



## Overview of Current Lending Practices

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## Agenda

- **Purchase**
  - Conforming
  - FHA
  - VA
  - Rural Housing
  - Jumbo



## Agenda

- **Refinance**

- Conforming
- Home Affordable Refinance Program (HARP)
- FHA
- VA
- Rural Housing
- Jumbo



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## Agenda

- **Loan Modifications**

- Conforming
- FHA
- Rural Housing
- VA
- Second Mortgages

- **Reverse Mortgages**

- Purchase
- Refinance



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**Purchase- Conforming**

**Conforming loans**

- Conform to FNMA/FHLMC underwriting guidelines
- Offers low down payments
  - As little as 5% with mortgage insurance
- Stricter credit requirements
- Automated underwriting
- Down payment assistance allowed on a limited basis
- Competitive interest rates and fees
- Fixed rates and ARMs available
- Not Assumable

**Conforming Loan Limits & Max LTV**

**• Conforming Loan Limits**

- Determined by Fannie Mae & Freddie Mac- Metro limit is \$417,000

Maximum Original Principal Balance for Loans Closed in 2011*				
Units	Contiguous States, District of Columbia, and Puerto Rico		Alaska, Guam, Hawaii, and the U.S. Virgin Islands	
	General	High-Cost*	General	High-Cost*
1	\$417,000	\$729,750	\$625,500	\$938,250
2	\$533,850	\$934,200	\$800,775	\$1,201,150
3	\$645,300	\$1,129,250	\$967,950	\$1,451,925
4	\$801,950	\$1,403,400	\$1,202,925	\$1,804,375

- Maximum loan amounts can not be exceeded by the Upfront MIP (Mortgage Insurance Premium)
- Maximum LTV for a purchase transaction is 95%\*

\*subject to "soft market" guidelines

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### Mortgage Insurance Premium (MIP)

- Required is loan to value (LTV) exceeds 80%
- Upfront MIP (UFMIP), if chosen must be paid at closing
- Annual MIP, if chosen, is paid monthly with each mortgage payment
- MIP premiums are based upon loan type, loan term and LTV & credit

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### Credit & Qualifying

- Only Traditional credit allowed
- No outstanding federal liens or judgments
- Previous bankruptcy and foreclosure allowed with restrictions

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## Seller Contributions

	LTV/CLTV*	Maximum Seller/Interested Party Contributions
<b>Primary Residence and Second Home</b>	>90%	3%
	>75% - ≤90%	6%
	≤75%	9%
<b>Investment Property</b>	All	2%

\* Lesser of sales price or appraised value

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## Recap

- Securitized by FNAM or FHMLC
- Down payments as low as 5%
- No mortgage insurance required at 80% LTV
- Competitive interest rates and fees
- Risk-based pricing
- Seller contributions can be up to 6% of the purchase price

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## Purchase- FHA

### **FHA loans are often the “loan of choice” for new homebuyers:**

- FHA loans are insured by HUD
- Offers low down payments
  - As little as 3.5%
- Flexible credit requirements
- Automated underwriting
- Down payment assistance allowed
- Competitive interest rates and fees
- Fixed rates and ARMs available
- Assumable

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## FHA Loan Limits & Max LTV

- **FHA Loan Limits**
  - Determined by HUD and are county specific- Metro limit is \$365,000
  - HUD web address: <https://entp.hud.gov/idapp/html/hicostlook.cfm>
  - Maximum loan amounts can be exceeded by the Upfront MIP (Mortgage Insurance Premium)
- **Maximum LTV**
  - Maximum LTV for a purchase transaction is 96.5%

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## Mortgage Insurance Premium (MIP)

- Upfront MIP (UFMIP) can be paid at closing or financed
- Annual MIP is paid monthly with each mortgage payment
- MIP premiums are based upon loan type, loan term and LTV

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## Credit & Qualifying

- Traditional and non-traditional credit allowed
- No outstanding federal liens or judgments
- Previous bankruptcy and foreclosure allowed with restrictions

