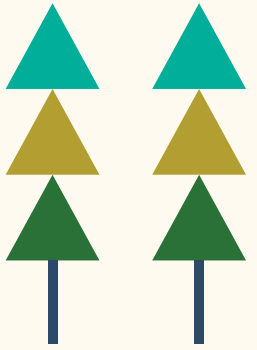


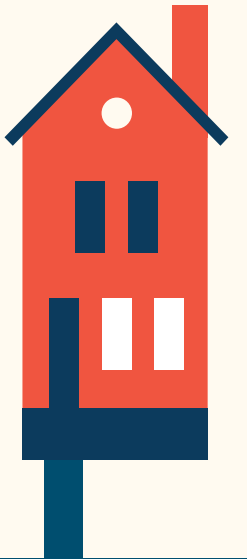


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For Sale to Sold

A mortgage handbook for real estate agents



Legal disclaimer

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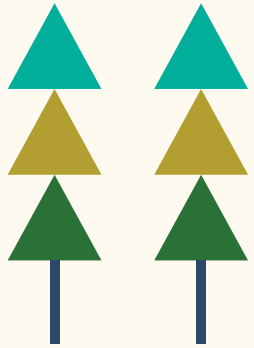
Today's presentation



- ▷ **Chapter 1:** The mortgage cycle
- ▷ **Chapter 2:** Originating the loan
- ▷ **Chapter 3:** Processing the loan
- ▷ **Chapter 4:** Underwriting
- ▷ **Chapter 5:** Understanding private mortgage insurance

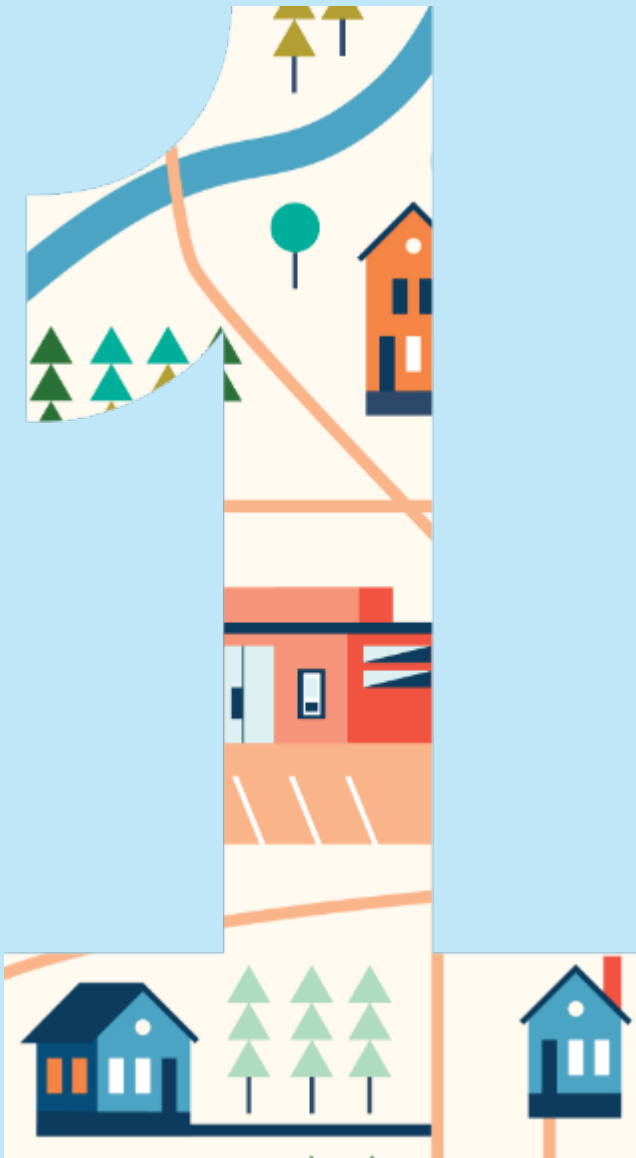


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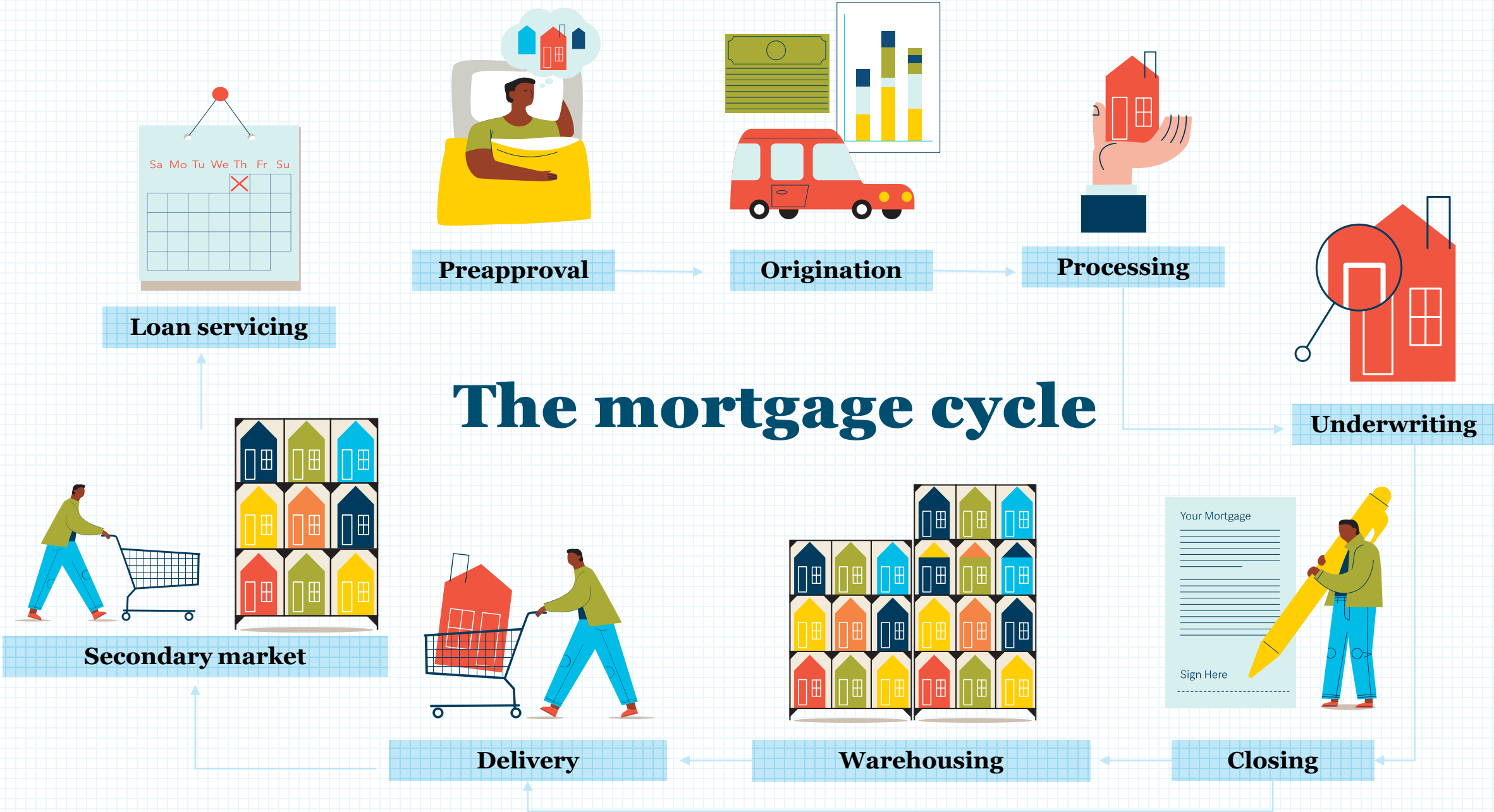


