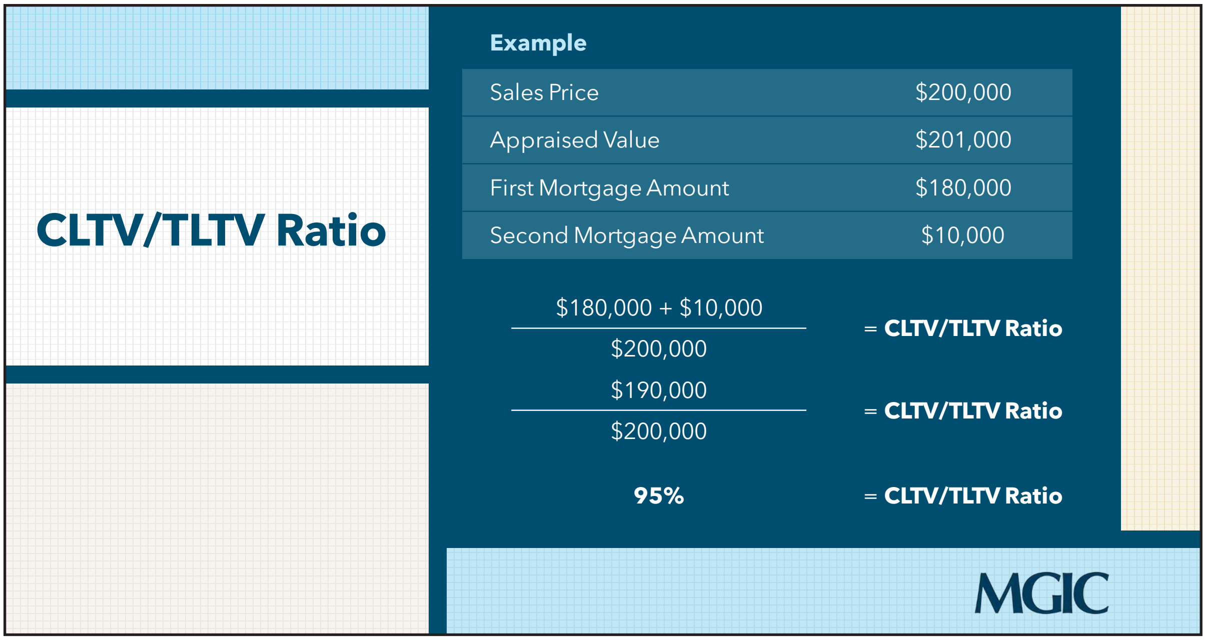
"Because the sales price is less than the appraised value in our example, the processor will use the sale price in the calculation."

Stress the relationship between the amount of risk associated with a loan and the amount of money borrowers invest in the transaction:

- High LTV means less money down = Higher Risk
- Low LTV means more money down = Lower Risk

Optional: Create an additional example on a white board or a flip chart.

Transition: **"If your homebuyers are financing their new home with a second mortgage and/or a home equity line of credit, the processor will calculate their combined LTV or total LTV – CLTV and TLTV, respectively..."**



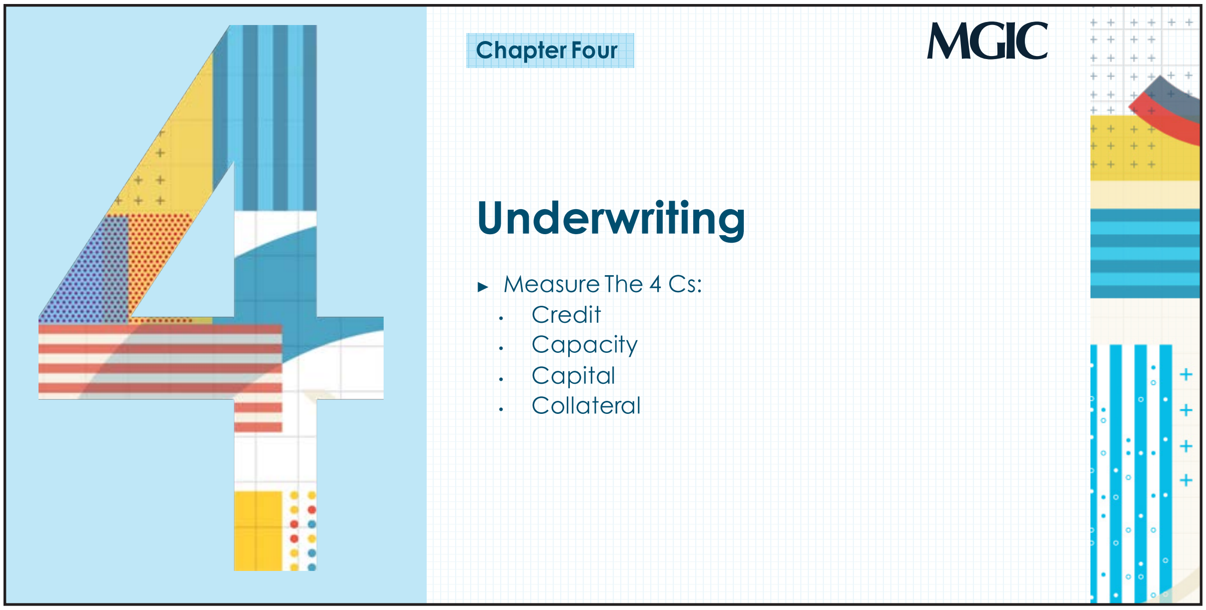
Discussion points

"The CLTV/TLTV ratio compares the total of the first and second mortgages and/or drawn balance of a HELOC with the lesser of the appraised value or sales price."

Walk through the example.

"Because the sales price is less than the appraised value in our example, the processor will use the sales price in the calculation."

Transition: **"Once the information has been verified and documented accordingly, it is the processor's diligent groundwork that will expedite and ultimately support the decision whether to approve your homebuyers' mortgage. How well they measure up against The 4 Cs will be discovered in the next stage in the Mortgage Cycle: Underwriting."**



Discussion points

"In the Underwriting stage of the Mortgage Cycle, all of the bits and pieces of data and documentation come together.

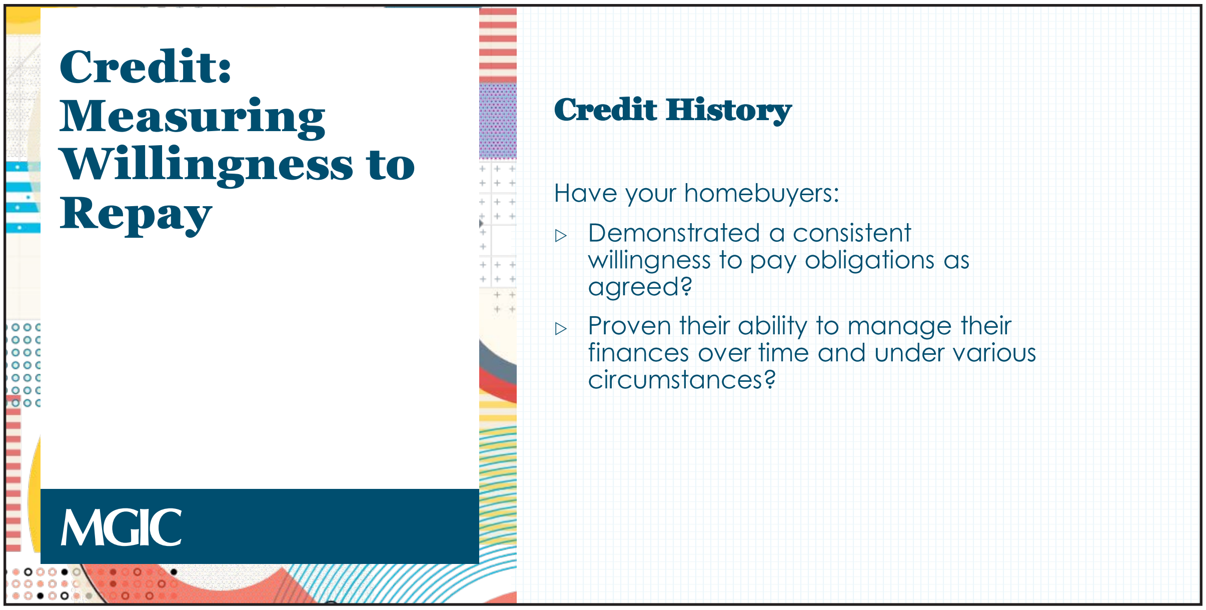
"Here, the underwriter applies keen analytic skills to measure The 4 Cs – Credit, Capacity, Capital and Collateral – to reveal the big picture and soundly answer the homebuyers' request for a mortgage loan."

Ask participants: "How will a better understanding of underwriting help you work with your customers?"

