

Home Buying
Community Education Project

YOUR GUIDE TO HOMEOWNERSHIP



AGENDA

- Credit Score Break Down
- Credit Building/Savings
- Employment & Income
- Traditional Savings & Down Payment Assistance
- Property & Appraisal
- The 4 Cs of Home Buying
- Manual Underwriting
- Career In The Mortgage Industry
- Questions

What makes up a credit score?

CREDIT SCORE BREAKDOWN

35% Payment History

Making your payments on time has the biggest impact on your credit score—especially missed or late payments in the last couple of years.

30% Amounts Owed

More specifically, the amount of available credit versus what you have borrowed. To improve this aspect, keep your balances as low as possible on lines of credit.

15% Length of Credit History

This is made up of the amount of time your accounts have been open. A more seasoned borrower will have a longer track record, there for will always be stronger in this area.

10% New Credit

When you apply for new credit lines it briefly affects your credit score but if you continue to make timely payments the score rebounds quickly.

10% Types of Credit

A mix of lines of credit is more favorable than one type. For example, a mix of auto, mortgage and credit card is preferred over a concentration of credit card debt.

What is a Credit Score?

- Defined: Use of a statistical model to objectively evaluate the creditworthiness of that person based on all the credit information available

Why is a Credit Score important to the home buying process?

- Your Credit score directly impacts mortgage qualification and interest rates. Lenders rely on credit scores to provide an indication that a buyer will meet obligations and pay the loan back. Each loan program has different credit score requirements, you want to strive to have at least a 620 with all reporting bureaus, the higher the scores the better.



Your credit report is available to you free of charge once a year and can be obtained through www.annualcreditreport.com

Transunion offers online and in person trainings specializing in levels of credit education you may be seeking. Please see the link below for more information.

<https://www.transunion.com/data-reporting/cdia-education-services>



BUILDING, MONITORING, AND MAINTAINING

- Credit is a vital part of the home buying process and requires a lot of attention from you, the buyer! Here are just a few sources to help you build early and maintain a strong credit score. In the early stages of establishing credit, installment and revolving line of credit loans in good standing will increase your score the quickest.
- Bilt Mastercard – designed as a source to pay rent and earn points that can be used as a down payment on a Fannie Mae transaction. With no annual fee the Bilt Mastercard is a great source to assist with one of the more difficult parts of home buying, the down payment!
- One of the most unique ways to redeem your Bilt Rewards points is to use them toward a down payment on a future home when the financing is originated through Bilt. The redemption rate toward a down payment is valued at up to 1.5 cents per point.
- You might be thinking “my landlord doesn’t accept a credit card as a form of rent payment, so how does the Bilt Mastercard help me?” Fortunately, Bilt lets you send your payment via ACH transfer, through Venmo or even a check-in-the-mail without paying a fee.

EMPLOYMENT

Employment income is the most often used source of income. Typically, two years of employment history and income are shown on a loan application with one to two years documented for qualifying depending on loan and underwriting type. This income is typically documented with pay stubs and W-2s.

Documentation for other income sources varies. Lenders will advise a borrower what is needed based on the loan type for which they are applying.

It is important for borrowers to have a consistent and stable history of income with the income being likely to continue for at least three years.

Income used for loan qualification is based on gross monthly income, not net income (take-home pay).

Gross monthly income is compared to a borrower's monthly expenses to determine the debt-to-income (DTI) ratio. This ratio helps lenders determine if a borrower has sufficient income to repay the mortgage payment and other liabilities.

Income

Income from a variety of sources can be used to determine if a borrower is eligible for a mortgage loan.

Income Sources include but are not limited to the following:

- Employment income
- Self-employment income
- Rental property income
- Social Security
- Retirement
- Child support
- Spousal support
- Other non-taxable sources of income



WHAT IS SAVINGS?

THE DEFINITION OF SAVINGS IS INCOME NOT SPENT, OR DEFERRED CONSUMPTION. METHODS OF SAVING INCLUDE PUTTING MONEY ASIDE IN, FOR EXAMPLE, A DEPOSIT ACCOUNT, A PENSION ACCOUNT, AN INVESTMENT FUND, OR AS CASH. SAVING ALSO INVOLVES REDUCING EXPENDITURES, SUCH AS RECURRING COSTS. IN TERMS OF PERSONAL FINANCE, SAVING GENERALLY SPECIFIES LOW-RISK PRESERVATION OF MONEY, AS IN A DEPOSIT ACCOUNT, VERSUS INVESTMENT, WHEREIN RISK IS A LOT HIGHER; IN ECONOMICS MORE BROADLY, IT REFERS TO ANY INCOME NOT USED FOR IMMEDIATE CONSUMPTION. SAVING DOES NOT AUTOMATICALLY INCLUDE INTEREST.



WELCOME HOME PROGRAM

Are You Eligible?

- The total income for all occupants who will reside in the home is at or below 80 percent of the Mortgage Revenue Bond (MRB) limit for the county and state where the property is located;
- A purchase contract on an eligible property
- The homebuyer has at least \$500 of their own funds to contribute towards down payment and/or closing costs
- If a first-time homebuyer , a satisfactory homebuyer counseling course is completed prior to the loan closing.

