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3 Things to Know About 3% Down Payment Loans

Presented by:
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News Release

December 08, 2014

Fannie Mae Announces 97 Percent LTV Option for First-Time Homebuyers

Lower down payment enables qualified borrowers to access credit

Callie Dosberg
202-752-3117

WASHINGTON, DC—
down payment as low
Housing Finance Age
homebuyers that may
requirements, includi
mortgage insurance o
LTV.

"Our goal is to help ad
President for Single F
access to credit. Our
get a mortgage. We a
affordable, responsib

With today's announce
Mortgage® product wi
homeowners who wis
Program (HARP) can
Mae's Desktop Under

Fannie Mae has imple
underwritten, includi
loans, requiring incom

As noted, private capi
these loans are pruden

Fannie Mae has also v
Some lenders have sa
intended to help lende

In addition, Fannie Ma
company will offer Col
Collateral Underwriter

Freddie Mac Home Possible Advantage(SM) Mortgage Makes Home Financing With a 3 Percent Downpayment Possible

New Low-Downpayment Mortgage Aims to Change the Game for Homebuyers

MCLEAN, VA—(Marketwired - Dec 8, 2014) - Freddie Mac (OTCQB: FMCC) today launched Home Possible Advantage(SM), an affordable conforming, conventional mortgage with a three percent downpayment requirement designed to make responsible homeownership accessible to more first-time buyers and other qualified borrowers with limited downpayment savings.

Freddie Mac Executive Quote:
Attribute to Dave Lowman, Executive Vice President, Single-Family Business at Freddie Mac:

"Home Possible Advantage gives qualified borrowers with limited downpayment savings a responsible path to homeownership and lenders a new tool for reaching eligible working families ready to own a home of their own. Home Possible Advantage is Freddie Mac's newest effort to foster a strong and stable mortgage market."

Key Facts:

- Home Possible Advantage offers qualified low- and moderate-income borrowers a conforming conventional mortgage with a maximum loan-to-value ratio of 97 percent.
- Home Possible Advantage mortgages can be used to buy a single unit property or for a "no cash out" refinance of an existing mortgage.
- First time homebuyers must participate in an acceptable borrower education program, like Freddie Mac's CreditSmart®, to qualify for Home Possible Advantage.
- Home Possible Advantage mortgages are available as 15-, 20-, and 30-year fixed rate mortgages.

For more information, visit <http://www.freddiemac.com/singlefamily/homepossible>. Lenders should contact their Freddie Mac representative and interested borrowers should contact a Freddie Mac lender.

Freddie Mac was established by Congress in 1970 to provide liquidity, stability and affordability to the nation's residential mortgage markets. Freddie Mac supports communities across the nation by providing mortgage capital to lenders. Today Freddie Mac is making home possible for one in four home borrowers and is one of the largest sources of financing for multifamily housing. Additional information is available at FreddieMac.com, Twitter [@FreddieMac](https://twitter.com/FreddieMac) and Freddie Mac's blog FreddieMac.com/blog.



1. Why now?
2. What are the guidelines
 - Fannie Mae
 - Freddie Mac
 - How does HFA fit in?
1. How does 97% conventional compare to FHA 96.5%

The information presented in this presentation is for general information only, and is based on guidelines and practices generally accepted within the mortgage finance industry and is not intended to be all-inclusive. MGIC makes no representations or warranties of any kind with respect to the accuracy, completeness or suitability for any purpose of the information contained in this presentation. MGIC expressly disclaims any and all warranties, express or implied, including without limitation warranties of merchantability and fitness for a particular purpose regarding these materials and this presentation. In no event will MGIC be liable for any direct, indirect, incidental, punitive or consequential damages of any kind with respect to the presentation or materials provided. All examples are hypothetical and are for illustrative purposes only. This presentation is not intended and should not be interpreted or relied upon as legal advice. We encourage you to seek advice from a qualified professional.

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REALTOR®Mag

The Business Tool for Real Estate Professionals

Stage Set to Revive First-Time Buyer Market

DAILY REAL ESTATE NEWS | FRIDAY, DECEMBER 12, 2014

The move by Fannie Mae and Freddie Mac this week to offer 3 percent down payment loans may reignite the first-time home buyer market.

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REALTOR®Mag

The Business Tool for Real Estate Professionals

Why Renters Want to Own But Can't

DAILY REAL ESTATE NEWS | TUESDAY, DECEMBER 09, 2014

“Many renters are not buying homes because of a perceived lack of ability to afford the down payment or mortgage, as well as poor credit history.”

- David Brickman, executive vice president of Freddie Mac Multifamily.



Saving for a down payment? It could take you until 2027

Published: Nov 5, 2014 6:01 a.m. ET



44%

Think 20% down
payment is required

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Source: Wells Fargo, Sep 15, 2014



First-Time Homebuyers

Median purchase =
\$169,000

Median income =
\$68,300

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Source: NAR 2014 Profile of Home Buyers & Sellers, Nov 2014



First-Time Homebuyers

Median purchase =
\$169,000*

5% down =
\$8,450

3% down =
\$5,070

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*Source: NAR 2014 Profile of Home Buyers & Sellers, Nov 2014



First-Time Homebuyers

National Savings
rate = 5.0%*

5% down would
take 2.47 years

3% down would
take 1.48 years

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*Source: St. Louis Federal Reserve
as of Nov 26, 2014