Answers might include:

- *I'll be able to help them understand the importance of healthy credit*
- *I can help my homebuyers consider sources of income other than from employment*
- *They will be able to better understand all that goes into consideration regarding their loan decision*

Transition: **"We'll discuss the importance of your homebuyers' credit first."**



Discussion points

"How likely are the homebuyers to repay their mortgage? That's the big question. That's where the gamble lies. That's where evaluating their credit comes in.

"Credit quality is one of the most important indicators in determining how a loan will perform. Experience shows that the number of mortgages that fail increases dramatically as the number of adverse credit events increases.

"That's why it's so important to evaluate each prospective homebuyer's credit history.

"Underwriters will consider all available information, including documentation and credit reports, to determine whether your homebuyers have:

- "Demonstrated a consistent willingness to pay obligations as agreed, and
- "Proven their ability to manage their finances over time and under various circumstances

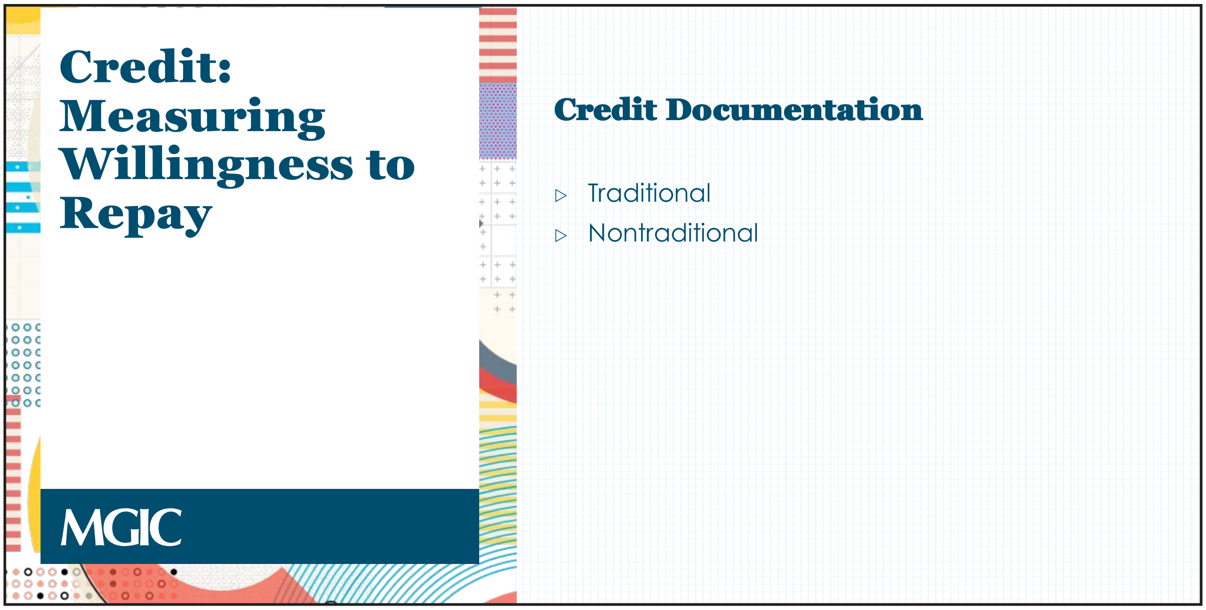
"Those who have are more likely to repay their mortgages – that is, more likely to be successful homeowners.

"As the underwriter reviews your homebuyers' credit quality, the concern will lie more with the overall pattern of making payments rather than an occasional late payment that isn't necessarily due to a disregard for credit obligations.

"Individual homebuyers should have adequate credit histories, defined by the number of accounts and the length of time they have used the accounts.

The For Sale to Sold handbook provides additional details about the various types of credit histories."

Transition: **"The underwriter will review documentation to substantiate your homebuyers' credit histories."**

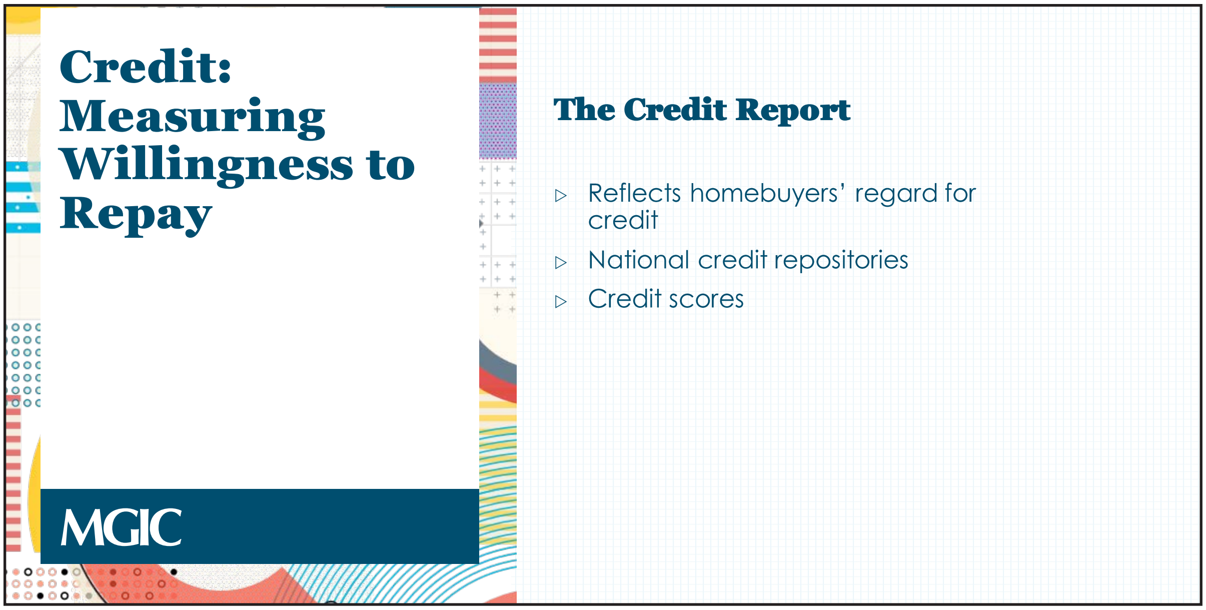


Discussion points

"The processor gathers credit documentation to substantiate your homebuyers' credit history using either:

- **"Traditional documentation,** which includes any type of credit on a credit report, such as credit cards, retail accounts, auto loans and mortgage debt
- **"Nontraditional documentation** for homebuyers who have not established traditional credit, which includes alternative information to document credit history, such as:
  - "Receipts for current and previous rent payments
  - "Verification of utility payments, such as electric, cable TV, cell phone, etc."

Transition: **"The credit report provides the road map for the underwriter's evaluation…"**



Discussion points

"The credit report offers a unique perspective of the homebuyers' past and present regard for credit. The underwriter uses their historical repayment patterns and their current state of affairs to make an educated prediction of their future respect and regard for credit.

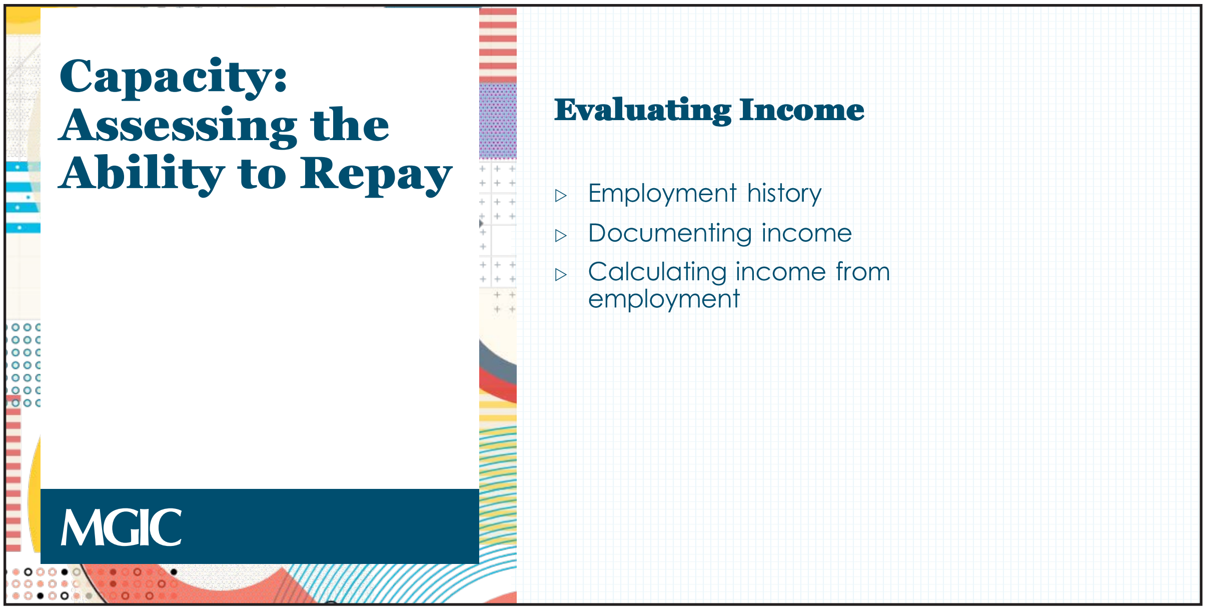
"The 3 national credit repositories – Equifax, TransUnion and Experian – maintain centralized credit records on consumers. These repositories receive information from virtually all businesses that extend credit to consumers and provide credit reports to evaluate creditworthiness."