Is The Property Eligible?

- Must be the buyer's primary residence
- The property is a single family, townhome, condominium, duplex, multi-unit (up to four family units) or a qualified manufactured home.



HELPFUL LINKS FOR ASSISTANCE

Did you know?

20% DOWN IS NO LONGER NECESSARY!!

There are so many ways to get down payment assistance 😊

[WELCOME HOME PROGRAM -
HOMEBUYER INFORMATION -
FEDERAL HOME LOAN BANK
\(FHLBCIN.COM\)](#)

[DOWN PAYMENT ASSISTANCE
PROGRAMS - DOWN PAYMENT
RESOURCE](#)

[FUTURE HOMEBUYERS - DOWN
PAYMENT ASSISTANCE
\(KYHOUSING.ORG\)](#)

[HTTPS://WWW.BILTREWARDS.COM](https://www.biltrewards.com/)
/

[HTTPS://WWW.GRAVY.CO/](https://www.gravy.co/)

WHEN BUYING A HOUSE

Key Criteria



•**Price.** What can you afford to spend on a property? The preapproval letter from your lender will include the maximum loan amount you qualify for. Consider your down payment amount and what you can afford in monthly mortgage payments coupled with recurring debts and household expenses (like daycare, groceries, utilities, tuition, etc.). You'll also want to have savings set aside for home maintenance and major repairs.

•**Location.** The neighborhood, city, town or state you want to live in is almost as important as a home's amenities. Do you care about peace and quiet, or proximity to recreation or entertainment? What about being close to shopping, dining, grocery stores, schools and job hubs?

•**Commute time.** How long would your commute to and from work and/or school be? Will you have easy access to public transportation and how important is that for your day-to-day needs?

•**Schools.** If you have or plan to have children, you'll want to research the quality of the schools a home is zoned for. Pay attention to school ratings, test scores, teacher-to-student ratios and other success metrics to evaluate schools and school districts in the areas where you're looking for a home.

•**Home type.** Owning a single-family home tends to come with higher upfront costs and maintenance responsibilities than buying a condo or townhome. Condos and townhomes tend to be smaller and less expensive. However, you'll likely pay higher monthly homeowners association or condo fees for shared amenities, services and maintenance.

•**Design and upgrades.** A new construction home is brand new, energy-efficient and can be tailored to your design tastes. The same goes for a flipped home, which is a property that is bought, fixed up and resold in a short timeframe. With a flipped home, you won't have a say in design elements, but you'll likely pay more than an existing home because it's been upgraded. Or you can buy an existing home that may need to be updated but the price might be lower

- **Condition.** Some properties may need minor cosmetic repairs like new paint and carpet, while others need significant renovations or require you to replace major costly systems. Do you have the extra cash, time and energy to account for a house that's not move-in ready?
- **Space.** Consider how many bedrooms, bathrooms, offices and other spaces you may need. Do you want a large kitchen or a specific number of bedrooms to accommodate a growing family? Does the property check off all of the boxes right now—or does it have the potential to add those spaces in the future?
- **Energy efficiency.** Utility bills can impact your monthly budget. How's the property's energy performance? What would need to be done to improve it? Are the appliances, windows and other structures energy-efficient? What direction does the home face and how does that impact energy usage?
- **Square footage.** How big does the home need to be to match your lifestyle, family and storage needs? Keep in mind the larger the home/property acreage, the higher your costs to maintain it. A larger home also means you'll pay a higher purchase price.
- **Parking.** Do you want a garage/off-street parking, or are you okay with parking your vehicle on the street? Do you need other outdoor storage spaces for a boat or RV?
- **Property additions.** Do you want a property with the interior or exterior space to extend the property or convert the loft or garage into an additional room? Is there a basement space you could finish down the road to add to your livable square footage?
- **Outside space.** Do you want a garden, patio or back deck? How much maintenance are you able and willing to do? If you're buying a townhome or condo, will you have access to any private outdoor spaces, or are they shared with other residents?
- **Historical district.** Check if the home is located within a historic district. This might impact your ability to extend the property or make changes to its exterior.
- **Potential drawbacks.** Is the property on a busy road, next to a highway or railway track, in a food desert or in a high-crime area? Decide what issues you are willing to live with before you buy. These properties may also take longer to resell and be harder to rent out.



WHEN BUYING A HOUSE

Red Flags

•**Poor tiling or flooring work.** This would be a sign of a bad flip or remodeling job, and you could end up spending a lot of money to fix it.

•**Foundation issues.** Hairline cracks are usually a sign the house is settling as it ages, but larger gaps or cracking could signal a bigger issue with the foundation.

•**Poor maintenance.** If it is apparent from the walk-through that the seller has failed to keep the property in good condition, there might be even worse problems beneath the surface. A poorly maintained home might require costly repairs or renovations.

•**Nearby water.** If the home is near a pond, lake, canal, ocean or other body of water, the property could be at a higher risk of flooding. Ask your real estate agent to find out if the property is in a [FEMA flood zone](#), which might trigger the need to buy special flood insurance in addition to homeowners insurance.