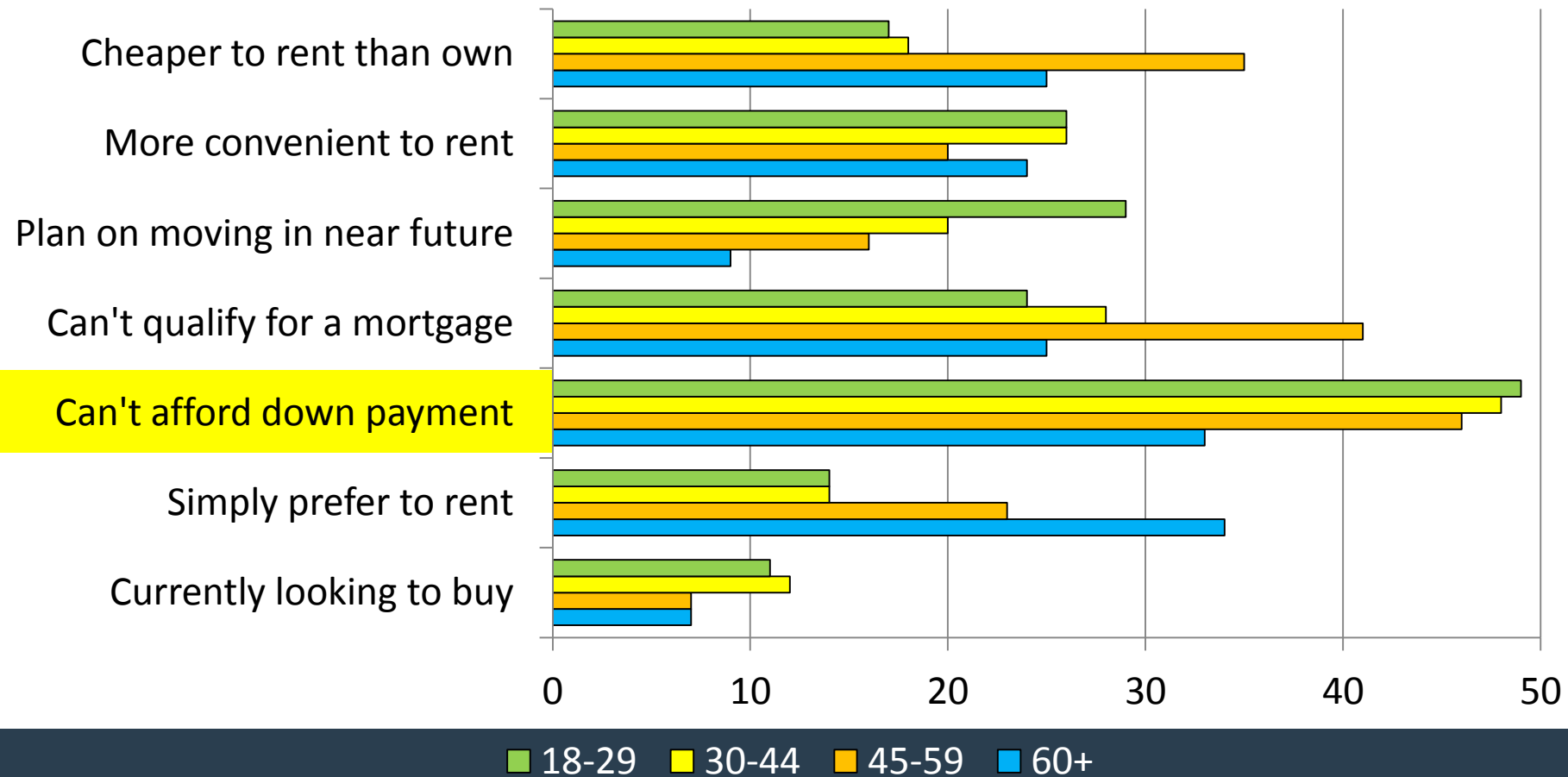
23%

Saving for down
payment most
difficult task

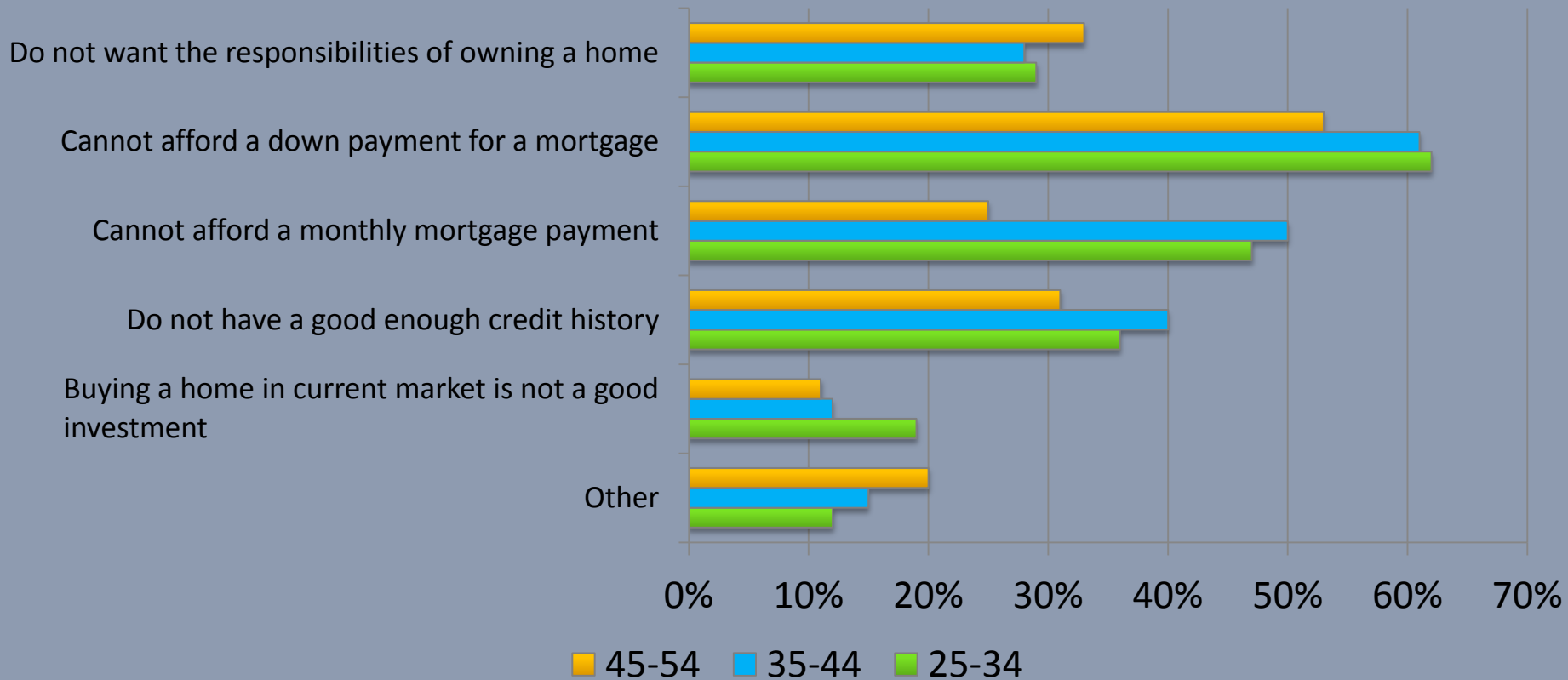
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Source: NAR 2014 Profile of Home
Buyers & Sellers, Nov 2014