"Most credit reports include a credit score, which provides a quick way of quickly assessing homebuyers' credit quality. A credit score takes into account a variety of factors, such as:

- Payment history
- Amounts the borrowers owe vs. their credit limit
- Credit history
- Tyes of credit
- New credit

"Credit scores will vary based on these factors and how each repository's scoring model weighs them. For example, consumers who have not been using credit very long will be factored differently than those who have. In addition, as information in a credit report changes, so does the importance of any factor in determining the credit scores."

Transition: **"Now let's examine the second of The 4 Cs, Capacity…"**



Discussion points

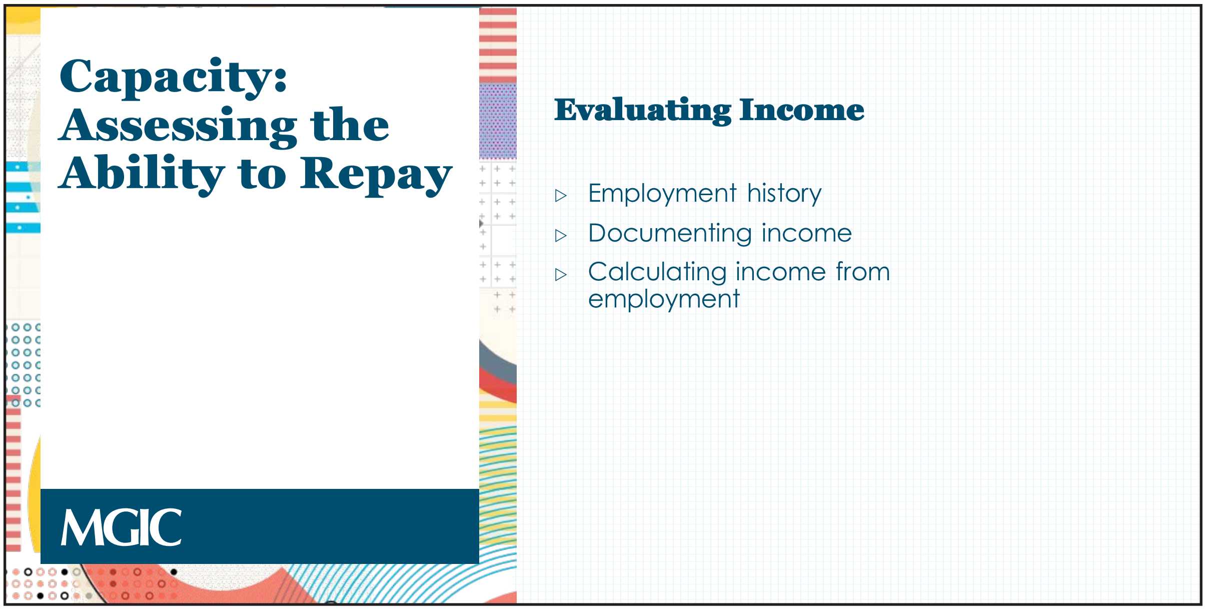
"Capacity addresses the risk involved with your homebuyers' ability to repay the mortgage based on the amount and stability of their income. The underwriter will determine whether your homebuyers will be able to make the proposed new mortgage payment and meet all of their other monthly obligations.

"It seems almost too obvious to say that income is critical in repaying a mortgage. But the risk involved in the mortgage transaction relative to income goes beyond the homebuyers merely having income.

"The underwriter's evaluation of your homebuyers' employment history, income documentation and calculations of income from employment is guided by questions like these:

- Is their income enough to make the monthly mortgage payment and still meet monthly household obligations?
- Do the homebuyers have a history of income stability – and is it likely to continue? If gaps are present, can the homebuyers account for them?
- If a homebuyer has had more than 1 job in the last 2 years, what are the reasons for job changes and lengths of time employed? Are the job skills transferable?
- Has the homebuyer changed jobs in order to increase pay or benefits incrementally – or to gain greater job security? (These circumstances are positive underwriting offsets)
- What is the source of income? Salary? Commission? Self-employment? Pension?

Transition: **"Let's look at those considerations in a little more detail..."**



Discussion points

"We typically require a minimum of 2 years of **employment history**. We may accept a shorter history if the loan application demonstrates positive factors that reasonably offset it.

"The source of income affects investor **income documentation** requirements. For example, a homebuyer who is currently employed may require a pay stub and a W-2, while another who receives Social Security income may require a copy of an awards letter.

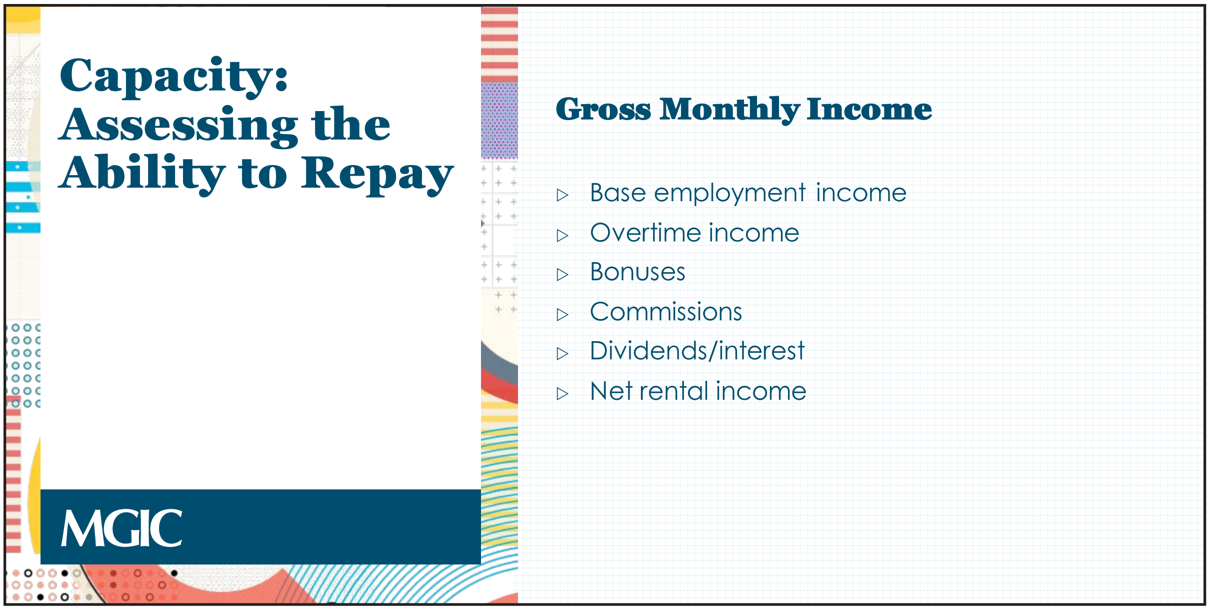
"Documentation will help our underwriter determine:

- "The source of the homebuyers' income to establish income stability, and
- "The homebuyers' income history to determine the likelihood that a similar level of income will continue

"Income from employment can come from a number of different sources, each source potentially reporting income differently."

Ask participants to identify different sources of income.

Transition: **"To determine how the new monthly mortgage payment will affect your homebuyers' ability to repay, the underwriter will calculate their gross monthly income…"**



Discussion points

"Gross Monthly Income applies to all income your homebuyers wish to use toward repaying their mortgage debt. Our underwriter uses your homebuyers' most recent pay stubs and/or W-2s and/or tax returns, if possible, to calculate gross monthly income."

Ask participants to identify income types on the slide that are most stable/least stable.

"Our underwriter will ask direct questions to get accurate, complete information upfront, such as:

- *"What did your W-2 report as your income last year?*
- *"What did you make in bonus/overtime income last year?*
- *"How are you paid – hourly, with a salary or on commission?*
- *"How often are you paid – weekly, biweekly or monthly?*
- *"Do you receive any other income you wish to use to qualify?*
- *"Do you own 25% or more of a business whose income you wish to use to qualify?* (If so, they are considered self-employed)
- "If homebuyers are self-employed, we may ask: *What income did you report on your personal tax returns from your self-employment after all business expenses were paid?"*

"Helping your buyers think through their answers to these questions will help avoid unnecessary delays to correct or obtain more information later on in the process.