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## Down Payment/Source of Funds

- Borrower's minimum cash down payment on a purchase transaction is 3.5%
- Gift funds may be used to meet the borrower's minimum contribution requirement
- Cash on hand acceptable with restrictions
- Approved Down Payment Assistance and Bond programs allowed

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## Eligible Properties

- 1-4 Units (detached and attached PUDs)
- Condo requirements (minimum of 4 units)
  - HUD approved (<http://hud.gov/hoc/sna/snatsear.html>), or
  - Mixed-use properties
    - 1-4 Unit properties
    - Nonresidential may not exceed 25% of total floor area. Storage areas or similar spaces must be included in total nonresidential area.
- Log homes and modular homes acceptable
- Ineligible property types:
  - Manufactures homes (allowed in the states of Washington and Oregon only)
  - Unapproved condos
  - Co-ops and condotels

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## Seller Contributions

- Limited to a 6% of the purchase price
- Must be a contribution to buyer's closing costs (may include pre-paid items and discount points)

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## Recap

- The Federal Housing Administration (FHA) loans are insured by HUD
- Down payments as low as 3.5%
- Competitive interest rates and fees
- Gift funds may be used to meet the borrower's minimum contribution requirement
- Seller contributions can be 6% of the purchase price

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## VA Product Overview & Benefits

VA loans are guaranteed by the U.S. Department of Veterans Affairs, and offer the following:

- 10 to 30-year-fixed rate, 1 Year, 3/1 or 5/1 ARM mortgage for eligible veterans and their spouses
- No down payment required with full VA entitlement
  - For loan amounts > \$417,000.00, county loan limits apply to a maximum of \$625,500
- Competitive interest rates and fees
- Primary residences only
- Gift funds allowed with no minimum borrower contribution
- Homebuyer Assistance Program (HAP) available
- Temporary buydowns allowed up to a 3-2-1

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## VA Borrower Eligibility

- Veteran only, or veteran and spouse
- Unmarried surviving spouse, if veteran's death occurred during active duty, or because of a service-related disability
- Veteran and any other person, other than spouse, is restricted and requires VA prior approval
- Proof of service and Certificate of Eligibility required

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## USDA Rural Housing Loans

- USDA Rural Housing loans are available to help people purchase homes in rural area
- Borrowers with limited assets and low to moderate income
- 100% financing available and no cash reserves required
- First-time homebuyers allowed
- Traditional and non-traditional credit allowed
- Temporary buydowns allowed
- Single family attached and detached properties

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## Purchase- Jumbo

### **Target Audience**

- Requires larger loan amount than Conforming products can provide
- Has sufficient assets for down payment, plus required reserves
- Has strong credit history

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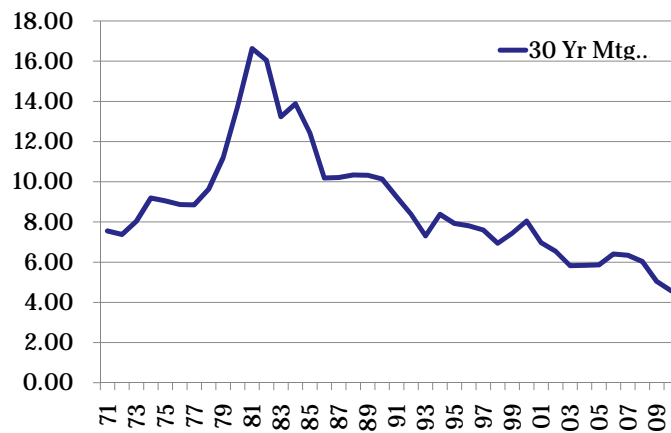
### Jumbo Product Features

- Financing up to \$2 million for primary residences
- Financing up to \$1.5 million for vacation and investment properties
- Fixed rates & ARMs
- Interest-only payment up to 10 years
- LTV ratios from 65% - 80%
- FICO scores starting at 680
- Higher DTI ratios from 40% - 45%