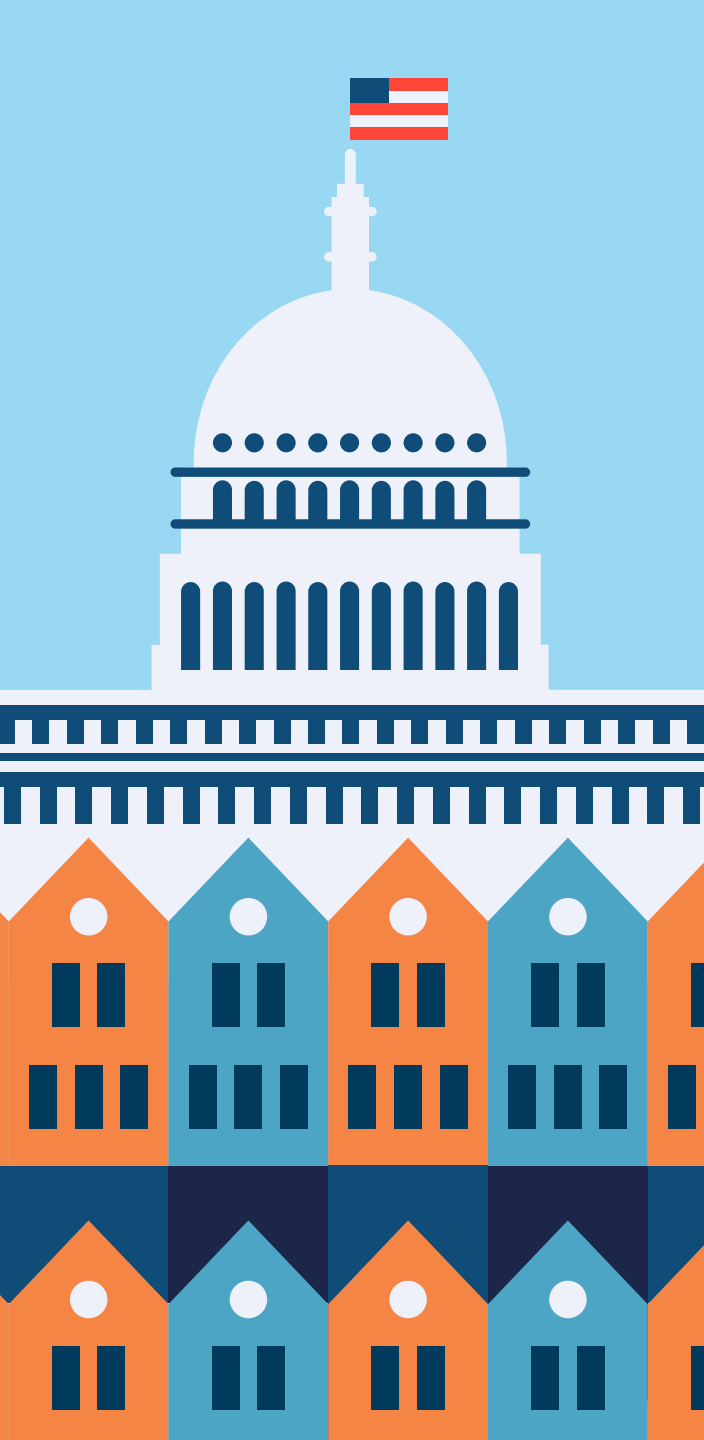
The mortgage cycle

- ▶ The stages of the mortgage cycle
- ▶ Regulatory compliance
- ▶ Key players and their roles



The mortgage cycle





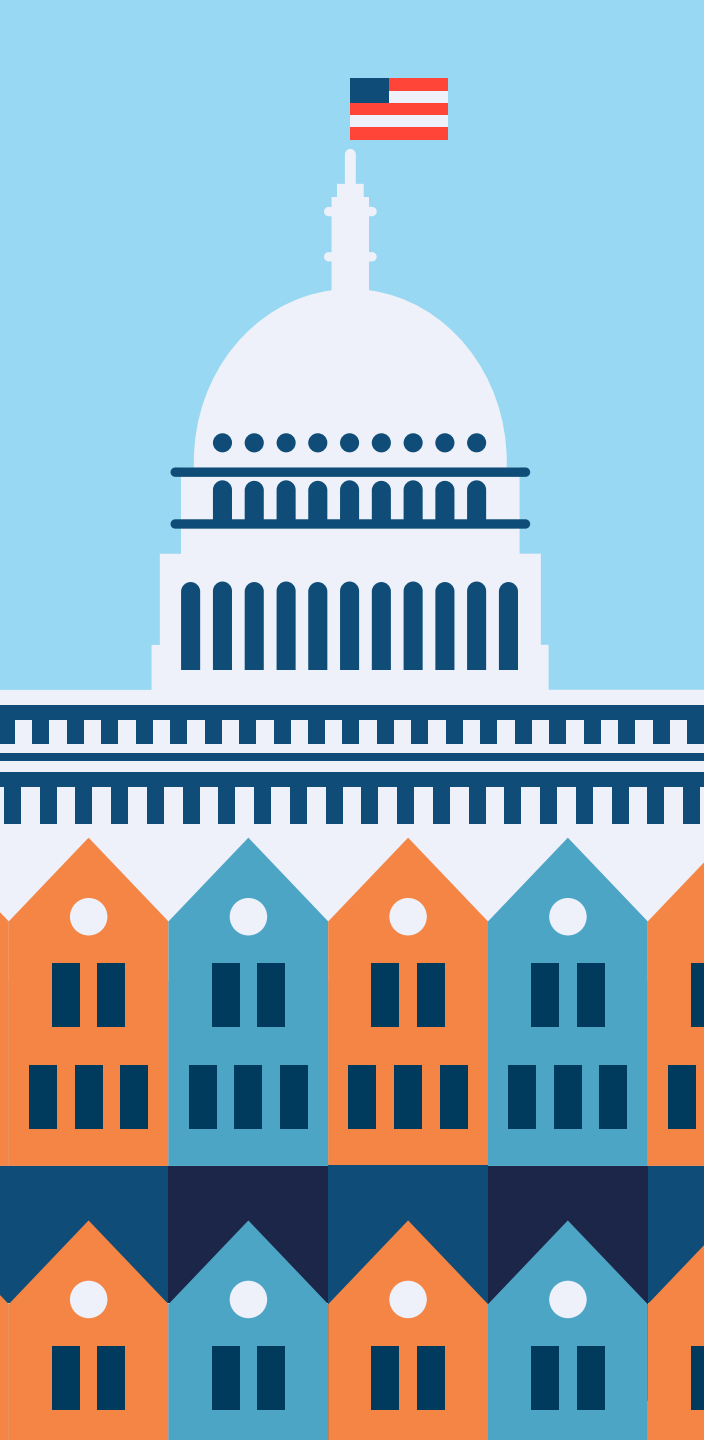
Regulatory compliance

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The Dodd-Frank Act

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





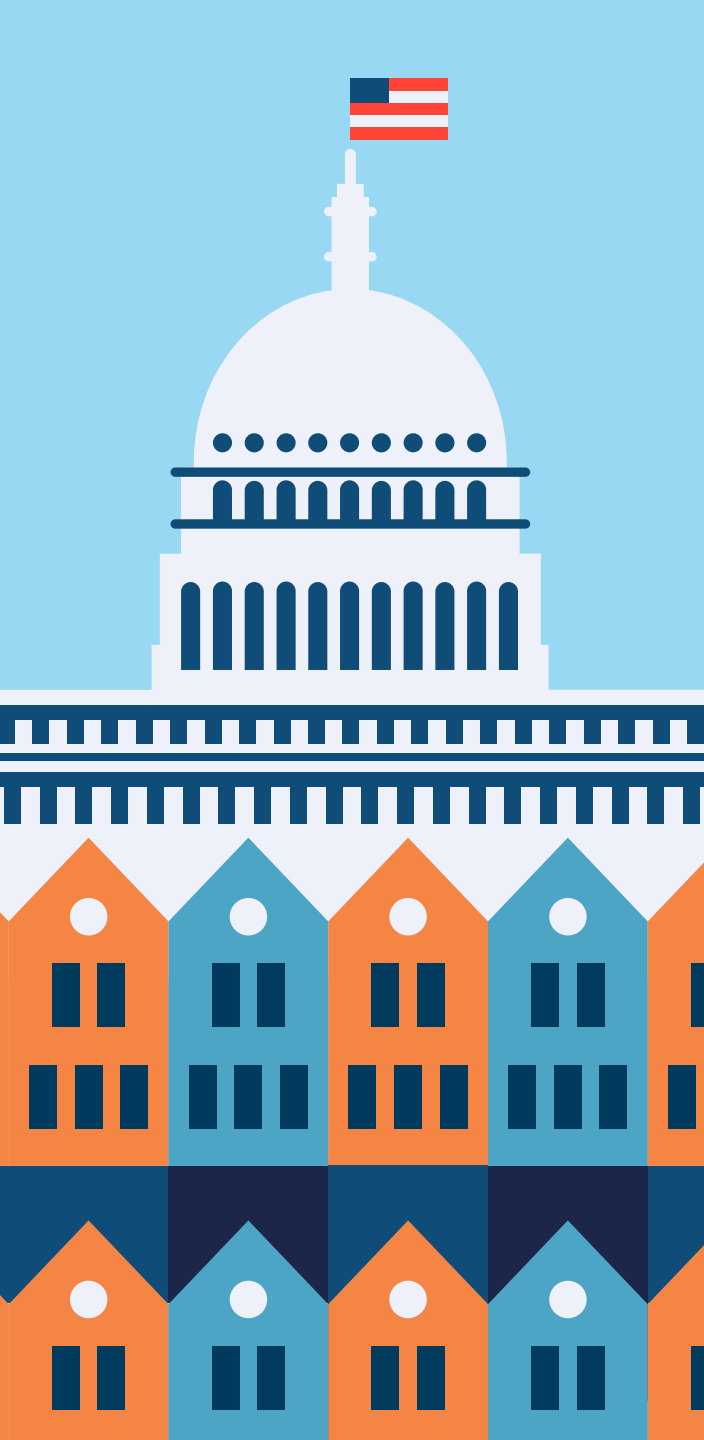
Regulatory compliance

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Consumer Financial Protection Bureau