"Gathering income information in this manner helps provide an accurate, detailed picture of the homebuyers' income. Identifying the source of income helps underwriters determine whether any additional supporting documentation is needed for the loan file."

Transition: **"Now we'll move on to the next of The 4 Cs, Capital."**

Discussion points

"Underwriters are called on to evaluate homebuyers' commitment to the property and to repaying their mortgage. The down payment is their personal investment in their new home.

"There is a direct correlation between the amount of the down payment that homebuyers invest toward their purchase and the amount of risk associated with the loan.

"The greater the investment, the lower the LTV ratio and risk involved. Conversely, the lower the investment, the higher the LTV ratio and risk.

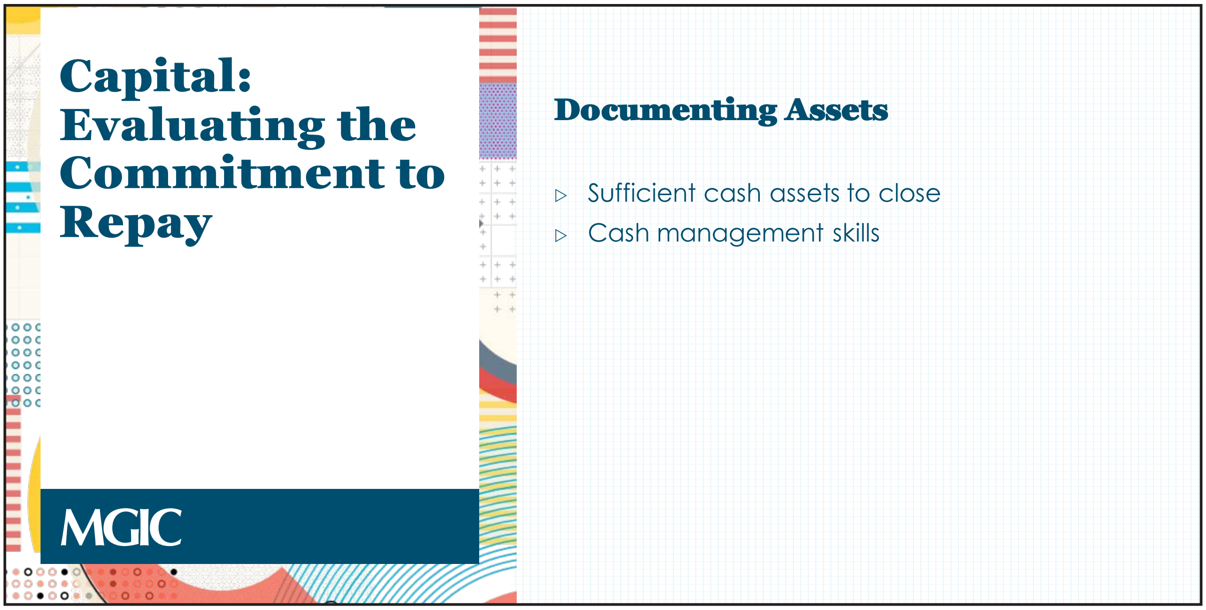
"But the down payment is only part of their capital profile. The underwriter also needs to evaluate your homebuyers' cash management skills. Both factors play an important role in determining repayment risk."

Mortgage industry experience shows the stronger the homebuyers' capital profile is, the more likely they are to repay their mortgage.

Examining the homebuyers' capital profile provides insight into their past, present and future attitude toward and behavior regarding financial security. As underwriters review documentation verifying homebuyer assets, they look for answers to questions like:

- Have the homebuyers' established a history of strong savings patterns?
- How much is their down payment relative to the sales price of the home?
- Do the homebuyers have enough capital to cover down payment and closing costs?
- In the event their flow of income is interrupted, do they have adequate savings or other reserves to cover a mortgage payment and living expenses for an extended period of time?

Transition: **"To verify available funds and cash reserves, the underwriter will document your homebuyers' assets..."**

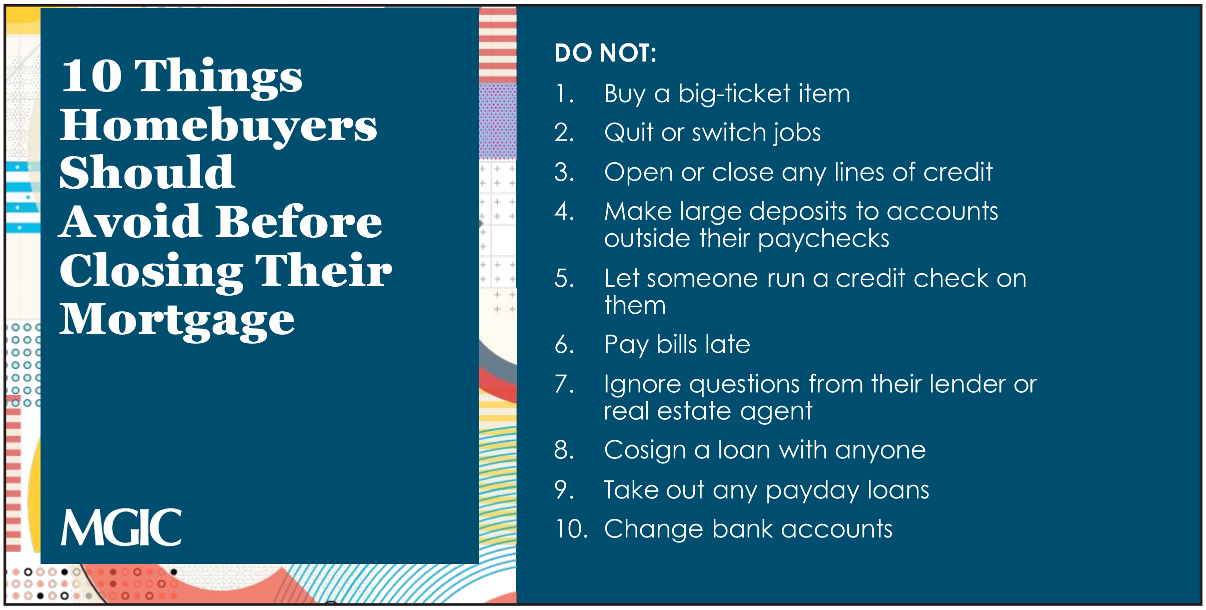


Discussion points

"The underwriter looks at the most recent 2 months of statements to determine whether the homebuyers' average savings and investment balance has been consistent over the 2-month period.

"The underwriter checks for recent large, unexplained deposit increases and new accounts opened with borrowed money. If there is no evidence of either, the underwriter uses the total of the most recent balance on the statements to determine the funds available to close. If there are large deposits, the underwriter will need to evaluate further. Investor requirements for evaluating large deposits vary based on the transaction type."

Transition: **"Let's look at the types of financially impactful events your homebuyers should avoid prior to closing"**



Discussion points

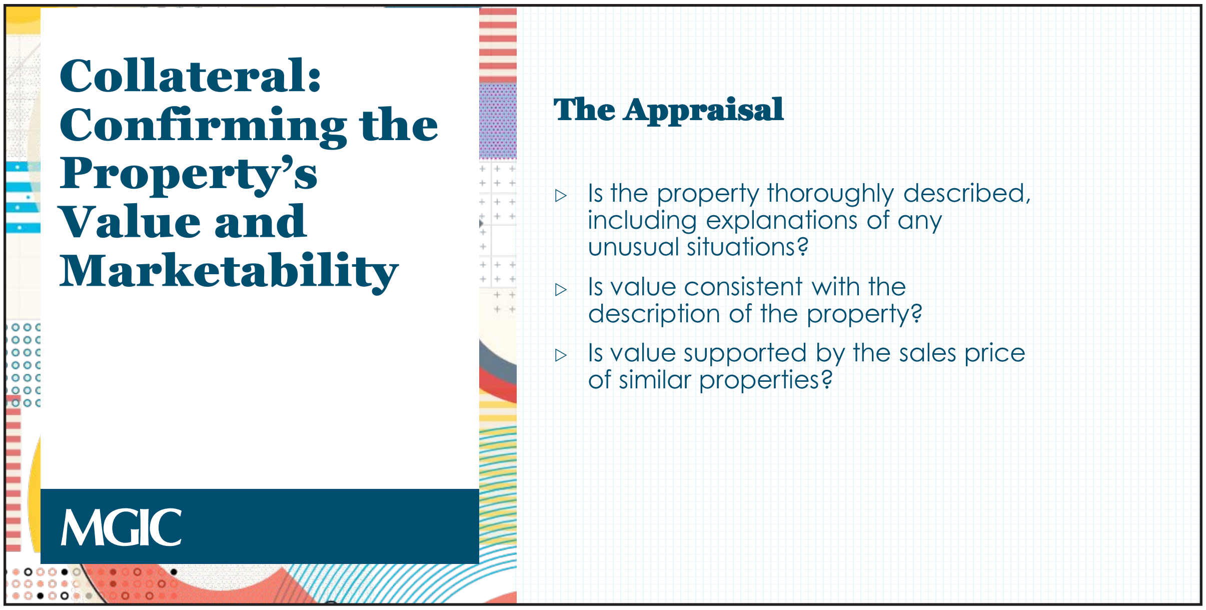
"Encourage your buyers to:

- Keep their finances stable
- Be readily available to answer any questions about their assets and
- NOT TO do any of the following..."