Reasons for renting rather than owning



40.6%



Do not want the responsibilities of owning a home

Cannot afford a down payment for a mortgage

Cannot afford a monthly mortgage payment

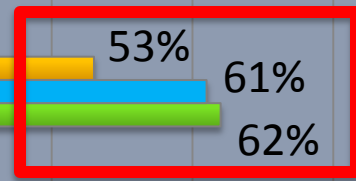
Do not have a good enough credit history

Buying a home in current market is not a good investment

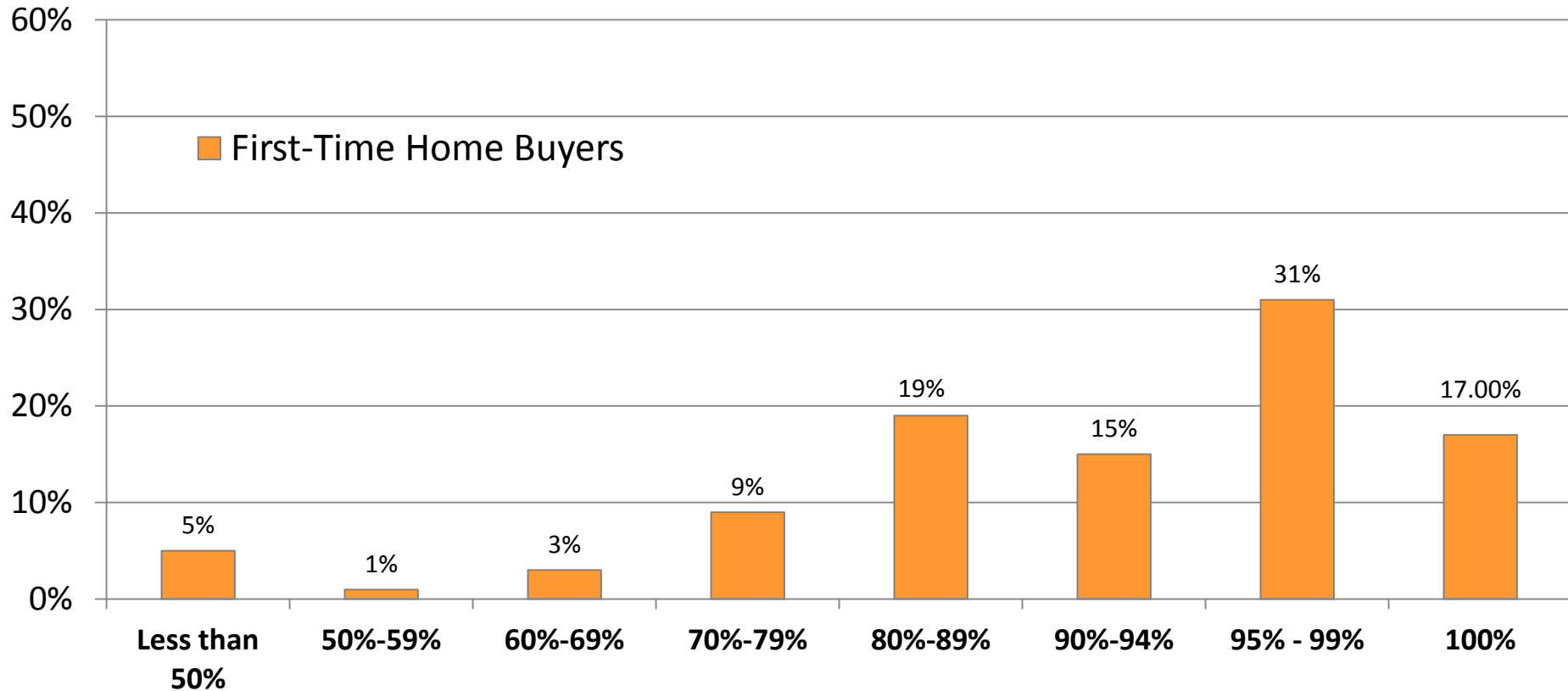
Other

0% 10% 20% 30% 40% 50% 60% 70%

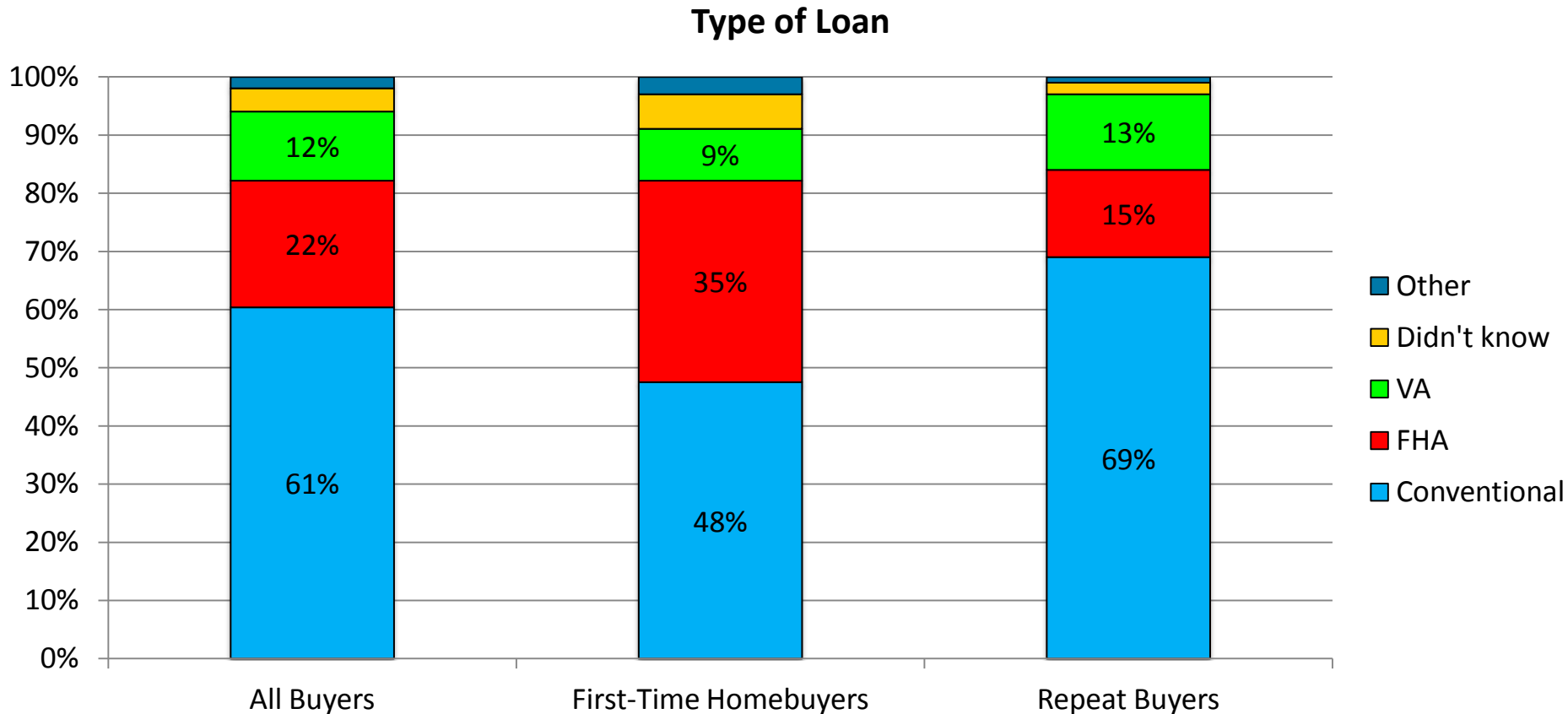
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Down Payment by Buyer Type



