

Fair Housing & Breaking Down Barriers with Affordable Housing

South Shore Realtors® - April 27, 2021

Conventional and Government Loan Products to Help Homebuyers

Presented by:

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Presentation Overview – Purchase Products

- 1. Conventional Affordable Loan Products**
- 2. Government Products**
- 3. Misc. Appraisal and Credit Information**
- 4. Down Payment Assistance Resource**

Conventional Purchase Loan Products

Three Main Affordable Housing Products

- Fannie Mae, HomeReady – HomeStyle (rehab option)
- Freddie Mac, Home Possible
- Freddie Mae, HomeOne

Conventional Loan Products

Program Highlights

- 3% on one unit properties / 5% - 25% required for multi-unit properties
- Mortgage Insurance is required with less than 20% down – low premiums and MI is not life of loan insurance – drops off at 80% LTV or below – no up front MI
 - HomeReady and Home Possible – Reduced MI premiums
 - HomeOne – standard conventional MI rates 12% to 40% coverage depending on LTV
- Interest rates are FICO (credit score) driven - Better score = better rate
- Homebuyer counseling required

Credit Requirements

- As low as 620 credit score with 3% down
- Many lenders have tightened ratios and credit scored during Covid-19 times

Max Debt to Income

- Conservative debt-to-income* (DTI) ratios - 45% total DTI is average – higher DTI can be up to 50%

Reserves

- Required on 3 and 4 unit financing – 6 month average
- While not a formal requirement, with low down payment borrowers, reserves can help with automated underwriting.

Conventional Loan Products, cont.

Eligible Borrowers

- Home Possible and Home Ready – no first-time buyer requirement
- HomeOne – At least one borrower must be first-time buyer
- Owner occupant buyers – primary residence

Income Limits

- 80% of Area Median Income (Home Ready and Home Possible)
 - Plymouth, Norfolk and Suffolk Counties - \$91,200
 - Bristol County – \$71,200
- No Income Limits for HomeOne

Loan Limits

- Maximum loan amount: Conforming and High Balance
 - Norfolk, Plymouth Counties – up to high balance limit of \$724,500
 - Bristol County - \$548,250

Property

- Home Possible and Home Ready – One to four unit, condos and/or PUDs
- HomeOne- One unit, condos or PUDS

Government Loans

FHA Loans

- 203(b) – Conventional financing
- 203 (k) - Rehab

VA Loans

Rural Housing Loans / USDA

FHA Loans

Program Highlights

- 3.5% down payment requirement
- Owner occupant borrowers
- Up front **mortgage insurance premium (MIP)** is built into the loan amount at 1.75% with less than 10% down, and
- Life of loan mortgage insurance is required monthly and it can be costly compared conventional loan products
- Interest rates are FICO (credit score) driven - Better score = better rate
- Flexible underwriting guidelines – ratios and credit scores

Credit Requirements

- 3.5 % down payment = minimum 580; 10% down payment = credit score between 500 and 579 min down 3.5% - *Stricter guidelines apply as a result of Covid.*
- Non traditional credit may be allowed - ratios not to exceed 31/43
- Calculate student loan monthly payments at 1% of loan balance

Max Debt to Income

- As high as 57% with compensating factors; 43% maximum housing ratios

Reserves/Self-Sufficiency Test

- Required on 3 and 4 unit financing – 2 month average
- Must pass self-sufficiency test using 75% of fair market rental and potentially less during Covid times

FHA Loans, cont.

Eligible Borrowers / Target Borrowers

- Owner occupant borrowers needing flexibilities with ratios or credit score

Income Limits

- None

Loan Limits

- Maximum loan amount: Conforming and High Balance
 - Norfolk, Plymouth Counties – up to high balance limit of \$724,500
 - Bristol County - \$548,250

Property

- One to four unit, HUD approved condos and/or PUDs
 - FHA approved condo Look-up - <https://entp.hud.gov/idapp/html/condlook.cfm>
 - Single unit or full condo approvals can be done on condos – average 3 to 4 weeks process time,
- No Deed Restricted Properties
- Specific property condition/Appraisal guidelines

VA Loans

Service Requirements

- You have served 90 consecutive days of active service during wartime, **OR**
- You have served 181 days of active service during peacetime, **OR**
- You have 6 years of service in the National Guard or Reserves, **OR**
- You are the spouse of a service member who has died in the line of duty or as a result of a service-related disability.

Required Documents

- Certificate of eligibility (COD)
- Form - DD-214 -verifying military discharge, Proof of honorable discharge
- Statement of Service may be need from Nation Guard Member – Form

Property

- Primary Residence
- SFR, 2-4 unit
- Condo (VA-approved)
- Manufactured homes
- No deed restricted properties
- Minimum Property Standards
- Water testing is required (usually)

Loan Limits

- Maximum loan amount: Conforming and High Balance
 - Norfolk, Plymouth Counties – up to high balance limit of \$724,500
 - Bristol County - \$548,250

Income Limits

- None

VA Loans Cont.