Review bullet points.

"Doing so before they close could potentially put getting their home in jeopardy."

Transition: **"That brings us to the last of The 4 Cs: Collateral."**



Discussion points

"When homebuyers finance a home purchase with a mortgage, the home serves as collateral and is pledged to us, the lender, or to the investor, whomever owns the mortgage. In the event the homebuyers fail to repay their mortgage, the mortgage owner may sell the collateral, using the proceeds from the home's value to satisfy any remaining obligations. Quality collateral reduces risk.

"It falls to our underwriter to substantiate whether the property is worth what the homebuyers are paying for it. The underwriter decides whether the property meets our requirements or investor requirements regarding condition, marketability and value, based on the appraisal evaluation."

"Information contained in the appraisal report and, if applicable, the sales contract, guides the underwriter toward an informed decision regarding whether the collateral's value would satisfy unpaid mortgage debt."

"The appraisal is the underwriter's key to substantiating the value of the property, taking into consideration the neighborhood, site, physical characteristics and condition of the property. Facts, figures, value estimates, property types, location, guidelines and forms all require the underwriter's close attention. But it goes beyond that, because evaluating an appraisal, similar to underwriting a loan, is not an exact science. The underwriter uses professional experience, expertise and good judgment to evaluate and confirm whether the report supports property value and marketability.

"Appraisers describe the property, noting both positive and negative factors and explain how these factors affect value and marketability.

"The underwriter reviews the appraisal report, watching for the following..."

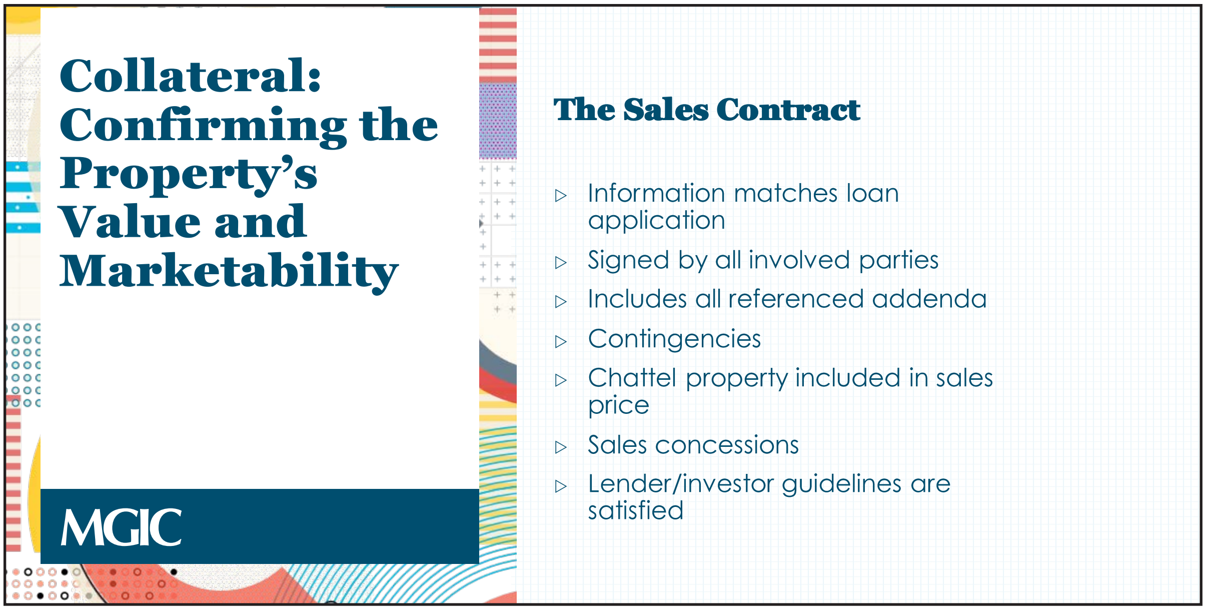
Review the bullet points.

Transition: **"Here are a few tidbits to share with your homebuyers about appraisals."**

Discussion points

- Automated Underwriting determines the level of appraisal review and type of appraisal the lender must use, which affects the cost to your homebuyers and the time frame for turnaround
- The value of certain property features – a swimming pool, for example – will vary from market to market
- The appraisal report is not intended to verify the sales price, but rather to see if market data supports the price
- The appraisal is based on market data, and appraisers must support their opinions of market value with recent sales and listings they have verified
- A low appraisal does not necessariy mean the mortgage won't be approved. Your homebuyers should use an appraisal that comes in lower than the contract as a negotiating tool to lower the sales price to match the appraisal

Transition: **"If applicable,the underwriter will also review the sales contract."**



Discussion points

"Sales contracts around the country vary, but they generally satisfy the same purpose – to create a legally binding agreement that identifies the actions, conditions and warranties between your buyers and the seller. That is to say, the purpose of the sales contract is to detail the conditions under which the sale of the property will take place.

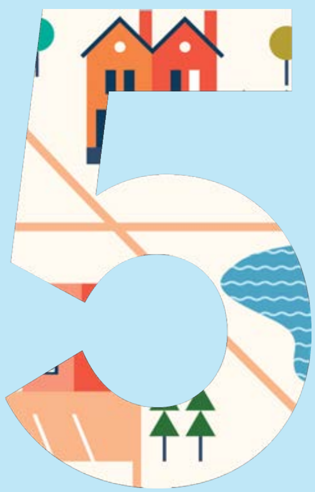
"To best serve your homebuyers, your familiarity with the key information contained in the contract is essential. For example, the closing date determines how much time we have to process the loan, while the purchase price and requested loan amount may influence the loan program your homebuyers choose; for example, a jumbo loan or an HFA loan.

"To expedite underwriting and deliver better customer service, the underwriter reviews and evaluates each sales contract using these following checkpoints…"

Review each bullet point.

Transition: **"By carefully reviewing your homebuyers' Credit, Capacity, Capital and Collateral, the underwriter can piece together a comprehensive picture of risk. The presence of a high-risk factor in any one of those categories doesn't necessarily threaten successful homeownership. But when a number of interrelated, high-risk characteristics are present without sufficient offsets or compensating factors, their cumulative effect increases the likelihood of default.**

As mortgage professionals, our shared goal is to qualify as many homebuyers as possible without compromising their ability to successfully maintain homeownership. That's why mortgage insurance generally comes into play during the Underwriting Stage of the Mortgage Cycle…"



Chapter Five

Understanding Private Mortgage Insurance

- How MI Works
- How MI Benefits You
- How MI Benefits Your Homebuyers
- The Cost of MI
- Common MI Premium Plans

Discussion points

“Mortgage insurance, also called private mortgage insurance, PMI or MI, was created to help more consumers afford homeownership.

“Most investors require a 20% down payment from homebuyers who wish to finance the purchase of a home. Historically for many homebuyers, that 20% down payment has been a difficult hurdle to clear.

“MI helps lift them over that hurdle.

“In this final chapter, we’ll examine...”

Review the bullet points.

Transition: **“Let’s start by looking at the very basics: how MI works, what it is and what it isn’t... ”**

Discussion points

Walk through the example:

"The homebuyers make a $20,000 down payment on the purchase of a $200,000 property. They finance a 90% LTV, fixed-rate $180,000 mortgage.

"**Without MI:** If the homebuyers fail to repay the mortgage, we would be at risk of losing $180,000 (80% of the property value), plus any costs associated with foreclosure.

"With Private MI: Typically, an investor would require 25% MI coverage on a 90% LTV, fixed-rate mortgage. In the event the homebuyers fail to repay their insured mortgage:

- "The mortgage insurer would pay us $45,000 of the risk associated with the $180,000 loan
- "Our risk would be reduced to $135,000 or 67.5% of the original property value. (Original property value is the lesser of the property sales price and the appraised value. For a refinance transaction, original value is the appraised value.)
- "If down the road, these homebuyers fail to repay their mortgage, we or the investor would file a claim based on the unpaid loan balance, delinquent interest and foreclosure costs.

"Note that MI coverage assumes a predetermined share of risk associated with foreclosure and the sale of the property, such as delinquent payments, attorney fees, court costs and property maintenance. For simplicity, we have not included foreclosure costs in this example."