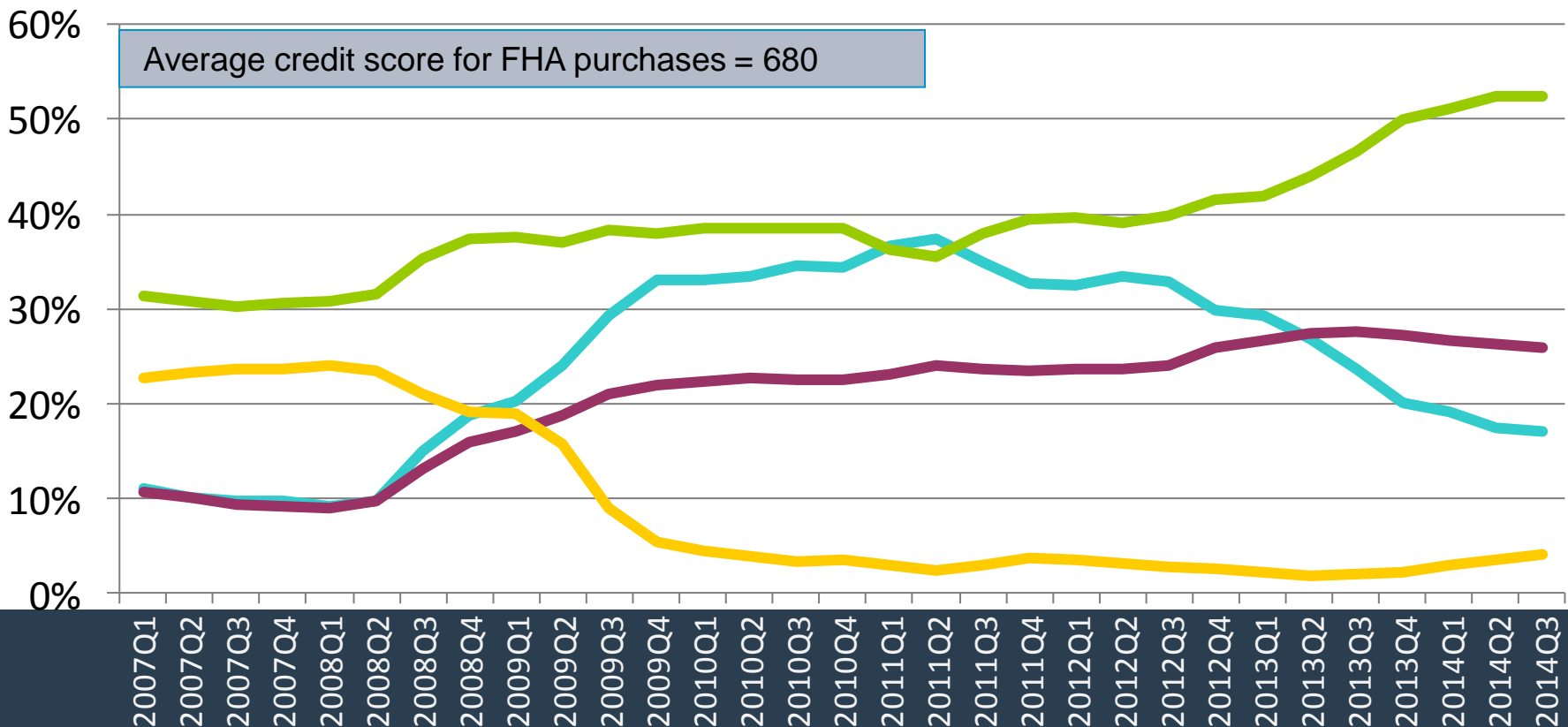
Financing for Home Purchases



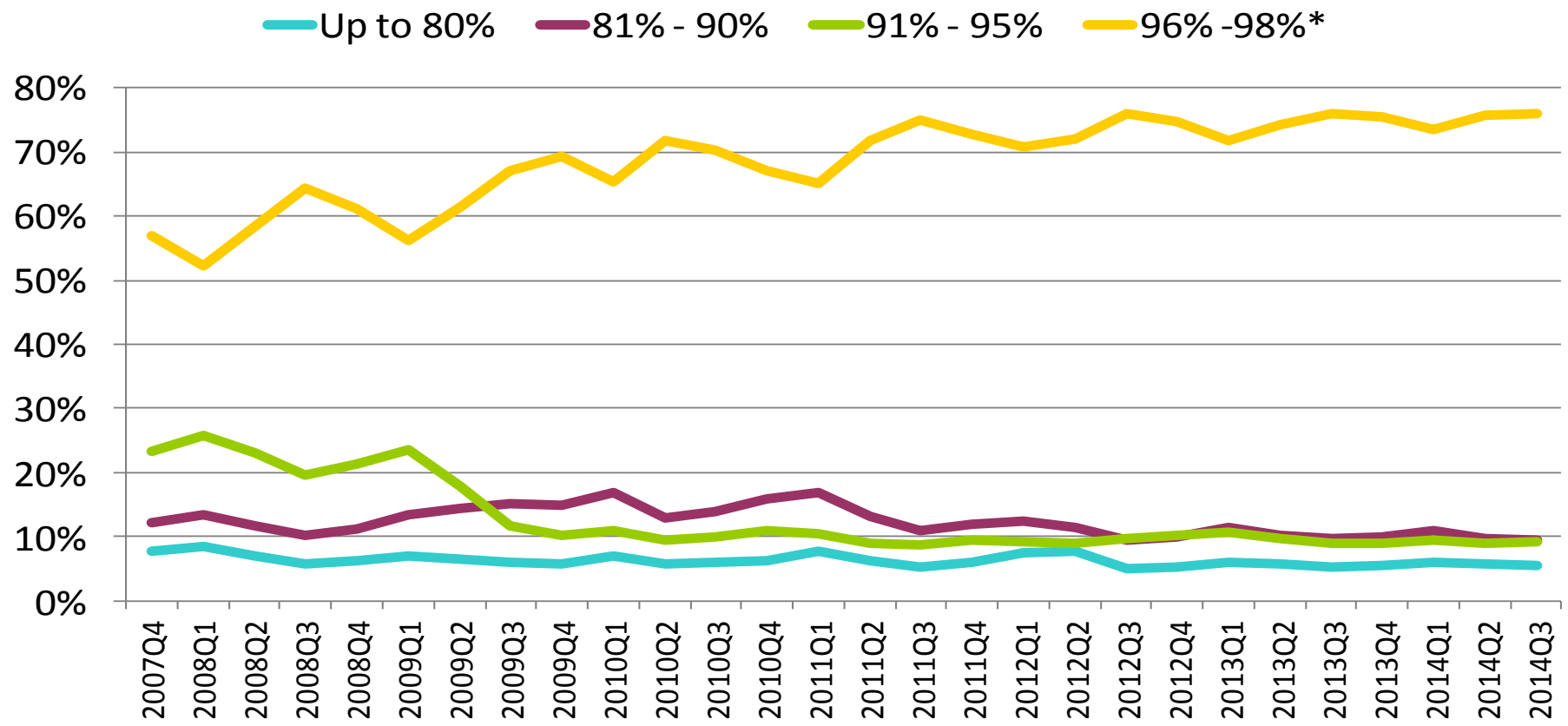
FHA Credit Score Distribution