- Educates and protects consumers
- Regulates lending practices
- Enforces consumer protection laws





Regulatory compliance

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TRID

- Loan Estimate (LE)
- Closing Disclosure (CD)





Key players in the mortgage cycle

- ▷ Intermediaries
- ▷ Investors
- ▷ Other specialized players



Originating the loan

- ▶ Loan options
- ▶ The Loan Application



Loan types

- ▷ Conventional loans
 - Conforming
 - Nonconforming
- ▷ Government loans



Loan programs

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

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Loan program considerations

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

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The Loan Application

- ▷ The framework for your homebuyers' mortgage
- ▷ Guides an informed loan decision
- ▷ Officially called the Uniform Residential Application (URLA)
- ▷ Quality information is crucial



Questions that encourage quality information

- ▷ How do you pay your rent – cash, check, money order, online?
 - Do you have access to copies of the cancelled checks or money orders?
- ▷ Are you aware of any credit problems you may have?
 - If so, when did they occur?
- ▷ Do you have any student loans?
 - If yes, are they current or in deferment?



Questions that encourage quality information

- ▷ What funds will you be using for the down payment – checking, savings, stocks, gift of cash?
- ▷ If divorced, does your divorce decree indicate any monthly obligations?



Tips for the fastest trip to the closing table

- ▷ Preapproval
- ▷ Preferred method of communication
- ▷ Be accessible and responsive
- ▷ Step up your role as the industry expert



The Loan Application

Section 1: Borrower Information.

- 1a. Personal Information
- 1b. Current Employment/Self-Employment and Income
- 1c. Additional Employment/Self-Employment and Income
- 1d. Previous Employment/Self-Employment and Income
- 1e. Income from Other Sources



The Loan Application

Section 1: Borrower Information.

▷ 1a. Personal Information



To be completed by the Lender:
 Lender Loan No./Universal Loan Identifier 12345 Agency Case No. _____

Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name <i>(First, Middle, Last, Suffix)</i> Peter Simon Alternate Names – List any names by which you are known or any names under which credit was previously received <i>(First, Middle, Last, Suffix)</i>		Social Security Number <u>XXX - XX - 2030</u> <i>(or Individual Taxpayer Identification Number)</i> Date of Birth <i>(mm/dd/yyyy)</i> <u>03 / 06 / 1970</u>		Citizenship <input checked="" type="radio"/> U.S. Citizen <input type="radio"/> Permanent Resident Alien <input type="radio"/> Non-Permanent Resident Alien
Type of Credit <input type="radio"/> I am applying for individual credit . <input checked="" type="radio"/> I am applying for joint credit . Total Number of Borrowers: <u>2</u> Each Borrower intends to apply for joint credit. Your initials: <u>ps</u>		List Name(s) of Other Borrower(s) Applying for this Loan <i>(First, Middle, Last, Suffix) – Use a separator between names</i> Elizabeth Simon		
Marital Status <input checked="" type="radio"/> Married <input type="radio"/> Separated <input type="radio"/> Unmarried <i>(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)</i>	Dependents <i>(not listed by another Borrower)</i> Number <u>1</u> Ages <u>12</u>	Contact Information Home Phone (<u>713</u>) <u>438</u> – <u>XXXX</u> Cell Phone (<u>713</u>) <u>321</u> – <u>XXXX</u> Work Phone (<u>713</u>) <u>497</u> – <u>XXXX</u> Ext. _____ Email <u>p-simon@email.com</u>		
Current Address Street <u>12 Oakwood Lane</u> Unit # _____ City <u>Pleasant Valley</u> State <u>XY</u> ZIP <u>99999</u> Country <u>USA</u> How Long at Current Address? <u>4</u> Years <u>0</u> Months Housing <input type="radio"/> No primary housing expense <input checked="" type="radio"/> Own <input type="radio"/> Rent (\$ _____ /month)				
If at Current Address for LESS than 2 years, list Former Address <input checked="" type="checkbox"/> Does not apply Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____ How Long at Former Address? ___ Years ___ Months Housing <input type="radio"/> No primary housing expense <input type="radio"/> Own <input type="radio"/> Rent (\$ _____ /month)				
Mailing Address – if different from Current Address <input checked="" type="checkbox"/> Does not apply Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____				



The Loan Application

Section 1: Borrower Information.

- ▶ 1b. Current Employment/Self-Employment and Income
- ▶ 1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income

1b. Current Employment/Self-Employment and Income <input type="checkbox"/> Does not apply		Gross Monthly Income	
Employer or Business Name Franklin Elementary School Phone (713) 497 - XXXX Street 17 Barker Rd Unit # City Pleasant Valley State XY ZIP 99999 Country USA		Base	\$ 3,708.00 /month
Position or Title Music Teacher Start Date 09 / 01 / 2010 (mm/dd/yyyy) How long in this line of work? 20 Years 0 Months		Overtime	\$ /month
<input type="checkbox"/> Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.		Bonus	\$ /month
<input type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="radio"/> I have an ownership share of less than 25%. <input type="radio"/> I have an ownership share of 25% or more.		Commission	\$ /month
Monthly Income (or Loss) \$		Military Entitlements	\$ /month
		Other	\$ /month
		TOTAL \$	3,708.00/month

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income <input type="checkbox"/> Does not apply		Gross Monthly Income	
Effective 9/2020 Employer or Business Name Learning Center of America Phone (713) 483 - XXXX Street 273 River Road Unit # City Pleasant Valley State XY ZIP 99999 Country USA		Base	\$ 453.00 /month
Position or Title Teacher Start Date 03 / 21 / 2013 (mm/dd/yyyy) How long in this line of work? 20 Years 0 Months		Overtime	\$ /month
<input type="checkbox"/> Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.		Bonus	\$ /month
<input type="checkbox"/> Check if you are the Business Owner or Self-Employed <input type="radio"/> I have an ownership share of less than 25%. <input type="radio"/> I have an ownership share of 25% or more.		Commission	\$ /month
Monthly Income (or Loss) \$		Military Entitlements	\$ /month
		Other	\$ /month
		TOTAL \$	453.00/month



The Loan Application

Section 1: Borrower Information.

▷ 1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income

▷ 1e. Income from Other Sources

1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income		<input checked="" type="checkbox"/> Does not apply
Provide at least 2 years of current and previous employment and income.		
Employer or Business Name _____ Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____		Previous Gross Monthly Income \$ _____ /month
Position or Title _____ Start Date ____ / ____ / ____ (mm/dd/yyyy) End Date ____ / ____ / ____ (mm/dd/yyyy)		
<input type="checkbox"/> Check if you were the Business Owner or Self-Employed		

1e. Income from Other Sources		<input checked="" type="checkbox"/> Does not apply
Include income from other sources below. Under Income Source, choose from the sources listed here:		
<ul style="list-style-type: none"> • Alimony • Automobile Allowance • Boarder Income • Capital Gains • Child Support • Disability • Foster Care • Housing or Parsonage • Interest and Dividends • Mortgage Credit Certificate • Mortgage Differential • Notes Receivable • Public Assistance • Retirement • Royalty Payments • Separate Maintenance • Social Security • Trust • Unemployment Benefits • VA Compensation • Other 		
NOTE: Reveal alimony, child support, separate maintenance, or other income ONLY if you want it considered in determining your qualification for this loan.		
Income Source – use list above		Monthly Income
_____		\$ _____
_____		\$ _____
_____		\$ _____
Provide TOTAL Amount Here		\$ 0.00



The Loan Application

Section 2: Financial Information — Assets and Liabilities.