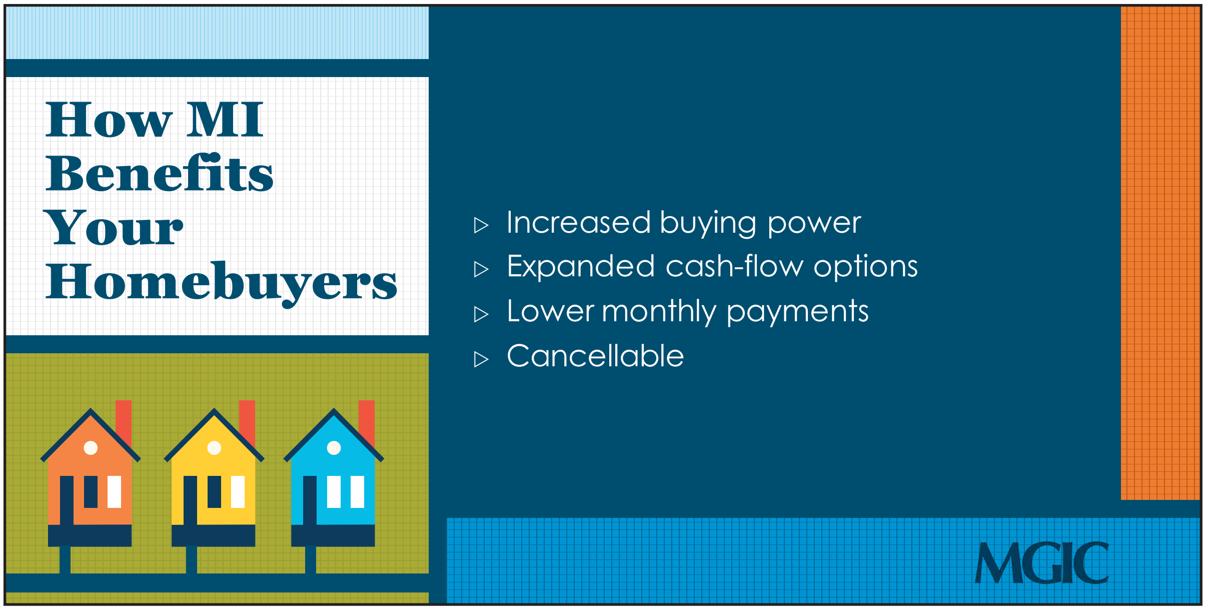
Transition: **"MI gives you an extra advantage or 2…"**

Discussion points

"By recommending MI with your homebuyers, you can:

- "Possibly save your homebuyers thousands in MI costs, compared to financing with FHA
- "Broaden your customer base by selling more homes to buyers with less than 20% down
- "Increase your commissions by increasing your homebuyers' buying power
- "Enhance your role as Trusted Advisor and differentiate yourself from your competition by:
  - "Broadening the options you provide your homebuyers
  - "Notifying them when they may be able to cancel MI and reduce their monthly mortgage payment "

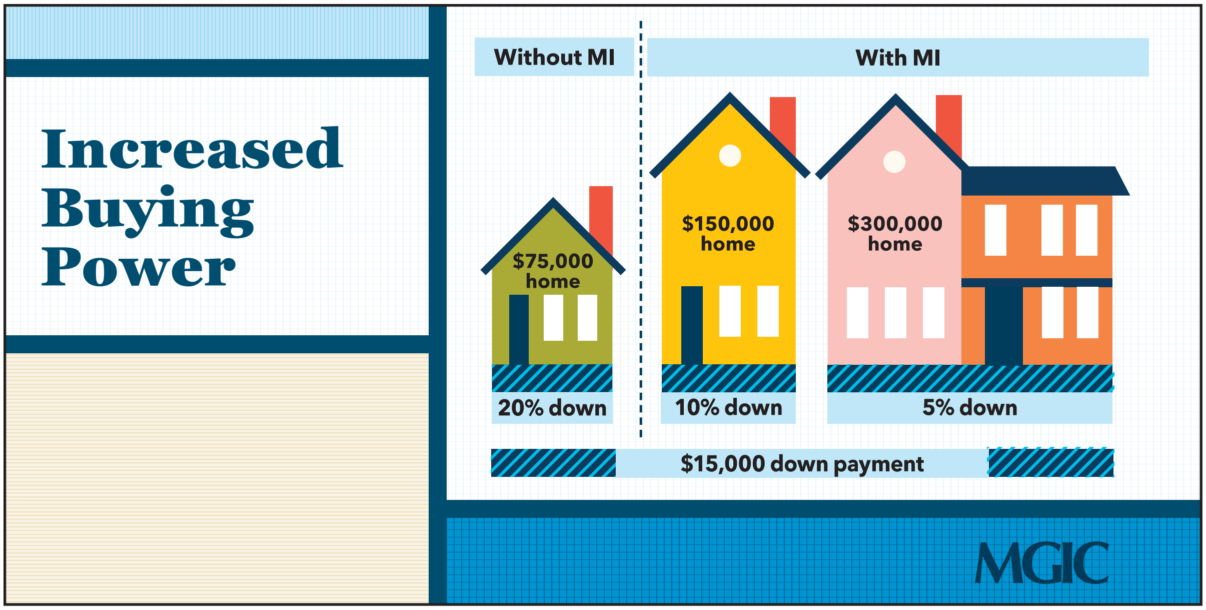
Transition: **"Now let's look at how financing with MI can benefit your homebuyers..."**



Discussion points

"Your homebuyers probably do not consider themselves a potential default risk, so they may be skeptical or reluctant about MI. By discussing MI as a finance option, you can show them the opportunities that financing with MI can create for them..."

Transition: **"Let's talk about how MI can increase their buying power."**



Discussion points

"Say your homebuyers have saved $15,000. They could use that cash to put 20% down on a $75,000 home OR they could make a smaller down payment on a more expensive home:

- "10% down ($15,000) on a $150,000 home
- "5% down on a $300,000 home

"This is, of course, assuming they can comfortably afford the higher monthly payment that comes with a more expensive home.

"And you don't need me to say that greater home prices mean greater commissions for you!"

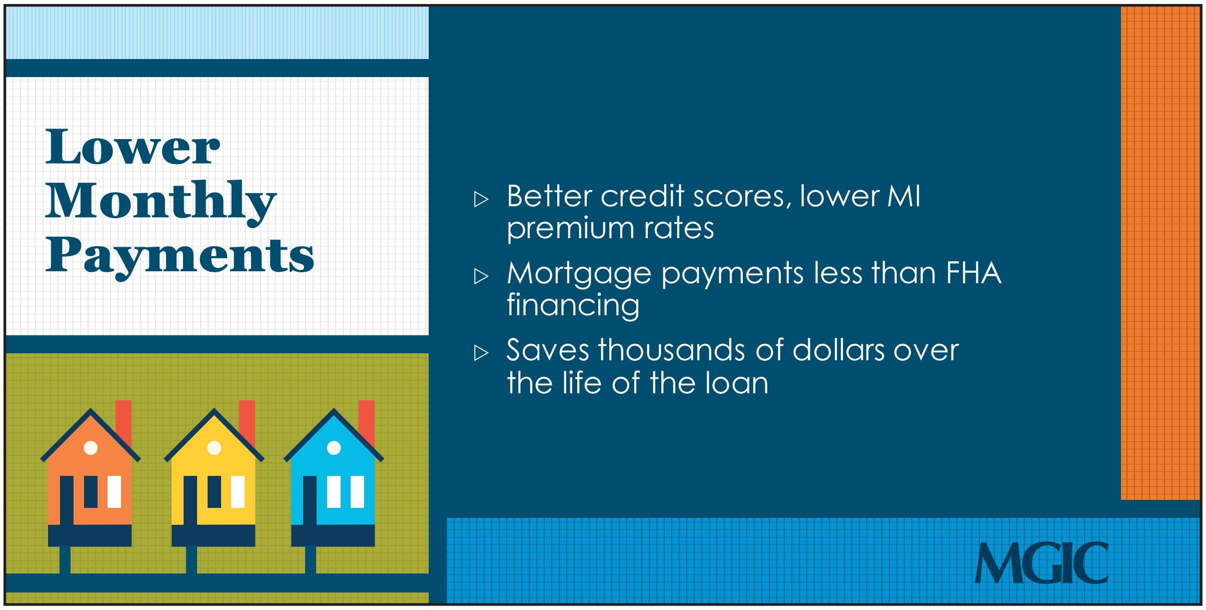
Transition: **"Putting less money down can also expand your homebuyers' cash-flow options."**

Discussion points

"Using MI to finance their mortgage, your homebuyers could elect to put less money down and still have funds for home-related purchases and repairs or investments.

"For example, rather than putting 20% down ($30,000) on a $150,000 home, they may decide to put down 10% ($15,000) and use the other $15,000 to remodel, redecorate, or fund college or retirement savings."