FHA Single-Family Originations (Excludes Streamline Refis)

720+ 680-719 620-679 500-619



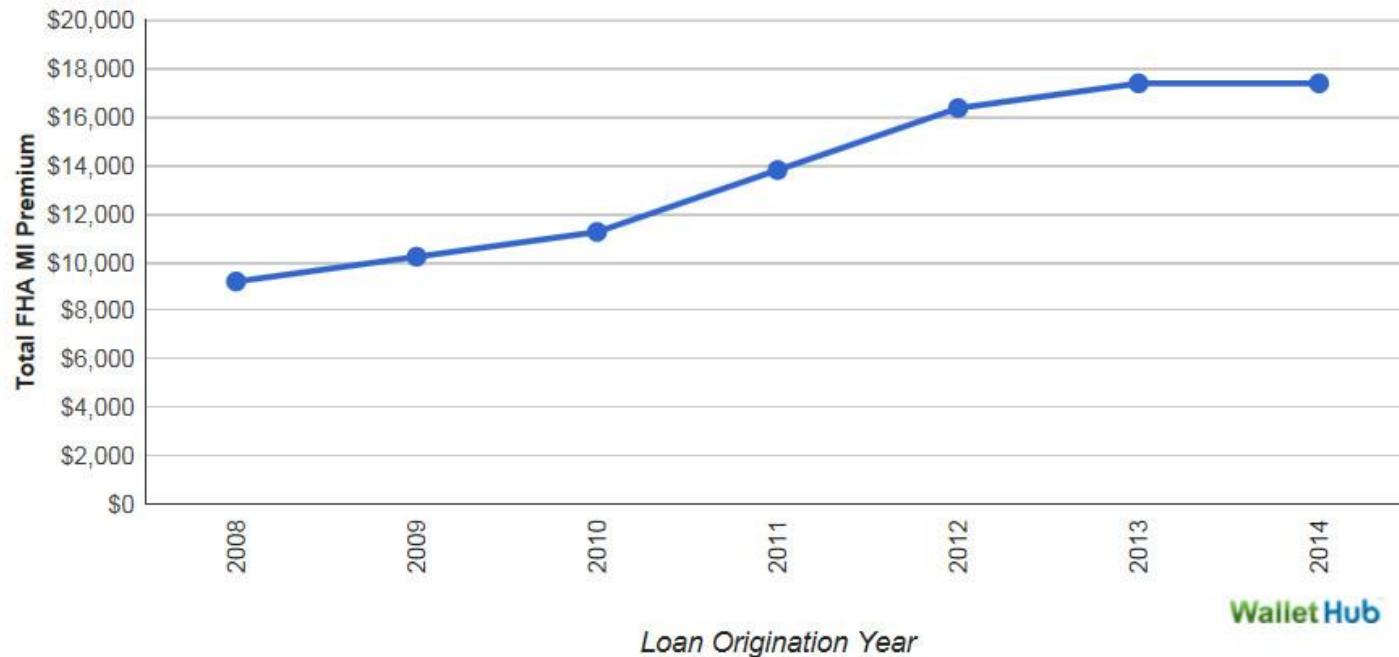
FHA Loan-to-Value Ratio Distribution on New Endorsements