- ▷ 2a. Assets – Bank Accounts, Retirement and Other Accounts You Have
- ▷ 2b. Other Assets and Credits You Have

Section 2: Financial Information — Assets and Liabilities. This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have

Include all accounts below. Under Account Type, choose from the types listed here:

- Checking
- Certificate of Deposit
- Stock Options
- Bridge Loan Proceeds
- Trust Account
- Savings
- Mutual Fund
- Bonds
- Individual Development Account
- Cash Value of Life Insurance (used for the transaction)
- Money Market
- Stocks
- Retirement (e.g., 401k, IRA)

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

2b. Other Assets and Credits You Have Does not apply

Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:

<p><i>Assets</i></p> <ul style="list-style-type: none"> • Proceeds from Real Estate Property to be sold on or before closing • Proceeds from Sale of Non-Real Estate Asset • Secured Borrowed Funds 	<ul style="list-style-type: none"> • Unsecured Borrowed Funds • Other 	<p><i>Credits</i></p> <ul style="list-style-type: none"> • Earnest Money • Employer Assistance • Lot Equity • Relocation Funds • Rent Credit • Sweat Equity • Trade Equity
--	---	---

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	



The Loan Application

Section 2: Financial Information – Assets and Liabilities.

- ▷ 2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe
- ▷ 2d. Other Liabilities and Expenses

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 – <i>use list above</i>	Company Name	Account Number	Unpaid Balance	<i>To be paid off at or before closing</i>	Monthly Payment
Installment	Auto World	124578	\$ 10,000.00	<input type="checkbox"/>	\$ 500.00
Installment	Auto World	986532	\$ 4,789.00	<input type="checkbox"/>	\$ 368.00
Installment	Higher Education	1348AP9527	\$ 15,751.00	<input type="checkbox"/>	\$ 160.00
Revolving	Acme Credit	60190024554	\$ 121.00	<input type="checkbox"/>	\$ 32.00
Revolving	Discover Card	97531246890	\$ 1,000.00	<input type="checkbox"/>	\$ 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
_____	\$
_____	\$
_____	\$



The Loan Application

Section 3: Financial Information — Real Estate.

- ▷ 3a. Property You Own
- ▷ 3b-3c. IF APPLICABLE, Complete Information for Additional Property



Section 3: Financial Information — Real Estate.

This section asks you to list all properties you currently own and what you owe on them. I do not own any real estate

3a. Property You Own

If you are refinancing, list the property you are refinancing FIRST.

Address Street 12 Oakwood Lane Unit # _____
 City Pleasant Valley State XY ZIP99999 Country USA

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$ 150,000.00	Pending Sale	Primary Residence	\$ 0.00	\$ 0.00	\$

Mortgage Loans on this Property

Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
American Mtg Corp	4789	\$ 931.00	\$ 116,850.00	<input checked="" type="checkbox"/>	Conventional	\$
		\$	\$	<input type="checkbox"/>		\$

3b. IF APPLICABLE, Complete Information for Additional Property

Does not apply

Address Street _____ Unit # _____
 City _____ State _____ ZIP _____ Country _____

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$

Mortgage Loans on this Property

Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

3c. IF APPLICABLE, Complete Information for Additional Property

Does not apply

Address Street _____ Unit # _____
 City _____ State _____ ZIP _____ Country _____

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. if not included in Monthly Mortgage Payment	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$

Mortgage Loans on this Property

Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	To be paid off at or before closing	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit (if applicable)
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$



The Loan Application

Section 4: Loan and Property Information.

- ▷ 4a. Loan and Property Information
- ▷ 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing
- ▷ 4c. Rental Income on the Property You Want to Purchase
- ▷ 4d. Gifts or Grants You Have Been Given or Will Receive for this Loan

Section 4: Loan and Property Information. This section asks about the loan's purpose and the property you want to purchase or refinance.

4a. Loan and Property Information

Loan Amount \$ 180,000.00 Loan Purpose Purchase Refinance Other (specify) _____

Property Address Street 126 Lake View Lane Unit # _____
 City Pleasant Valley State XY ZIP 99999 Country USA
 Number of Units 1 Property Value \$ 200,000.00

Occupancy Primary Residence Second Home Investment Property FHA Secondary Residence

1. **Mixed-Use Property.** If you will occupy the property, will you set aside space within the property to operate your own business? (e.g., daycare facility, medical office, beauty/barber shop) NO YES

2. **Manufactured Home.** Is the property a manufactured home? (e.g., a factory built dwelling built on a permanent chassis) NO YES

4b. Other New Mortgage Loans on the Property You are Buying or Refinancing Does not apply

Creditor Name	Lien Type	Monthly Payment	Loan Amount/ Amount to be Drawn	Credit Limit (if applicable)
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$	\$	\$
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$	\$	\$

4c. Rental Income on the Property You Want to Purchase For Purchase Only Does not apply

Complete if the property is a 2-4 Unit Primary Residence or an Investment Property

	Amount
Expected Monthly Rental Income	\$
For LENDER to calculate: Expected Net Monthly Rental Income	\$

4d. Gifts or Grants You Have Been Given or Will Receive for this Loan Does not apply

Include all gifts and grants below. Under Source, choose from the sources listed here:

- Community Nonprofit
- Federal Agency
- Relative
- State Agency
- Lender
- Employer
- Local Agency
- Religious Nonprofit
- Unmarried Partner
- Other

Asset Type: Cash Gift, Gift of Equity, Grant	Deposited/Not Deposited	Source – use list above	Cash or Market Value
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited		\$
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited		\$



The Loan Application

Section 5: Declarations.

- ▷ 5a. About this Property and Your Money for this Loan
- ▷ 5b. About Your Finances

Section 5: Declarations. This section asks you specific questions about the property, your funding, and your past financial history.

5a. About this Property and Your Money for this Loan

A. Will you occupy the property as your primary residence? If YES, have you had an ownership interest in another property in the last three years? If YES, complete (1) and (2) below: (1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)? (2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?	<input type="radio"/> NO <input checked="" type="radio"/> YES <input type="radio"/> NO <input checked="" type="radio"/> YES PR _____ SP _____
B. If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?	<input checked="" type="radio"/> NO <input type="radio"/> YES
C. Are you borrowing any money for this real estate transaction (e.g., money for your closing costs or down payment) or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application? If YES, what is the amount of this money?	<input checked="" type="radio"/> NO <input type="radio"/> YES \$ _____
D. 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application? 2. Have you or will you be applying for any new credit (e.g., installment loan, credit card, etc.) on or before closing this loan that is not disclosed on this application?	<input checked="" type="radio"/> NO <input type="radio"/> YES <input checked="" type="radio"/> NO <input type="radio"/> YES
E. Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes (e.g., the Property Assessed Clean Energy Program)?	<input checked="" type="radio"/> NO <input type="radio"/> YES

5b. About Your Finances

F. Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application?	<input checked="" type="radio"/> NO <input type="radio"/> YES
G. Are there any outstanding judgments against you?	<input checked="" type="radio"/> NO <input type="radio"/> YES
H. Are you currently delinquent or in default on a Federal debt?	<input checked="" type="radio"/> NO <input type="radio"/> YES
I. Are you a party to a lawsuit in which you potentially have any personal financial liability?	<input checked="" type="radio"/> NO <input type="radio"/> YES
J. Have you conveyed title to any property in lieu of foreclosure in the past 7 years?	<input checked="" type="radio"/> NO <input type="radio"/> YES
K. Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due?	<input checked="" type="radio"/> NO <input type="radio"/> YES
L. Have you had property foreclosed upon in the last 7 years?	<input checked="" type="radio"/> NO <input type="radio"/> YES
M. Have you declared bankruptcy within the past 7 years? If YES, identify the type(s) of bankruptcy: <input type="checkbox"/> Chapter 7 <input type="checkbox"/> Chapter 11 <input type="checkbox"/> Chapter 12 <input type="checkbox"/> Chapter 13	<input checked="" type="radio"/> NO <input type="radio"/> YES



The Loan Application

Section 6: Acknowledgments and Agreements.

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) ____/____/____



The Loan Application

Section 7: Military Service.

Section 8: Demographic Information.

Section 7: Military Service.

This section asks questions about your (or your deceased spouse's) military service.

Military Service of Borrower

Military Service – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? NO YES

- If YES, check all that apply:
- Currently serving on active duty with projected expiration date of service/tour ___ / ___ / ___ (mm/dd/yyyy)
 - Currently retired, discharged, or separated from service
 - Only period of service was as a non-activated member of the Reserve or National Guard
 - Surviving spouse

Section 8: Demographic Information.

This section asks about your ethnicity, sex, and race.

Demographic Information of Borrower

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

Ethnicity: Check one or more

- Hispanic or Latino
 - Mexican
 - Puerto Rican
 - Cuban
- Other Hispanic or Latino – Print origin: _____

For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.

