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The information presented, including details about interest rates and pricing strategies based on current industry practices, market conditions, and guidelines as of the date of this course which are all subject to change.

Participants are encouraged to consult with qualified financial, legal and mortgage professionals to obtain guidance tailored to a specific situations.

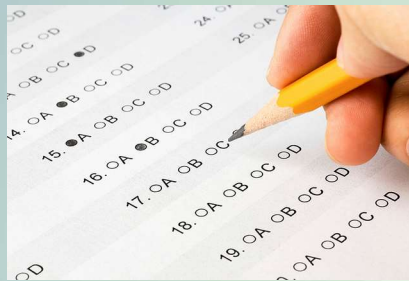
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Today's Topics

1. Quiz Time
2. Why Rates Vary from Lender to Lender
3. Conventional Limits, Where Mortgages Come From & the NMLS
4. Pre-approvals and Why Rates Change
5. How Interest Rates Can Cover Agent Compensation
6. Numbers Don't Lie! The Fed & Where Rates Really Come From
7. Basis Points, MLO Comp and Rate vs. Price
8. Eligibility Requirements and Pricing for Risk
9. Risk Factors: LLPAs and the "Sweet Spot"
10. Interest Rate Lock Considerations

Quiz Time!



Why Rates Vary and Who Controls Them Anyway?

Why Rates Vary...



- Rates change daily
- Sometimes rates change hourly
- Sometimes they increase
- Sometimes they decrease...
- Sometimes all in the same day!
- What about the COST?

✦ Pursuing the lowest rate: a pointless pursuit.

Can Money Be Put On Sale?



“He who has the gold...”

Purchase Special Example	(.125%)
Loan amount \$100k – 150k	.250%
Term > 15 years, FICO 740+, LTV 75%- 80%	.500%
Pricing special: Conforming FICO 740-759	(.125%)
Pricing special: All Conventional Products	(.375%)
Originator compensation/Lender Profit	2.000%

Why It's All About the Annual Percentage Rate (APR)

- APR = Total cost of financing as a percentage
- A relationship of total finance charges to total amount financed
- *The APR is not the note rate*
- APR Must be disclosed whenever interest rate is quoted



Whenever an interest rate is quoted to a consumer, including advertisements, websites, or any print ad,

APR must be disclosed.

What does the mean to you?

Rate: 5.875%
APR: 6.255%



2025 Conventional Loan Limits

2024 limit: \$766,550

2025 limit: \$806,500

Increase of 5.2%

What Does This Really Mean?

How Consumers Get Residential Mortgages

**NMLS
"Registered"**

**Retail Bank
Originators**

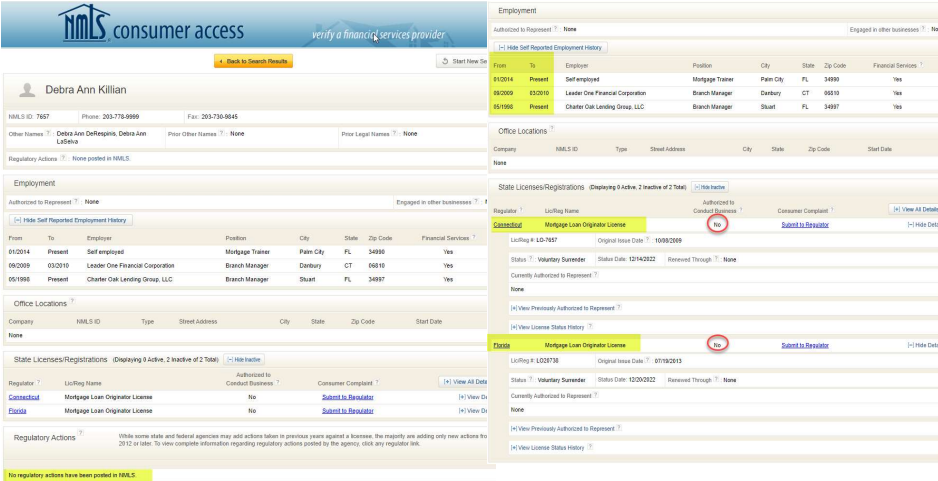
**NMLS
State-Licensed**

**Correspondent
Lenders/
Bankers** **Wholesale
Brokers**

 *Different channels and different pricing confuses consumers!*

Who's Financing the Purchase?