The statutory maximum LTV since October 1, 2008, is 96.5%. Prior to October 1, 2008, the statutory maximum was 97%, with higher allowances for borrowers financing loan closing costs into the mortgage balance. If there were such financing, the statutory maximum was between 97% and 98.15%, depending on the geographic location and price of the property.

- FHA mortgage insurance premiums have nearly doubled since 2008. One now has to pay \$17,398 in premiums during the first five years after the purchase of a median-price home (\$212,100), compared to just \$9,210 in 2008.

5-Year FHA MI Costs by Loan Origination Year



■ Rate

Assumptions: Home Value: \$200,000; LTV: 95%; 2% annual appreciation rate for home value; Credit Score: 680; Conventional 30-Year Fixed Interest Rate: 4%; FHA 30-Year Fixed Interest Rate: 4%

WalletHub

- Many consumers with down payments below 20% can save \$2,251 to \$12,026 in just five years by choosing private mortgage insurance. The higher your credit score and the more money you are able to put down, the more potential savings from PMI.

95% LTV: 5 Year Costs



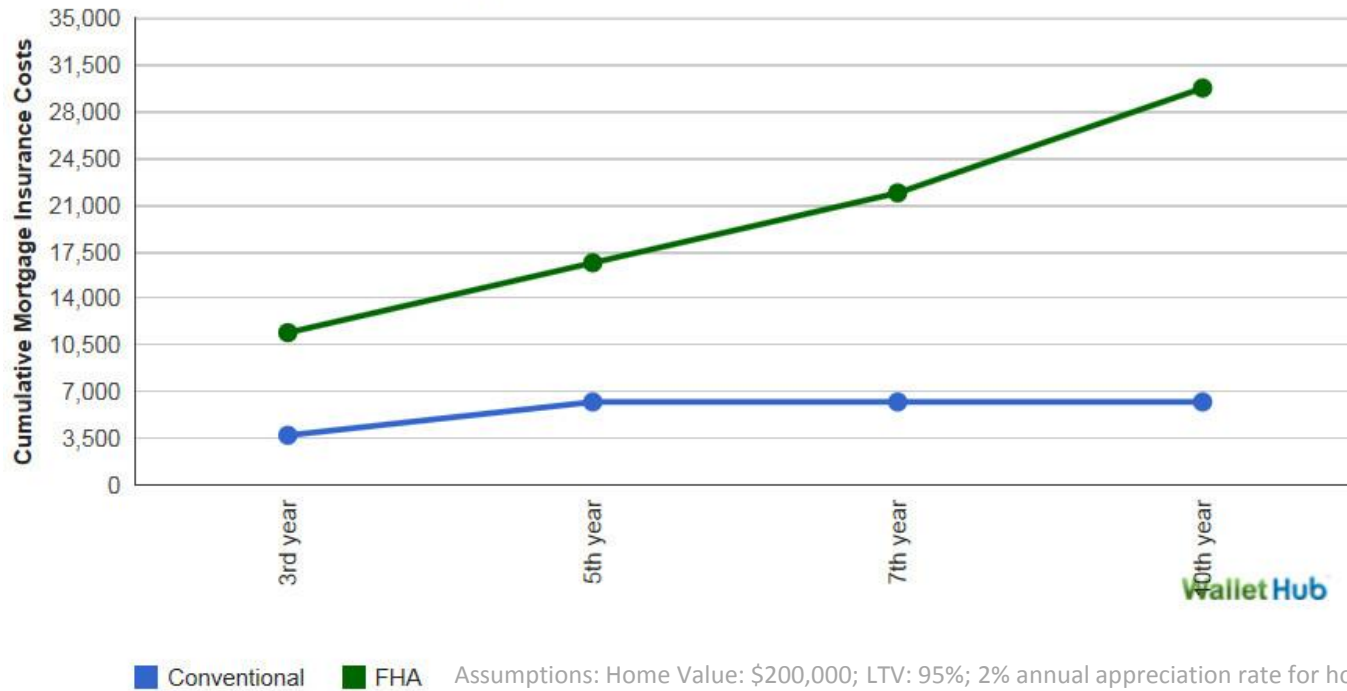
WalletHub

■ 5-Year FHA ■ 5-Year PMI

Assumptions: Home Value: \$200,000; LTV: 95%; 2% annual appreciation rate for home value; Credit Score: 680; Conventional 30-Year Fixed Interest Rate: 4%; FHA 30-Year Fixed Interest Rate: 4%

- Unlike private mortgage insurance, FHA premiums continue to be assessed throughout the life of a loan, even if your loan to value (LTV) ratio drops below 80%. As the scenario below illustrates, this can create huge cost disparities over time.