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### Conforming Refinance



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## Conforming Refinance

- Up to 95% LTV with mortgage insurance
- Up to 80% LTV without MI
- Rate/Term or Cash-Out
- Can be done with no costs
- Fixed rate or adjustable rate options

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## Conforming – Making Home Affordable

- For clients who are current on loan payments
- Home Affordable Refinance Program (HARP)
- Up to 125% LTV without mortgage insurance
- Loan must be owned by FNMA or FHLMC
- Rate/Term Only
- Combined LTV% (1<sup>st</sup> & 2<sup>nd</sup>)- no limit for existing secondary financing
- Fixed rate options
- Expires June 30<sup>th</sup>, 2012

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## FHA Refinance

- Up to 98.75% LTV/CLTV on rate/term
- Up to 85% LTV on cash-out
- Can be done with no costs
- Fixed rate or adjustable rate options

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## VA Refinance

- Up to 100% LTV
- Rate/Term and Cash-out (95%)
- Up to \$625,500

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### VA Streamline Refinance

- Refinance of existing VA loan
- Rate/Term
- No minimum credit score
- No appraisal required
- No income qualifications

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### Jumbo Refinance

- Up to 80% LTV
- Rate/Term and Cash-out
- Fixed Rate or ARM
- Combine 1<sup>st</sup> & Large HELOC w/ Variable rate

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## Loan Modifications

- Loan Modifications- [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov)
  - Home Affordable Modification Program (HAMP)
  - Principal Reduction Alternative (PRA)
  - FHA-HAMP
  - USDA-RHA Special Loan Servicing
  - VA-HAMP
  - Second Lien Modification Program (2MP)
  - 888-995-HOPE (4673)



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## Reverse Mortgages

Reverse Mortgages are loans that allow homeowners age 62 or older to borrow funds in retirement without having monthly payment obligations

- Existing home OR New Home Purchase
- Government developed and insured (FHA)
- No monthly payments required
- Flexible use of funds
- Safeguards to protect seniors
- No income, asset, credit or employment requirements\*\*
- No repayment until home is no longer the principle residence

\*\*FHA may verify that purchase customers can afford more than one property

## Reverse Characteristics

- Homeowner retains title and ownership of the home, like any other mortgage
- Cash advances can be used for any purpose
- Funds allocation can be amended throughout the life of the loan
- No Fixed Maturity Date
- LOC annual growth feature
- Tax-free income will not affect Social Security or Medicare benefits\*\*\*

\*\*\*Contact a tax professional when considering a lump sum disbursement of funds

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## Reverse Uses

- Maintain ownership & independence –Age in place
- Retire an existing mortgage, **NO MORE PAYMENTS!**
- Replace lost income & cover rising expenses
- Facilitate home repairs, modifications and updates
- Fund charitable & legacy giving
- Create additional tax-free income stream, liquidity
- Establish a no-load emergency fund
- Create a social security deferral strategy
- Cover healthcare costs & debt
- Purchase property
- Live more comfortably in retirement

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## Reverse FAQ

- Will the bank own the home?
  - No, homeowners continues to own their home and remain on the title
  - Homeowner responsible for the home, payment of property taxes, insurance and keeping the home in reasonable condition
- How is a Reverse different than a home equity mortgage?
  - No income or credit qualifications
  - Non-recourse- The home alone secures the loan.
  - No need to make payments, although they can with no prepayment

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## Reverse Information

<a href="http://www.AARP.org">www.AARP.org</a>	AARP
<a href="http://www.NCOA.org">www.NCOA.org</a>	National Council on Aging
<a href="http://www.NRMLA.org">www.NRMLA.org</a>	Nat'l Reverse Mtg. Lender's Assoc.
<a href="http://www.HUD.gov">www.HUD.gov</a>	U.S. Dept. of Housing and Urban Development (HECM resources)

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Thank You

Questions?

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