- Not Hispanic or Latino
- I do not wish to provide this information

Sex

- Female
- Male
- I do not wish to provide this information

Race: Check one or more

- American Indian or Alaska Native – Print name of enrolled or principal tribe: _____
- Asian
 - Asian Indian
 - Chinese
 - Filipino
 - Japanese
 - Korean
 - Vietnamese
- Other Asian – Print race: _____

For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.

- Black or African American
- Native Hawaiian or Other Pacific Islander
 - Native Hawaiian
 - Guamanian or Chamorro
 - Samoan
- Other Pacific Islander – Print race: _____

For example: Fijian, Tongan, and so on.

- White
- I do not wish to provide this information

To Be Completed by Financial Institution (for application taken in person):

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname? NO YES
- Was the sex of the Borrower collected on the basis of visual observation or surname? NO YES
- Was the race of the Borrower collected on the basis of visual observation or surname? NO YES

The Demographic Information was provided through:

- Face-to-Face Interview (includes Electronic Media w/ Video Component)
- Telephone Interview
- Fax or Mail
- Email or Internet



The Loan Application

Section 9: Loan Originator Information.

Section 9: Loan Originator Information. To be completed by your **Loan Originator.**

Loan Originator Information

Loan Originator Organization Name ABC Mortgage Company

Address 1000 Any Street, Suite 200, Pleasant Valley, XY 99999

Loan Originator Organization NMLSR ID# 123456 State License ID# MB654321

Loan Originator Name John Smith

Loan Originator NMLSR ID# 7654321 State License ID# XYMLO7654321

Email jsmith@abcmgtco.com Phone (713) 300 - XXXX

Signature _____ Date (mm/dd/yyyy) ____ / ____ / ____



The Loan Application

Lender Loan Information

- ▷ L1. Property and Loan Information
- ▷ L2. Title Information
- ▷ L3. Mortgage Loan Information



To be completed by the Lender:
Lender Loan No./Universal Loan Identifier 12345 Agency Case No. _____

Uniform Residential Loan Application — Lender Loan Information

This section is completed by your Lender.

L1. Property and Loan Information

Community Property State <input type="checkbox"/> At least one borrower lives in a community property state. <input checked="" type="checkbox"/> The property is in a community property state.	Refinance Type <input type="checkbox"/> No Cash Out <input type="checkbox"/> Limited Cash Out <input type="checkbox"/> Cash Out	Refinance Program <input type="checkbox"/> Full Documentation <input type="checkbox"/> Interest Rate Reduction <input type="checkbox"/> Streamlined without Appraisal <input type="checkbox"/> Other _____
Transaction Detail <input type="checkbox"/> Conversion of Contract for Deed or Land Contract <input type="checkbox"/> Renovation <input type="checkbox"/> Construction-Conversion/Construction-to-Permanent <input type="radio"/> Single-Closing <input type="radio"/> Two-Closing Construction/Improvement Costs \$ _____ Lot Acquired Date ____/____/____ (mm/dd/yyyy) Original Cost of Lot \$ _____	Energy Improvement <input type="checkbox"/> Mortgage loan will finance energy-related improvements. <input type="checkbox"/> Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid for through property taxes (e.g., the Property Assessed Clean Energy program).	
Project Type <input type="checkbox"/> Condominium <input type="checkbox"/> Cooperative <input type="checkbox"/> Planned Unit Development (PUD) <input checked="" type="checkbox"/> Property is not located in a project		

L2. Title Information

Title to the Property Will be Held in What Name(s): Peter Simon and Elizabeth Simon	For Refinance: Title to the Property is Currently Held in What Name(s):
Estate Will be Held in <input checked="" type="radio"/> Fee Simple <input type="radio"/> Leasehold Expiration Date ____/____/____ (mm/dd/yyyy)	Trust Information <input type="radio"/> Title Will be Held by an <i>Inter Vivos (Living)</i> Trust <input type="radio"/> Title Will be Held by a Land Trust
Manner in Which Title Will be Held <input type="radio"/> Sole Ownership <input type="radio"/> Joint Tenancy with Right of Survivorship <input type="radio"/> Life Estate <input type="radio"/> Tenancy by the Entirety <input checked="" type="radio"/> Tenancy in Common <input type="radio"/> Other	Indian Country Land Tenure <input type="radio"/> Fee Simple On a Reservation <input type="radio"/> Individual Trust Land (<i>Allotted/Restricted</i>) <input type="radio"/> Tribal Trust Land On a Reservation <input type="radio"/> Tribal Trust Land Off Reservation <input type="radio"/> Alaska Native Corporation Land

L3. Mortgage Loan Information

Mortgage Type Applied For <input checked="" type="radio"/> Conventional <input type="radio"/> USDA-RD <input type="radio"/> FHA <input type="radio"/> VA <input type="radio"/> Other: _____	Terms of Loan Note Rate 5.5000 % Loan Term 360 (months)	Mortgage Lien Type <input checked="" type="radio"/> First Lien <input type="radio"/> Subordinate Lien																		
Amortization Type <input checked="" type="radio"/> Fixed Rate <input type="radio"/> Other (explain): _____ <input type="radio"/> Adjustable Rate If Adjustable Rate: Initial Period Prior to First Adjustment _____ (months) Subsequent Adjustment Period _____ (months)	Proposed Monthly Payment for Property <table border="1"> <tr><td>First Mortgage (P & I)</td><td>\$ 1,022.02</td></tr> <tr><td>Subordinate Lien(s) (P & I)</td><td>\$ _____</td></tr> <tr><td>Homeowner's Insurance</td><td>\$ 95.00</td></tr> <tr><td>Supplemental Property Insurance</td><td>\$ _____</td></tr> <tr><td>Property Taxes</td><td>\$ 208.33</td></tr> <tr><td>Mortgage Insurance</td><td>\$ 52.50</td></tr> <tr><td>Association/Project Dues (Condo, Co-Op, PUD)</td><td>\$ _____</td></tr> <tr><td>Other</td><td>\$ _____</td></tr> <tr><td>TOTAL</td><td>\$ 1,377.85</td></tr> </table>		First Mortgage (P & I)	\$ 1,022.02	Subordinate Lien(s) (P & I)	\$ _____	Homeowner's Insurance	\$ 95.00	Supplemental Property Insurance	\$ _____	Property Taxes	\$ 208.33	Mortgage Insurance	\$ 52.50	Association/Project Dues (Condo, Co-Op, PUD)	\$ _____	Other	\$ _____	TOTAL	\$ 1,377.85
First Mortgage (P & I)	\$ 1,022.02																			
Subordinate Lien(s) (P & I)	\$ _____																			
Homeowner's Insurance	\$ 95.00																			
Supplemental Property Insurance	\$ _____																			
Property Taxes	\$ 208.33																			
Mortgage Insurance	\$ 52.50																			
Association/Project Dues (Condo, Co-Op, PUD)	\$ _____																			
Other	\$ _____																			
TOTAL	\$ 1,377.85																			
Loan Features <input type="checkbox"/> Balloon/ Balloon Term _____ (months) <input type="checkbox"/> Interest Only / Interest Only Term _____ (months) <input type="checkbox"/> Negative Amortization <input type="checkbox"/> Prepayment Penalty / Prepayment Penalty Term _____ (months) <input type="checkbox"/> Temporary Interest Rate Buydown/Initial Buydown Rate _____ % <input type="checkbox"/> Other (explain): _____																				





PITIA

Principal

Interest

Taxes

Insurance

All other

The Loan Application

Lender Loan Information

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

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



Processing the loan

- ▶ Processing responsibilities
- ▶ Why all the documentation?
- ▶ Efficiencies of automated underwriting (AU)
- ▶ Preparing the loan for underwriting



Processing responsibilities

- ▷ Ensuring data integrity
- ▷ Keeping the lines of communication open
- ▷ Gathering and verifying documentation
- ▷ Preparing and submitting a thorough, accurate loan file
- ▷ Satisfying underwriting conditions
- ▷ Preparing the loan for closing

Why all the documentation?