Transition: **"Financing with MI can also set your homebuyers up with lower monthly payments."**



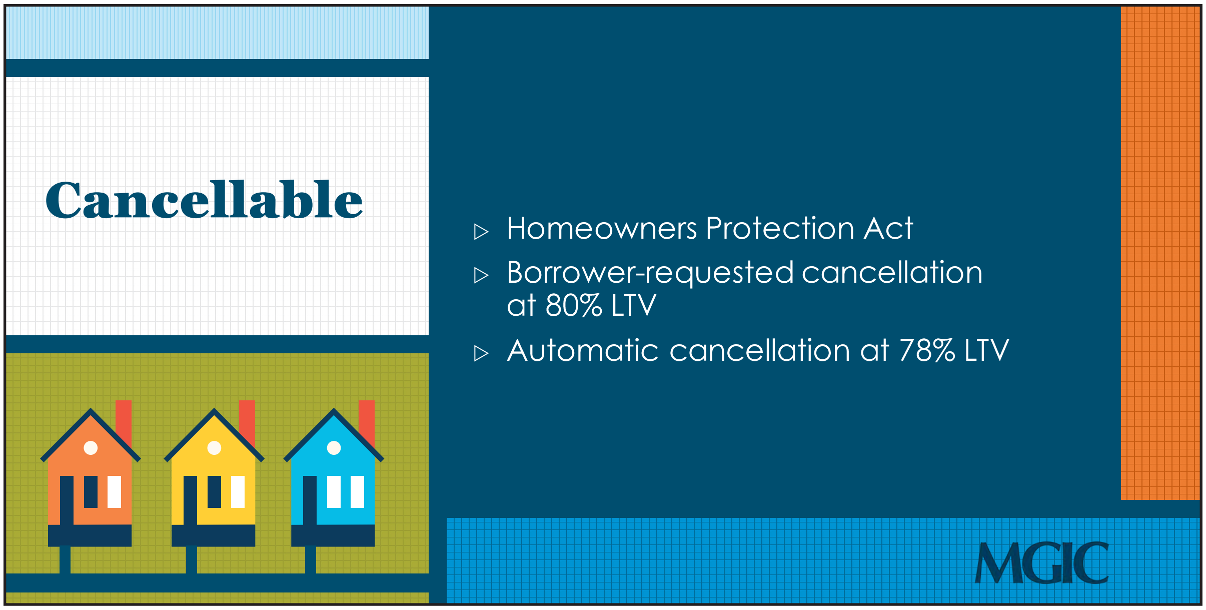
Discussion points

"Homebuyers with better credit scores typically receive lower MI premium rates.

"That can translate to monthly MI costs and monthly mortgage payments significantly less than FHA financing.

"What does that mean for you? More borrowers can afford the home you're selling. Homebuyers will also be grateful that you sent them to someone who helped them finance with MI, saving them thousands of dollars over the life of their loan."

Transition: **"Another advantage of financing with MI is that it's cancellable."**



Discussion points

"The Homeowners Protection Act of 1998 provides conditions for homeowners who've made all scheduled payments or extra payments ahead of schedule to request MI cancellation when their mortgage balance reaches 80% of the original property value. (Original property value is the lesser of the property sales price and the appraised value.)

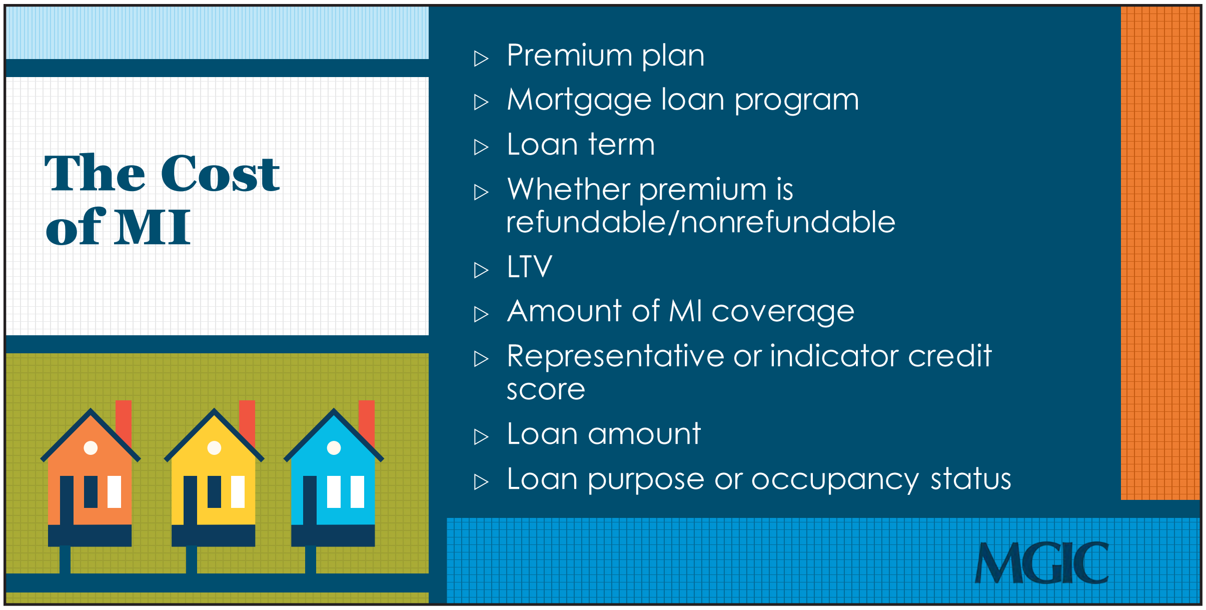
"If they don't request cancellation, we must automatically cancel the MI policy when their mortgage balance reaches 78% of original value, and their mortgage payments are current.

"Outside of HPA, homeowners can ask us to cancel MI based on an increase in their property's appraised value.

"Other requirements may apply. Homeowners should ask us for details. Once mortgage insurance is cancelled, the monthly mortgage payment is reduced by the amount of their monthly MI payment.

"What does this mean for you? It creates a built-in reason to reach out to past customers. Offer to do a free assessment to see if they could cancel their MI after a few years. You may learn they would prefer to sell in order to upsize or downsize."

Transition: **"Now let's look at some factors that drive the cost of MI…"**

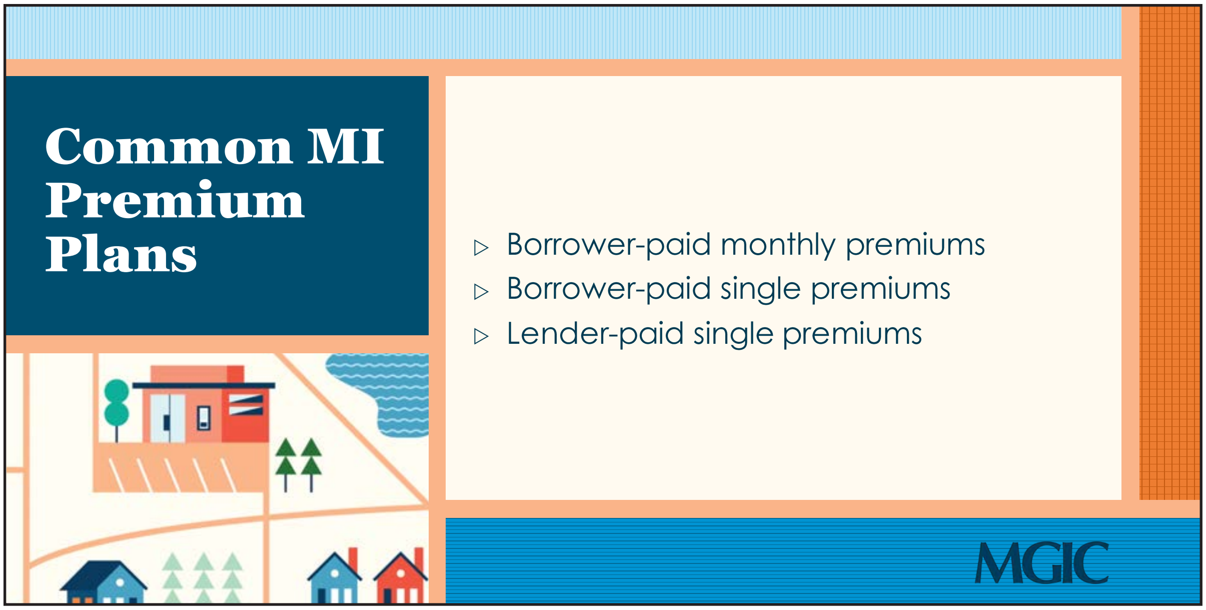


Discussion points

"The cost of mortgage insurance is based on a variety of loan risk factors. For example, an ARM loan with its payment adjustment represents more risk than a fixed-rate loan."

Review the bullet points.