**Can a MLO Licensed in NY Issue a Pre-approval for PA Property?
Where to Verify the MLO License...**



Debra Ann Killian
NMLS ID: 7697 Phone: 203-776-9999 Fax: 203-770-9645

Employment

From	To	Employer	Position	City	State	Zip Code	Financial Services
01/2014	Present	Self-Employed	Mortgage Trainer	Palm City	FL	34989	Yes
09/2009	03/2010	Leader One Financial Corporation	Branch Manager	Danbury	CT	06810	Yes
05/1998	Present	Charter Oak Lending Group, LLC	Branch Manager	Stuart	FL	34987	Yes

State Licenses/Registrations (Displaying 0 Active, 2 Inactive of 2 Total)

Regulator	License Name	Authorized to Conduct Business	Consumer Complaint
Connecticut	Mortgage Loan Originator License	No	Submit to Regulator
Florida	Mortgage Loan Originator License	No	Submit to Regulator

<https://www.nmlsconsumeraccess.org/>



*Pre-Qualifications
&
Pre-Approvals*



“Pre-Qualifications”
vs.
“Pre-Approvals”



TRUE OR FALSE:



FALSE!

Using a pre-approval guarantees a closing?

✦ *The process is more important than the words!*

When Pre-Approvals Become Invalid...

- **Program change:**
 - *Conventional to FHA*
- **Points structure:**
 - *"0" points to 2 points*
- **Rate change:**
 - *4.875% to 5.375%*
- **Increase or decrease in LTV:**
 - *Not enough cash*
 - *Appraisal to low*
- **Documentation Requirements:**
 - *Can't meet program guidelines*
- **Property:**
 - *SFR to condo*
- **Cash to close is short**
 - *Not enough documented*



**BACK TO
UNDERWRITING**

Buyer's Agent Compensation

*How Interest Rates Can Cover Your
Compensation When the Seller Won't*

Buyer's Agent Compensation

A Real Listing Agreement

8. **Compensation:** Seller will compensate Broker as specified below for procuring a buyer who is ready, willing, and able to purchase the Property or any interest in the Property on the terms of this Agreement or on any other terms acceptable to Seller. Seller will pay Broker as follows (plus applicable sales tax):
- (a) 5% of the total purchase price plus \$ _____ OR \$ _____, no later than the date of closing specified in the sales contract. However, closing is not a prerequisite for Broker's fee being earned.

Compensation Agreement - Seller to Buyer's Broker

1. PARTIES

This Seller to Buyer's Broker Compensation Agreement is between:

Buyer's Broker: _____ ("Buyer's Broker")
and

Seller: Debra A Killian Donald DeRespinis ("Seller")

4. BUYER'S BROKER COMPENSATION

If Buyer's Broker is the procuring cause of the sale of Property during the Term, Seller will compensate Buyer's Broker as stated below at closing of Property.

Seller agrees to compensate Buyer's Broker (CHECK ONE):

- \$ _____ (flat fee)
 2.5% of the gross purchase price of the Property plus \$ _____
 other (specify): _____



What happens when sellers do NOT want to offer cooperating commission?

LPCs & BPCs – Interest and MLO Compensation



Mortgage companies make money from origination fees.

Investors make money from the interest paid.

If the borrower isn't paying the origination fee, the interest rate is.

- **LO Comp Rule:** set pricing for originators (not how it was before 2008)
- **Origination Fee:** \$\$ paid by buyer at closing *at any interest rate and price*
- **Interest:** \$\$ paid at closing or over life of loan, paid by the borrower or the lender
- **(LPC) Lender Paid Credits:** \$\$ paid by lender at closing in exchange for a higher interest rate
- **(BPC) Borrower Paid Compensation:** \$\$ paid by the buyer at closing
- **Discount Points:** \$\$ prepaid interest, paid at closing, for a lower rate over life of loan

FHA Interest Rates/Costs

FHA 30 YEAR FIXED CONFORMING				
RATE	15 DAY	30 DAY	45 DAY	60 DAY
4.750	1.754	1.879	2.004	2.129
4.875	1.396	1.521	1.646	1.771
4.990	0.911	1.036	1.161	1.286
5.000	0.786	0.911	1.036	1.161
5.125	0.396	0.521	0.646	0.771
5.250	(0.218)	(0.093)	0.032	0.157
5.375	(0.543)	(0.418)	(0.293)	(0.168)
5.490	(0.935)	(0.810)	(0.685)	(0.560)
5.500	(0.995)	(0.870)	(0.745)	(0.620)
5.625	(1.249)	(1.124)	(0.999)	(0.874)
5.750	(1.885)	(1.760)	(1.635)	(1.510)
5.875	(1.512)	(1.387)	(1.262)	(1.137)
5.990	(1.904)	(1.779)	(1.654)	(1.529)
6.000	(1.964)	(1.839)	(1.714)	(1.589)
6.125	(2.071)	(1.946)	(1.821)	(1.696)
6.250	(2.719)	(2.594)	(2.469)	(2.344)
6.375	(2.166)	(2.041)	(1.916)	(1.791)
6.490	(2.481)	(2.356)	(2.231)	(2.106)
6.500	(2.541)	(2.416)	(2.291)	(2.166)
6.625	(2.701)	(2.576)	(2.451)	(2.326)
6.750	(3.156)	(3.031)	(2.906)	(2.781)
6.875	(2.635)	(2.510)	(2.385)	(2.260)
6.990	(3.010)	(2.885)	(2.760)	(2.635)
7.000	(3.135)	(3.010)	(2.885)	(2.760)
7.125	(3.205)	(3.080)	(2.955)	(2.830)
7.250	(3.000)	(2.875)	(2.750)	(2.625)
7.375	(2.791)	(2.666)	(2.541)	(2.416)