Documentation validates:

- Property value
- Source of down payment
- Employment history
- Income, assets and liabilities
- Present and proposed housing expense

Loan documentation

- ▷ How much documentation is required?
- ▷ How is documentation procured?
 - Standard verification
 - Electronic verification
 - Third-party verification

Efficiencies of automated underwriting (AU)

Fannie Mae's Desktop Underwriter® (DU®)
Freddie Mac's Loan Product Advisor® (LPA®)

- Evaluates risk
- Reduces documentation and processing time

Preparing the loan for underwriting

- ▷ Qualifying ratios
- ▷ Loan-to-value ratios

Qualifying ratios

- ▶ Housing ratio
- ▶ Debt-to-income (DTI) ratio

Housing ratio

Example

Total primary housing expense (PITIA)	\$1,470.55
Total income	\$9,159.00

$$\frac{\$1,470.55}{\$9,159.00} = \text{Housing ratio}$$

16.056% = Housing ratio

Debt-to-income (DTI) ratio

Example

Total all monthly payments	\$2,455.55
Total income	\$9,159.00

$$\frac{\$2,455.55}{\$9,159.00} = \text{Total debt ratio}$$

26.81% = Total debt ratio

Loan-to-value (LTV) ratios

- ▷ LTV ratio
- ▷ CLTV/TLTV ratio

LTV ratio

Example

Sales price	\$200,000
Appraised value	\$201,000
Mortgage amount	\$180,000

$$\frac{\$180,000}{\$200,000} = \text{LTV ratio}$$

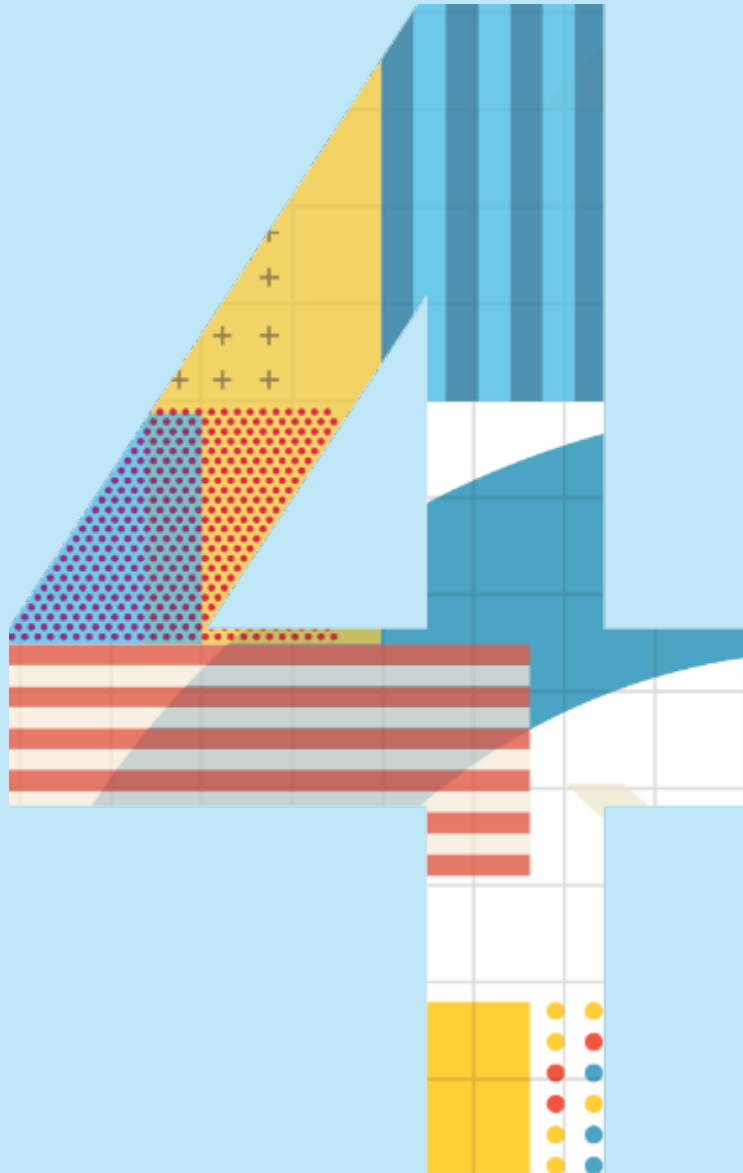
90% = LTV ratio

CLTV/TLTV ratio

Example

Sales price	\$200,000
Appraised value	\$201,000
First mortgage amount	\$180,000
Second mortgage amount	\$10,000

$$\frac{\$180,000 + \$10,000}{\$200,000} = \text{CLTV/TLTV ratio}$$
$$\frac{\$190,000}{\$200,000} = \text{CLTV/TLTV ratio}$$
$$95\% = \text{CLTV/TLTV ratio}$$

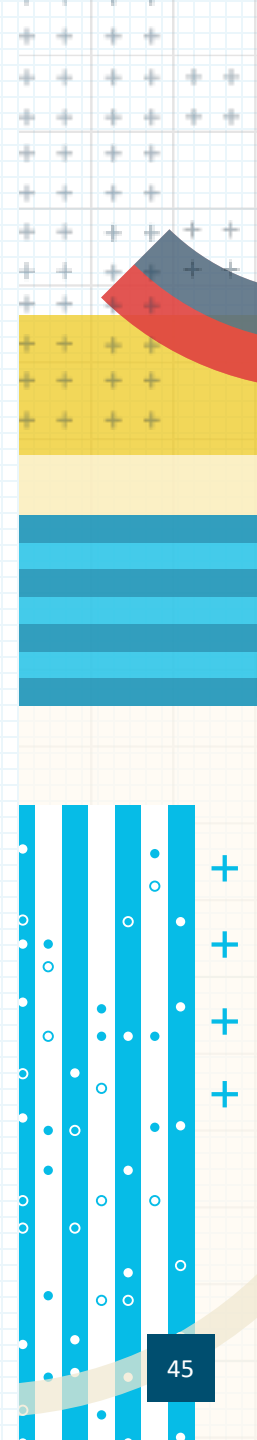


Chapter Four

MGIC

Underwriting

- ▶ Measure the 4 Cs:
 - Credit
 - Capacity
 - Capital
 - Collateral



Credit: Measuring willingness to repay

MGIC

Credit history

Have your homebuyers:

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

Credit: Measuring willingness to repay

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Credit documentation

- ▷ Traditional
- ▷ Nontraditional

Credit: Measuring willingness to repay

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The credit report

- ▷ Reflects homebuyers' regard for credit
- ▷ National credit repositories
- ▷ Credit scores

Capacity: Assessing the ability to repay

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Evaluating income

- ▷ Employment history
- ▷ Documenting income
- ▷ Calculating income from employment

Capacity: Assessing the ability to repay

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Gross monthly income

- ▷ Base employment income
- ▷ Overtime income
- ▷ Bonuses
- ▷ Commissions
- ▷ Dividends/interest
- ▷ Net rental income

Capital: Evaluating the commitment to repay

MGIC

Examining the homebuyers' assets

- ▷ Strong saving patterns
- ▷ Down payment amount relative to sales price
- ▷ Capital to cover down payment and closing costs
- ▷ Adequate savings or other reserves

Capital: Evaluating the commitment to repay

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Documenting assets

- ▷ Sufficient cash assets to close
- ▷ Cash management skills

10 things homebuyers should avoid before closing their mortgage

MGIC

DO NOT:

1. Buy a big-ticket item
2. Quit or switch jobs
3. Open or close any lines of credit
4. Make large deposits to accounts outside their paychecks
5. Let someone run a credit check on them
6. Pay bills late
7. Ignore questions from their lender or real estate agent
8. Cosign a loan with anyone
9. Take out any payday loans
10. Change bank accounts

Collateral: Confirming the property's value and marketability

MGIC

The appraisal

- ▷ Is the property thoroughly described, including explanations of any unusual situations?
- ▷ Is value consistent with the description of the property?
- ▷ Is value supported by the sales prices of similar properties?