Total Mortgage Insurance Cost: Conventional vs. FHA



Assumptions: Home Value: \$200,000; LTV: 95%; 2% annual appreciation rate for home value; Credit Score: 680; Conventional 30-Year Fixed Interest Rate: 4%; FHA 30-Year Fixed Interest Rate: 4%

97% LTV Options

(With MGIC Mortgage Insurance!)



1-unit:

- Fannie Mae's MyCommunity Mortgage[®] (MCM[®])
- Fannie Mae's Standard transaction (Non-MCM)
- Freddie Mac's Home Possible Advantage[®]
- Housing Finance Agencies

At a glance



	Fannie Mae MCM	Fannie Mae Standard	Freddie Mac Home Possible Advantage	MGIC Go!
Max CLTV or TLTV	97% if subordinate lien is not a Community Second® 105% if the lien is a Community Second		105% - secondary financing must be an Affordable Second® and the Affordable Second may not be a HELOC	105% Approve or Accept Eligible 97% Approve or Accept Ineligible
Minimum Borrower Contribution	Standard MCM contribution requirements apply	Standard contribution requirements apply	No minimum borrower contribution from borrower Personal Funds is required.	Follow your findings/feedback
DTI	Determined by DU		Determined by LP (43% if manual underwrite)	Follow your findings/feedback
Reserves	Determined by DU		No reserves required	Follow your findings/feedback

Key Differences on Purchase Loans

	Fannie Mae MCM	Fannie Mae Standard	Freddie Mac Home Possible Advantage
Must be a first-time homebuyer?	Yes		No
Effective date	Week-end of 12/13/2014		Settlement dates on/after 03/23/2015
Pre-purchase homebuyer education required?	Yes	No	Yes if all borrowers are FTHB, otherwise not required
Does MGIC's Homebuyer Education qualify?	Yes	(not required)	Yes
Underwriting Method	DU only		LP or manual underwrite



FTHB

=

not have owned
residential
property in past
3 years

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Education as a
Lead generator:
Now That's SMART!



Homebuyer
Education

MGIC

Key Differences

Fannie Mae	MCM 95%	MCM 97%
Must be a first-time homebuyer?	No	Yes
Pre-purchase homebuyer education required?	No ... if one of borrowers is not FT HB Yes... if all borrowers are FT HB <i>(or relying solely on nontraditional credit)</i>	Yes
Limited Cash-out Refi options?	Yes	No

Community Seconds[®] Checklist



- CLTV 105% or less?
- Eligible source of funds?
(Gov't, non-profit, FHLB, HFA, or employer)
- Subordinate to the First Lien Mortgage?
- Eligible use of funds?
(DPA, closing costs, renovations or permanent buydown)
- Not a balloon?
- Rate not more than 2% above the first mortgage rate?
- No negative amortization?
- Resale restrictions consistent with Fannie Mae's policies?
- If shared-appreciation mortgage (SAM):
 - No interest charged?
 - Provider's share appropriately capped?

Affordable Seconds[®] Checklist



- Eligible source of funds?
(Gov't, non-profit, FHLB, HFA, or employer)
- Subject to and subordinate to the First Lien Mortgage?
- Eligible uses of funds?
(DPA, closing costs, renovations or permanent buydown)
- No balloon payment due prior to First Mortgage maturity ?
- Rate not greater than the first mortgage rate?
- No negative amortization?
- Not a HELOC?
- If a SAM, is provider's share appropriately capped?
- If monthly payments not due until Month 61, payment may be excluded from HEI and DTI calculations (and entered in LP as gift funds and included in the TLTV)

Pricing



Table 6: MyCommunityMortgage (MCM)

(AMDC under Table 1 and LLPA for High-Balance Mortgage Loans under Table 3 also apply to MCM, in addition to the LLPAs in this table)

Product Feature	LLPAs	SFC
All MCM loans	0.750%	460
Subordinate financing (non-Community Seconds)	0.500% ⁽⁵⁾	460

		HOME POSSIBLE ADVANTAGE MORTGAGES Effective for Settlements on or after March 23, 2015		
Product	Loan Purpose	Credit Score		
		All Eligible		
		< 680	≥ 680 & < 720	≥ 720
All Eligible Product	Purchase	1.50%	1.25%	1.00%
	No Cash-out Refinance	1.75%	1.75%	1.75%

Table 2: All Eligible Mortgages (excluding MCM) – LLPA by Credit Score/LTV Ratio

Representative Credit Score	LTV Range								SFC
	Applicable for all mortgages with terms greater than 15 years								
	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	
≥ 740	-0.250%	0.000%	0.000%	0.250%	0.250%	0.250%	0.250%	0.250%	N/A
720 – 739	-0.250%	0.000%	0.250%	0.500%	0.500%	0.500%	0.500%	0.500%	N/A
700 – 719	-0.250%	0.500%	0.750%	1.000%	1.000%	1.000%	1.000%	1.000%	N/A
680 – 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.000%	N/A
660 – 679	0.000%	1.000%	2.000%	2.500%	2.750%	2.250%	2.250%	1.750%	N/A
640 – 659	0.500%	1.250%	2.500%	3.000%	3.250%	2.750%	2.750%	2.250%	N/A
620 – 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.000%	N/A
< 620 ⁽¹⁾	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.250%	N/A

⁽¹⁾ A minimum required credit score of 620 applies to all mortgage loans delivered to Fannie Mae in accordance with the *Selling Guide*; exceptions to this requirement are limited to loans in which any borrower has nontraditional credit.

Table 3: All Eligible Mortgages (excluding MCM unless otherwise noted) – LLPA by Product Feature

PRODUCT FEATURE	LTV Range							SFC	
	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%		95.01 – 97.00%
High LTV ⁽²⁾	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.500%	
Manufactured home	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	N/A	235
Investment property	1.750%	1.750%	1.750%	3.000%	3.750%	N/A	N/A	N/A	N/A

Consider...