Transition: **"Let's compare the most popular premium plans your homebuyers can choose from to best meet their needs."**

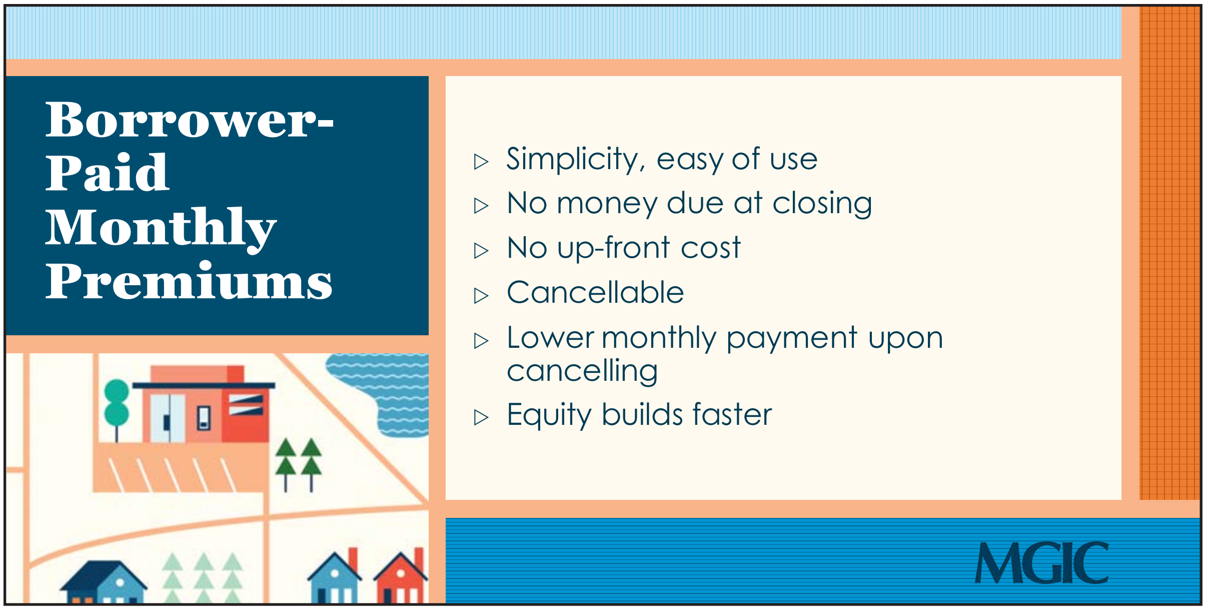


Discussion points

"These are the most common MI premium plans."

Review each bullet point.

Transition: **"First up, borrower-paid monthly premiums."**



Discussion points

"Borrower-paid Monthly Premiums make up the most widely accepted premium plan in the industry because of their simplicity and ease of use. Other advantages include:

- "No money due at closing
- "No upfront cost – Homebuyers avoid the decision whether to pay premium upfront or finance it, adding to their debt
- "Cancellable – Homebuyers can request cancellation based on investor requirements or under the Homeowners Protection Act of 1998 (HPA); we must automatically cancel under HPA terms
- "Lower monthly payment upon cancellation – If MI is cancelled, the borrower's monthly mortgage payment is reduced by the monthly premium amount
- "Build equity faster – With no premium financed into the loan amount and no increase to their interest rate, homebuyers are able to build equity more quickly than with other premium plans

"Who should consider borrower-paid Monthly Premiums? Homebuyers who want to:

- "Minimize closing costs
- "Qualify for MI cancellation sooner by making extra payments that reduce the mortgage balance ahead of the original amortization schedule or home improvements that result in an increase in the appraised value
- "Lock in the lowest interest rate now and a lower monthly payment without refinancing
- "Refinance, but whose appraised value was lower than expected and LTV is slightly above 80%"

Review the bullet points.

Transition: **"Your homebuyers could also opt for a borrower-paid single premium."**

Discussion points

"Borrower-paid Single Premiums are available in both refundable and nonrefundable options. Advantages include:

- Lower monthly payment – The absence of a monthly MI payment often provides a lower monthly payment than Monthly Premiums afford
- Flexibility – The borrowers, seller, builder or other third party can pay the premium at closing. Lenders may offer a lender credit to cover the cost of the premium. The homebuyers can opt to finance the premium into the loan amount. Note: Financing the premium into the loan amount may increase the total LTV/CLTV
- Cancellable – Homebuyers can request cancellation based on investor requirements or under the HPA; lenders must automatically cancel under HPA terms
- Refundable – Homebuyers who select refundable single premiums may receive a refund if they cancel MI within the first 5 years of coverage. Even those who select the nonrefundable option may be eligible for a refund if they or their lender cancel MI under the HPA

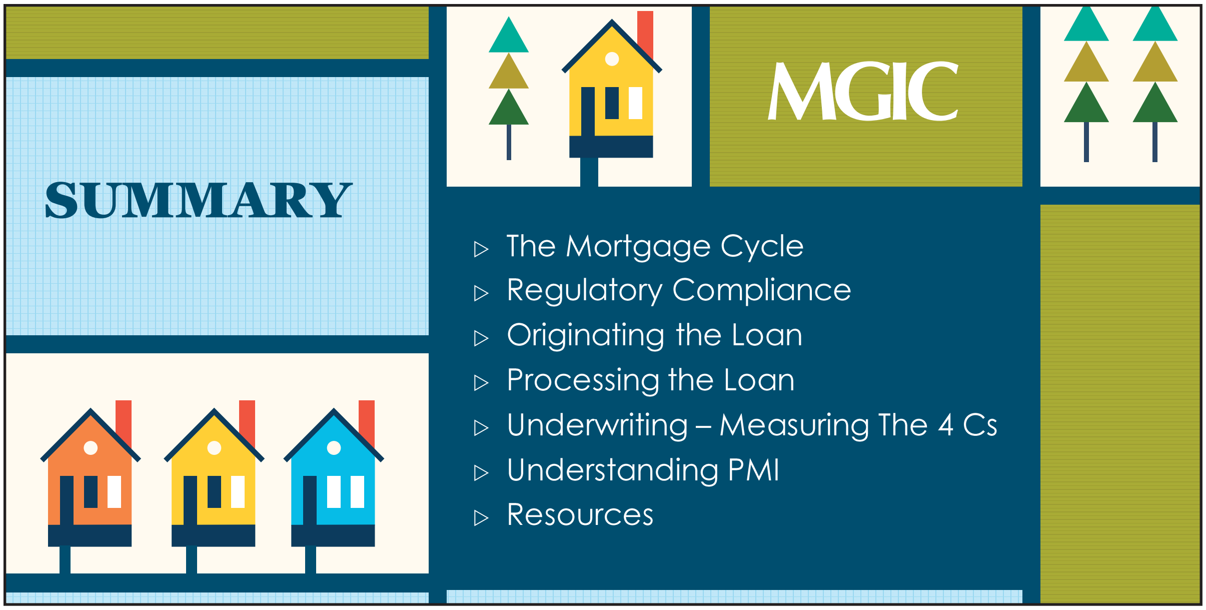
"Who should consider borrower-paid Single Premiums? Homebuyers who want to:

- "Minimize their monthly payment, even if it means paying more at closing or increasing their debt by financing the premium into the loan amount
- "Get the seller or builder to pay the premium – especially in a buyer's market
- "Qualify for MI cancellation sooner by making extra payments that reduce the mortgage balance ahead of the original amortization schedule or home improvements that result in an increase in the appraised value

Transition: **"Later on in the Mortgage Cycle, MI serves as the passkey for low-down-payment loans from the Delivery stage into the Secondary Market, where the funds from their sale become available to fund new mortgages. For lenders that portfolio mortgages, MI serves as an added layer of protection."**

Indicate whether your company keeps loans in portfolio.

"Regardless of its point of entry, MI helps keep the Mortgage Cycle rolling along."



Discussion points

"We've covered a lot of territory today..."

- "The fundamental stages in the life cycle of a mortgage, the regulations that protect your homebuyers and the key players in the mortgage cycle and the roles they play
- "The laws and regulations that protect your homebuyers
- "Loan options for your homebuyers and an introduction to the loan application
- "The relevance of processing and documentation to substantiate your homebuyers' financial picture
- "The 4 Cs – Credit, Capacity, Capital and Collateral – as they apply to your homebuyers and as a means to making a sound underwriting decision
- "MI's place in the Mortgage Cycle and the value it brings you and your homebuyers

Hand out the ***For Sale to Sold*** handbook to each participant, or for web presentations, tell participants you will email them a PDF.

Ask participants:

- "Do you have any questions?
- "Did the program meet your needs?"

Transition: **"If there are no more questions..."**

Discussion points

"Thank you for this opportunity allowing YOUR COMPANY NAME to meet with you. We value our relationships and recognize that our success depends on yours.

"We enjoy bringing you programs like this as a way of earning your business and showing you how we stand out from our competition.

"Remember, we're just a phone call, email or text away, so if you have any questions, please contact me.

"I look forward to working with you in the future.".