Program Highlights

- 0% down payment requirement – 100% LTV (not including VA funding fee, if applicable)
- Flexible debt-to-income (DTI) ratios permitted
- Low interest rates – FICO (credit score) driven - Better score = better rate
- NO MORTGAGE INSURANCE – VA guarantee funding fee –waived in many cases for disabled vet
 - If required, ranges from 1.45 to 2.3% for first-time VA loan use
- Residual Income test required depending on loan amount, ratios and household size

Credit Requirements

- 580 – 620 minimum credit score (Exceptions available case by case)
- Bankruptcy seasoning: two years from discharge
- Short sale: two years from sale date
- Foreclosure: two years from recorded trustees' deed upon sale

Ratios

- 41% and anything over 41% requires a residual income test up to max of 57%

Rural Housing / USDA Loans

Program Highlights

- 0% down (100% Financing)
- Reduced cost mortgage insurance .35%
- No cash reserves required

Credit Requirements

- Minimum 620 credit score
- Bankruptcy seasoning: four years from discharge
- Short sale: four years from sale date
- Foreclosure: seven years from recorded trustees' deed upon sale

Ratio Requirements

- Housing ratios 29% / Total Debt 41%,
- Exceptions are considered with credit 680+ or above up to 32%/44%

Rural Housing / USDA Loans Cont.

Eligible Borrowers

- Not limited to first-time buyers

Income Limits

- Generous at 115% of US median income (based on household size)
 - Income Look-up
<https://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do;jsessionid=wWoQWrQaTkvp8VJrdf+RSPBe>

Loan Limits

- Maximum loan amount: Conforming and High Balance
 - Norfolk, Plymouth Counties - \$724,500
 - Bristol County - \$548,250

Property

- Must be in an eligible rural area
- Property Look up
 - <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp>
- Condos must be FNMA/FHLMC/HUD or VA Approved
- Modular Home, New Construction, and Existing are eligible
- Income Producing properties not eligible

Government Loans – Appraisals

What you should know...

These are some general guidelines that are meant to help you understand how an appraiser looks at your home. Please keep in mind that other items might be flagged; make sure you communicate with your Realtor and lender of the condition of your home. This will enable you to find and solve problems with your home in advance instead of at the end of the transaction.

- **Electrical**
There must be GFCI outlets in the kitchen and all bathrooms; exposed fuse boxes or wires will be flagged.
- **Foundation**
There cannot be cracks in the foundation.
- **Handrails**
Handrails have to be on all staircases with three steps or more (this includes steps outside to a deck and stairs in the basement).
- **Heating Source**
A central heating source is required and has to be 100% operational and safe. If a home only has one source of heat and it's from a wood stove or a pellet stove, it will need a central heating system. The central heating system must be able to heat the home for a minimum of 30 days without being attended to.
- **Interior Walls**
Interior walls must be complete. Sheetrocked walls that are unpainted will not be accepted.
- **Outbuilding**
Garages, sheds, and/or outbuildings also have to pass the same guidelines as above and must not have chipping/peeling paint or exposed raw wood.
- **Moisture**
Moisture found inside of a home will be flagged by an appraiser. Basements are not an exception to this rule.
- **Paint**
The inside and outside of the home must be painted; peeling paint will not be accepted.
- **Roof**
Shingles that are curling or missing will be flagged; if the appraiser thinks there is less than five years left on roof, it will be flagged.
- **Raw Wood**
Any exposed raw wood on the exterior of the home that is untreated with paint or stain will be flagged. This includes wood that is on the window or door sills.
- **Septic**
The location of the septic tank or leach field must be known. Issues could arise if the septic tank has not been pumped or serviced in over five years.
- **Windows**
If any windows or doors have cracks in them, they have to be replaced prior to the appraisal.
- **Well**
The location of the well needs to be known. If it's a dug well, please contact your Realtor or lender immediately. A water flow test and complete safety report will be required.

Note: Please ensure that your home is properly prepared for an appraisal; appraisers adhere closely to the regulations that are put in place, so your preparation will assist with preventing any delays.

Waiting periods...Foreclosure, deed in lieu, short sale, bankruptcy or undergoing credit counseling

	FHA	VA	USDA	CONVENTIONAL (FREDDIE MAC)	CONVENTIONAL (FANNIE MAE)
DEED-IN-LIEU OR FORECLOSURE	3 years from the date of completion and case number assignment	2 years from discharge date or date trasfered out of borrowers name	3 years from discharge date or date transfered out of borrowers name	7 years from completion date	7 years from completion date If mortgage included in the BK, then BK waiting periods may apply
SHORT SALE	3 years from transfer of ownership and case number assignment	No waiting period	3 years from transer date or date transfered out of borrower name	With a LPA Accept, the significance of the deogatory information has always been considered by LPA and the borroer's credit reputation has been deemed acceptable	4 years from the completion date of the deed in-lieu or foreclosure as reported on the credit report or other documents provided by the borrower
CHAPTER 7 BANKRUPTCY	2 years from the date of discharge at time of case number assignment	2 years from discharge date	3 years from discharge date	No season period if you have an LPA, Accept with accurate credit reporting	4 years from discharge or dismissal date
CHAPTER 13 BANKRUPTCY	1 year of the payout period elapsed and must have permission from bankruptcy court	1 year of satisfactory payment must be made in the year of elapsed payout period and must have permission from bankruptcy court	12 months has elapsed with payment plan, with permission from court or trustee	No season period if you have an LPA, Accept with accurate credit reporting	2 years from discharge date, 4 years from dismissal date
CONSUMER COUNSELING PLANS	Case number assignment within 1 year of satisfactory payments of the 1 year elapsed payout period and must have permission from counseling agent	1 year satisfactory payment history from the elapsed payout period and must have permission from counseling agent	Documents that one year of the payout period has elapsed under the plan and written permission from the counseling agency to enter into a mortgage transaction and recommendation that the borrower is a good credit risk.	N/A	N/A

Down Payment Resource

▶ Down Payment Assistance Tool

- <https://downpaymentresource.com/>

Here's to making home ownership a reality...



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