5 things your homebuyers should know about appraisals

MGIC

- ▶ AU determines the level of review and type of appraisal
- ▶ Values of certain property features vary from market to market
- ▶ The appraisal doesn't verify the sales price but confirms whether market data supports it
- ▶ The appraisal is based on market data, which appraisers must support with recent sales and listings
- ▶ A low appraisal can be a negotiating tool

Collateral: Confirming the property's value and marketability

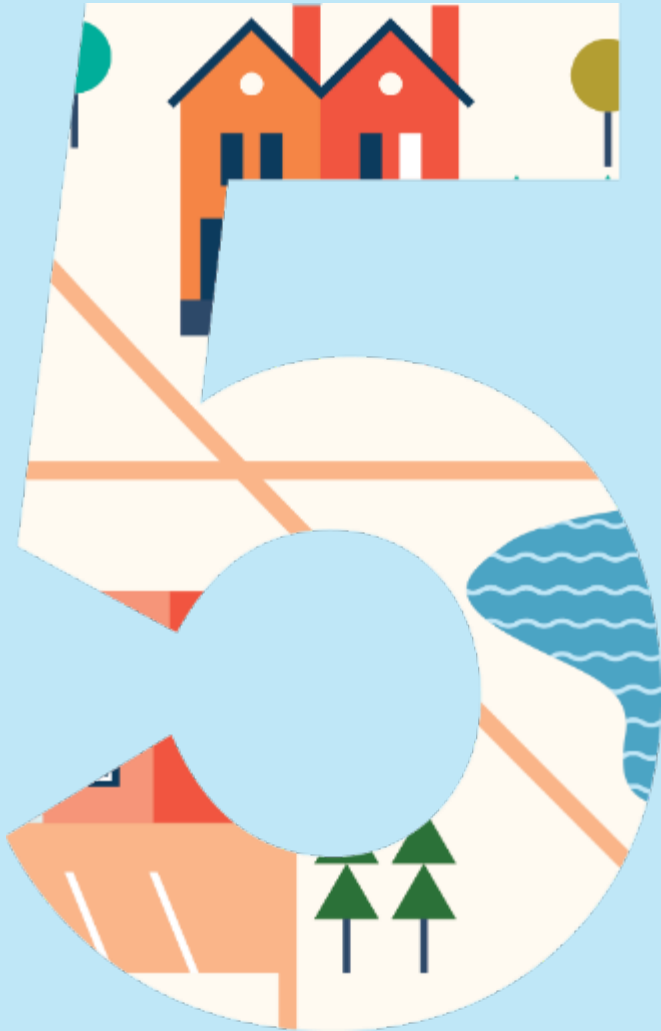
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The sales contract

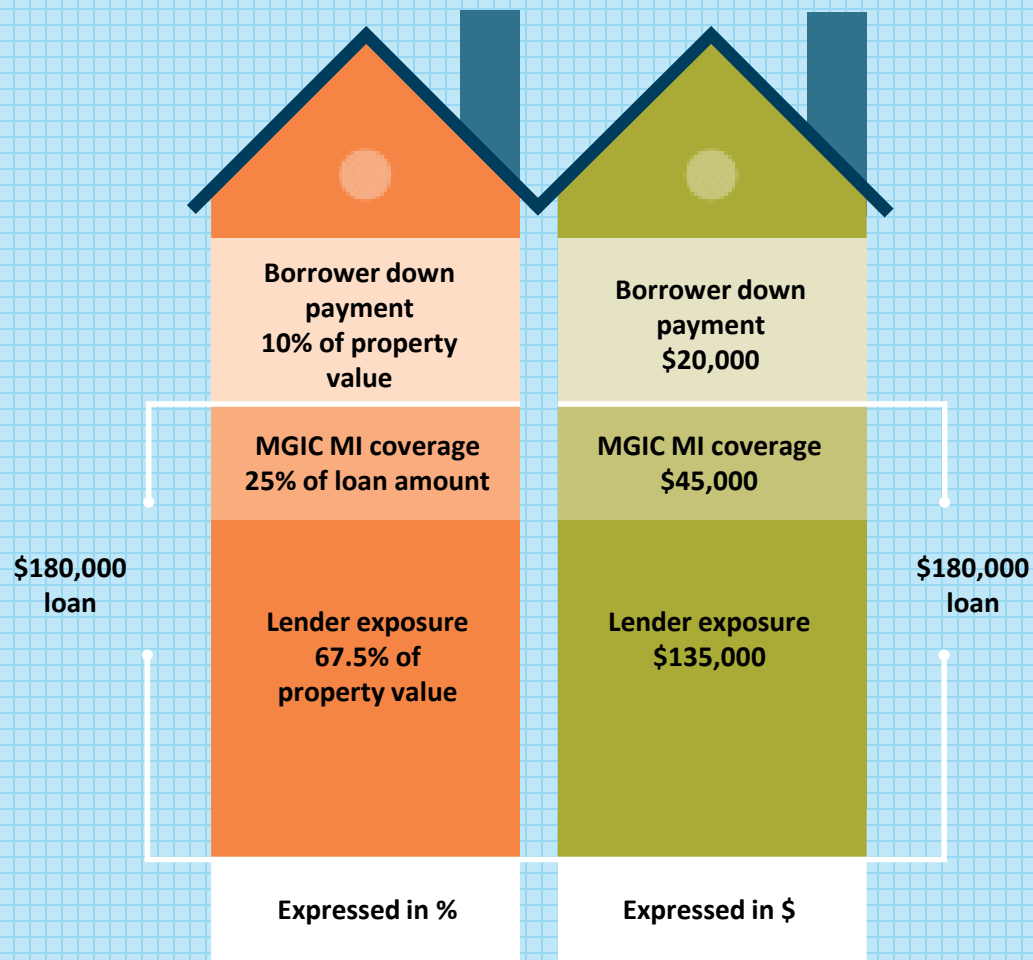
- ▷ Information matches loan application
- ▷ Signed by all involved parties
- ▷ Includes all referenced addenda
- ▷ Contingencies
- ▷ Chattel property included in sales price
- ▷ Sales concessions
- ▷ Lender/investor guidelines are satisfied

Understanding private mortgage insurance

- ▶ How MI works
- ▶ How MI benefits you
- ▶ How MI benefits your homebuyers
- ▶ The cost of MI
- ▶ Common MI premium plans



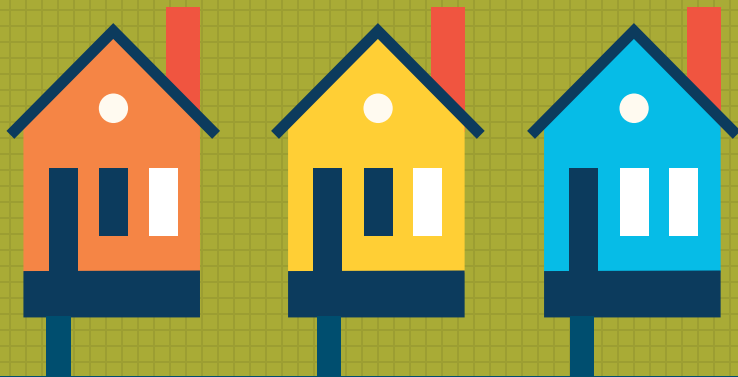
How MI works



\$200,000 property

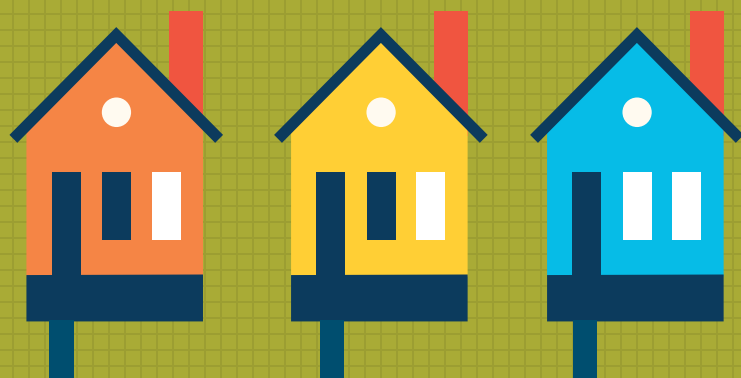
MI gives you an extra advantage

- ▷ Save your homebuyers thousands of dollars
- ▷ Broaden your customer base
- ▷ Increase your commissions
- ▷ Enhance your role as a trusted advisor