	FHA 96.5%	Fannie Mae Standard – 97%	MCM / Home Possible Advantage* – 97%	Standard – 95%
Purchase Price	\$250,000	\$250,000	\$250,000	\$250,000
Down Payment	\$8,750	\$7,500	\$7,500	\$12,500
Base Loan Amount	\$241,250	\$242,500	\$242,500	\$237,500
Upfront Premium <i>(financed into loan amount)</i>	\$4,222	\$0	\$0	\$0
Total Amount Borrowed	\$245,472	\$242,500	\$242,500	\$237,500

*Home Possible Advantage available March 23, 2015

760 FICO



\$250,000 purchase price	FHA 96.5%	Fannie Mae Standard – 97%	MCM / Home Possible Advantage* – 97%	Standard – 95%
Interest Rate	4.0%	4.375%	4.5%	4.25%
Monthly MI Premium Rate	1.35%	1.05%	0.57%	0.54%
Monthly MI Payment	\$269	\$212	\$115	\$107
Monthly Loan Payment (P&I+MI)	\$1,441	\$1,423	\$1,344	\$1,275
Estimated MI Cancellation <i>(in years, assuming 3% annual appreciation)</i>	Not Cancellable	5.1	5.1	5.0
Payment approximately 5 –years from now <i>(assuming MI cancellation)</i>	\$1,415	\$1,211	\$1,229	\$1,168

*Home Possible Advantage available March 23, 2015

720 FICO



\$250,000 purchase price	FHA 96.5%	Fannie Mae Standard – 97%	MCM / Home Possible Advantage* – 97%	Standard – 95%
Interest Rate	4.0%	4.375%	4.5%	4.25%
Monthly MI Premium Rate	1.35%	1.10%	0.60%	0.62%
Monthly MI Payment	\$269	\$222	\$121	\$123
Monthly Loan Payment (P&I+MI)	\$1,441	\$1,433	\$1,350	\$1,291
Estimated MI Cancellation <i>(in years, assuming 3% annual appreciation)</i>	Not Cancellable	5.1	5.1	5.0
Payment approximately 5 –years from now <i>(assuming MI cancellation)</i>	\$1,415	\$1,211	\$1,229	\$1,168

*Home Possible Advantage available March 23, 2015

680 FICO



\$250,000 purchase price	FHA 96.5%	Fannie Mae Standard – 97%	MCM / Home Possible Advantage* – 97%	Standard – 95%
Interest Rate	4.0%	4.5%	4.5%	4.375%
Monthly MI Premium Rate	1.35%	1.31%	0.80%	0.89%
Monthly MI Payment	\$269	\$265	\$162	\$176
Monthly Loan Payment (P&I+MI)	\$1,441	\$1,494	\$1,391	\$1,362
Estimated MI Cancellation <i>(in years, assuming 3% annual appreciation)</i>	Not Cancellable	5.1	5.1	5.0
Payment approximately 5 –years from now <i>(assuming MI cancellation)</i>	\$1,415	\$1,229	\$1,229	\$1,186

*Home Possible Advantage available March 23, 2015

660 FICO



\$250,000 purchase price	FHA 96.5%	Fannie Mae Standard – 97%	MCM – 97%	Standard – 95%
Interest Rate	4.0%	4.75%	4.5%	4.625%
Monthly MI Premium Rate	1.35%	1.48%	0.94%	1.15%
Monthly MI Payment	\$269	\$299	\$190	\$228
Monthly Loan Payment (P&I+MI)	\$1,441	\$1,564	\$1,419	\$1,449
Estimated MI Cancellation <i>(in years, assuming 3% annual appreciation)</i>	Not Cancellable	5.1	5.1	5.1
Payment approximately 5 –years from now <i>(assuming MI cancellation)</i>	\$1,415	\$1,265	\$1,229	\$1,221

620 FICO



\$250,000 purchase price	FHA 96.5%	MCM – 97%
Interest Rate	4.0%	4.5%
Monthly MI Premium Rate	1.35%	0.94%
Monthly MI Payment	\$269	\$190
Monthly Loan Payment (P&I+MI)	\$1,441	\$1,419
Estimated MI Cancellation <i>(in years, assuming 3% annual appreciation)</i>	Not Cancellable	5.1
Payment approximately 5 –years from now <i>(assuming MI cancellation)</i>	\$1,415	\$1,229

97% Conventional compared to FHA 96.5% with upfront financed offers:

- **Less money down**
- **Lower loan amount**
- **Less in MI**
- **Lower monthly mortgage payment**
- **Ability to cancel MI**

A man in a light blue dress shirt and patterned tie is sitting in a meditative pose (lotus position) on a white chair. He has a confused or questioning expression on his face, with furrowed brows and a slightly open mouth. His hands are held out to the sides, palms up, in a gesture of uncertainty or "I don't know." The background is a solid dark blue color.

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So how does it impact HFAs?

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Some things to keep in mind with HFAs...



- HFA Preferred is not subject to LLPAs
Could be a savings of .75% to 3.25% compared to MCM or standard 97
- HFAs will still be one of the main providers of Down Payment Assistance (DPAs) options
- Some HFAs offer below market rates
- Some HFAs allow non-FTHB purchases

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Fastest, easiest way to get MI



Max LTV/CLTV: 97% / 105%; Max cash out: \$150,000

www.mgic.com/social



Follow Your Findings

MGIC Go!**DU Approve or LP Accept**

	Eligible	Ineligible (due to LTV or Loan Type)
Minimum Credit Score	620	620
Maximum LTV/CLTV	97%/105%	97%/97%
Occupancy	Primary Residence and Second Home	Primary Residence
Units	Primary Residence: 1 to 2 units Second Home: 1 unit	1 unit
Maximum DTI Ratio	As allowed by DU or LP	45%
Loan Type	As allowed by DU or LP	Fixed-rate/fixed-payment or a fully amortizing ARM with an initial term of 5 years or more <i>(Qualify ARMs using UWG 3.06b)</i>

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