•**Poorly installed windows.** This could be a sign of foundation problems or a bad remodeling job requiring new windows. If you need help, check with your real estate agent.

•**Mold.** Check the bathroom and sink cabinets, as well as take a look around water pipes or drains. Look for small black or gray spots. You can also check the caulking around faucets as well as look for patches on the ceiling.

•**Water damage.** A musty odor may be a sign of water damage. Be sure to check walls and ceilings for water lines, and look out for exposed piping in basements or laundry rooms to check for rust, water stains or leaks.

•**Improper ventilation.** Poor ventilation increases the risk of mold. Look for condensation on windows or slightly bubbled or peeling paint around windows, doors or vents. This might mean there's moisture in the walls or in the ceiling drywall.



WHEN BUYING A HOUSE

Who Can Help You

- An experienced [real estate agent](#) helps you evaluate homes on the market and guides you through the buying process. They will make sure you view homes that meet your criteria and act as an intermediary with the seller and their agent to help you get the best deal.
- Your mortgage lender or [mortgage broker](#) helps you find the right home loan and understand how much house you can afford.
- A [real estate attorney](#) and/or title company can make sure you're protected from a legal and financial standpoint. In some states, you must hire a real estate attorney to close a real estate transaction.
- A [professional home inspector](#) does a thorough review of the home's core components—its structure, roof, air conditioning/heating and electrical systems—before you buy a property. Hiring a home inspector is highly recommended to ensure you get a good return on your investment and understand the home's condition and any potential repairs/renovations.
- A [professional home energy assessor](#) can help you understand the home's energy use and identify problem areas as well as fixes.



PRE-QUALIFICATION GUIDELINES

The 4 C's: Credit, Capital, Capacity, Collateral

Capacity to pay back the loan – Income, Employment History, Debt Obligations(Car payments, child support, credit cards, etc.)

Capital – The money available for your down payment and closing costs(Savings accounts, IRAs, 401ks, etc.) No mattress money!

- Down Payment Assistance
- Gift Funds

Collateral – The home you're buying. If you pay you stay. You don't, you won't

Credit – Credit score and credit history. Have you paid your bills on time? Are you likely to make your mortgage payments?

AUS will assess the file and give you an answer – Approve or Refer Eligible/Ineligible



MANUAL UNDERWRITES

When the file is too risky for an automated approval

When to use them – Refer/Eligible + When file must be downgraded

- Downgrade from approval when: over \$1000 in disputed derogatory accounts
- Case Number assignment is within 3 years of a Foreclosure or Short Sale
- Bankruptcy discharge within 2 years of case number assignment

How to do them – Understanding the compensating factors needed depending on the payment ratio and total DTI

- Verified & documented cash reserves equal to at least three total monthly mortgage payments.
- New total monthly mortgage payment is not more than \$100 or 5% higher than previous total monthly housing payment, whichever is less; and there is a documented twelve-month housing payment history with no more than one thirty-day late payment.
- Verified and documented significant additional income that is not considered effective income and likely to continue (part-time or seasonal income verified for more than 1 year but less than 2 years). The income if it were included in gross effective income is sufficient to reduce the qualifying ratios to not more than 37/47.
- Residual Income per VA chart.

REITERATE HOME OWNERSHIP AND MORTGAGE'S IMPORTANCE

“Housing finance is the bedrock of our civilization.”
- Ditrick Dunn, founder of Integral Funding Solutions

“For most home buyers, the purchase of real estate is one of the largest financial transactions they will make.”
- 2022 NAR Profile of Home Buyers and Sellers

78% of buyers financed their home purchase
- 2022 NAR Profile of Home Buyers and Sellers

If the above is true, why don't we place more value on our mortgage professionals?

- When we think of taxes – we think CPA
- When we think of our retirement – we think Financial Planner
- When we think of buying a home – we think ...?



MORTGAGE INDUSTRY

We are a \$10 trillion industry (1)

- employing 340,000+ professionals (1)
- 2022-2032 Job Outlook – 3% growth (2)

“With a career in residential mortgage banking, you can make a good living by helping others improve their standard of living and realize the dream of homeownership.”

- Mortgage Banker’s Association

- 1) Mortgage Banker’s Association
- 2) U.S. Bureau of Labor Statistics

MBA[®]

MORTGAGE BANKERS ASSOCIATION

MBAKY
Mortgage Bankers Association of Kentucky

CAREER PATHS (SCRATCHING THE SURFACE)



Origination – originator, banker, broker

Operations – processor, underwriter, countless others

Compliance/Legal

Advocacy/Political

Commercial/Multifamily

QUESTIONS

The background features a large white circle on the left and a large pink circle on the right, both overlapping a dark blue background. The pink circle contains several thin, white, concentric curved lines.

MEET OUR TEAM



TYRA ANDERSON
Stockton Mortgage



SHELBY RIGDON
Edmonton State Bank



KRISTA MCIVER
KY Housing Corporation



CHELSEA PIERCE
Edmonton State Bank



BRIDGETTE WINGATE
Central Bank



JACOB MILLER
Stockton Mortgage



MITCH FLORENCE
Guaranteed Rate



**Future
Leaders
2023**