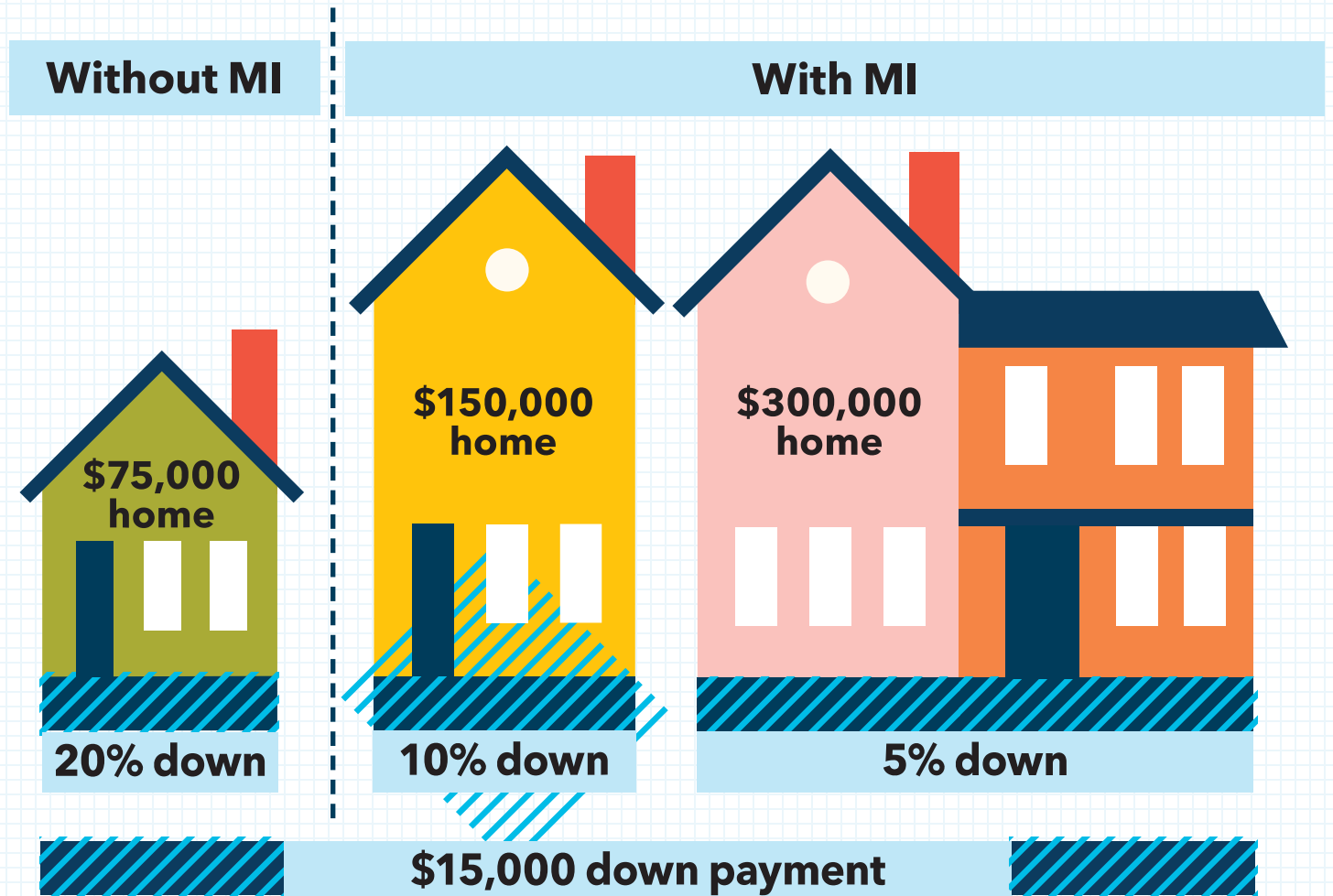


How MI benefits your homebuyers

- ▷ Increased buying power
- ▷ Expanded cash flow options
- ▷ Lower monthly payments
- ▷ Cancellable

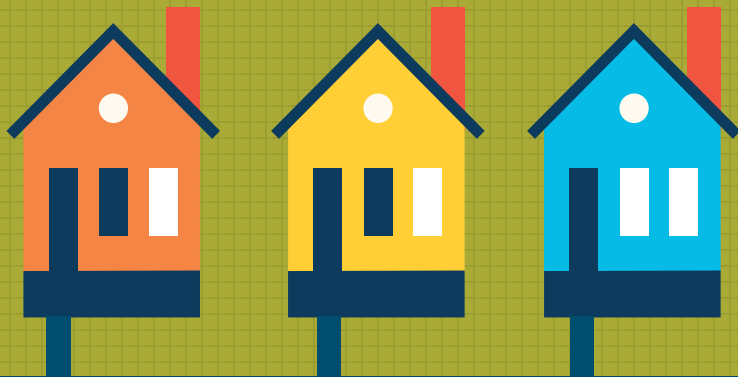


Increased buying power



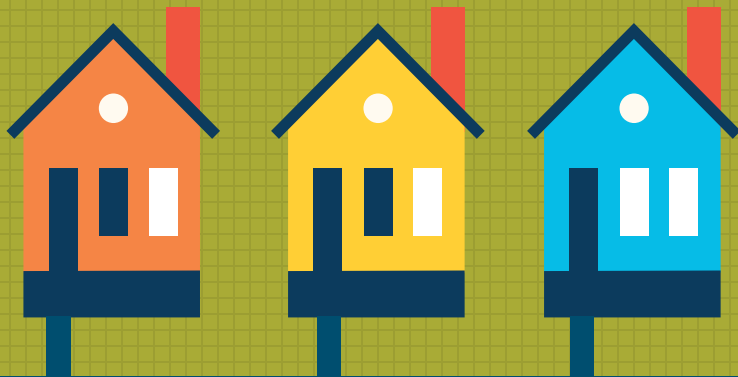
Expanded cash flow options

- ▷ Less money down
- ▷ Use funds for remodeling, redecorating, college funds, retirement, etc.



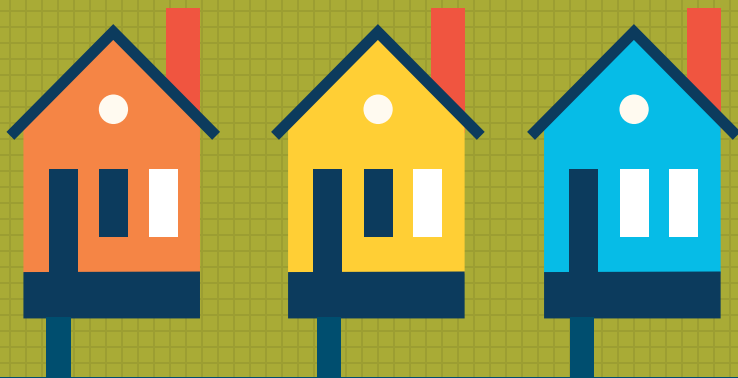
Lower monthly payments

- ▶ Better credit scores, lower MI premium rates
- ▶ Mortgage payments are less than FHA financing
- ▶ Saves thousands of dollars over the life of the loan



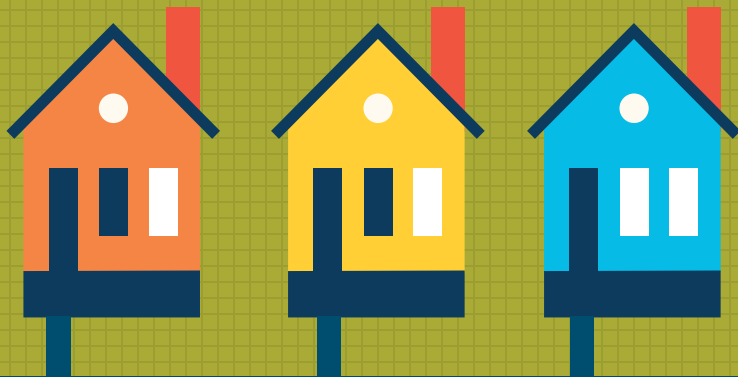
Cancellable

- ▷ Homeowners Protection Act of 1998 (HPA)
- ▷ Borrower-requested cancellation at 80% LTV
- ▷ Automatic cancellation at 78% LTV



The cost of MI

- ▷ Premium plan
- ▷ Mortgage loan program
- ▷ Loan term
- ▷ Whether premium is refundable or non-refundable
- ▷ LTV ratio
- ▷ Amount of MI coverage
- ▷ Representative or indicator credit score
- ▷ Loan amount
- ▷ Loan purpose or occupancy status



Common MI premium plans

- ▷ Borrower-paid monthly premiums
- ▷ Borrower-paid single premiums
- ▷ Lender-paid single premiums



Borrower- paid monthly premiums

- ▷ Simplicity, easy of use
- ▷ No money due at closing
- ▷ No upfront cost
- ▷ Cancellable
- ▷ Lower monthly payment upon cancelling
- ▷ Equity builds faster



Borrower- paid single premiums

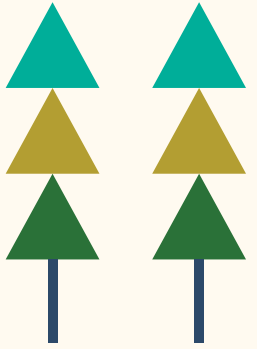
- ▷ Lower monthly payment
- ▷ Flexible
- ▷ Cancellable
- ▷ Refundable



SUMMARY



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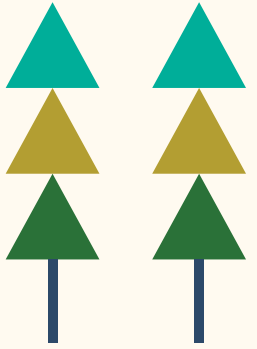


- ▷ The mortgage cycle
- ▷ Regulatory compliance
- ▷ Originating the loan
- ▷ Processing the loan
- ▷ Underwriting – Measuring the 4 Cs
- ▷ Understanding PMI
- ▷ Resources





MGIC



Thank you!