3.50% Down Payment = 96.5% LTV

Assume BAC 2.25%: \$ 10,125

Purchase Price \$ 450,000

Base Loan Amount: \$ 434,250

UFMIP: \$ 7,599

Total Loan Amount: \$ 448,849

Cost of Interest Rate Paid by Buyer:

4.75% 2.004% \$ 8,995

5.25% 0.032% \$ 144

Cost of Credit Paid by Lender

6.25% (2.469%) (\$ 11,082)

6.75% (2.906%) (\$ 13,044)

3% Down Standard 97% vs. HomeReady Guidelines

Fannie Mae Standard 97% LTV	HomeReady 97% LTV
At least one borrower must be a first-time home buyer	First-time home buyer requirements <input type="text" value="None"/>
<input type="text" value="No limits"/>	Income limits 80% of AMI in all census tracts
Standard MI coverage; or Minimum MI coverage may be used, subject to LLPA for Minimum MI	MI coverage 25% MI coverage for LTV ratios of 90.01-97%; standard MI coverage for LTV ratios of 90% or less. Minimum MI coverage may be used, subject to loan-level price adjustment (LLPA) for Minimum MI.
If all occupying borrowers are first-time homebuyers, then at least one borrower is required to take homeownership education from a qualified provider*, regardless of the product chosen. Fannie Mae HomeView® can be used to satisfy the homeownership education requirement.	Homeownership education and housing counseling If all occupying borrowers are first-time homebuyers, then at least one borrower is required to take homeownership education from a qualified provider*, regardless of LTV. Fannie Mae HomeView® can be used to satisfy the homeownership education requirement.
Standard risk-based LLPAs** (based on loan risk characteristics)	Pricing <input type="text" value="LLPAs are waived for all HomeReady loans except LLPAs related to minimum mortgage insurance coverage."/>

3% Down HomeReady vs. FHA 3.5% Down

Feature	Fannie Mae HomeReady	FHA Loan
Purpose	Affordable homeownership for low-to-moderate-income borrowers	Accessible financing for borrowers with lower credit scores or down payments
Minimum Down Payment	3% of the purchase price	3.5% of the purchase price
Credit Score Requirement	Minimum 620 (may vary by lender)	Minimum 580 for 3.5% down; 500-579 for 10% down
Income Limits	Income cannot exceed 80% of the area median income (AMI)	No income limits
Mortgage Insurance	Private Mortgage Insurance (PMI) required for loans with less than 20% down; can be removed once LTV reaches 80%	Mortgage Insurance Premium (MIP) required for all loans; cannot be removed for the life of the loan with less than 10% down
Eligible Properties	1-4 unit primary residences, condos, co-ops, PUDs, and manufactured homes	1-4 unit primary residences, HUD-approved condos, and manufactured homes

3% Down HomeReady vs. FHA 3.5% Down cont'd

Feature	Fannie Mae HomeReady	FHA Loan
Debt-to-Income Ratio (DTI)	Typically up to 50% (automated underwriting may allow for higher)	Up to 43% (can go higher with compensating factors)
Assumable	Not assumable	Assumable with FHA approval
First-Time Homebuyer Requirement	Not required, but may benefit first-time buyers with lower PMI rates	Not required
Homebuyer Education	Required for at least one borrower if all are first-time homebuyers (via Fannie Mae's HomeView or other HUD-approved course)	Not required, but recommended
Down Payment Source	Flexible (gifts, grants, community seconds, employer assistance)	Flexible (gifts, grants, family, employer assistance)
Seller Contributions	Up to 3% for LTV above 90%, up to 6% for LTV of 75.01-90%	Up to 6% of purchase price
Use of Non-Borrower Income	Allows non-borrower household income for qualifying	Does not allow non-borrower income for qualifying

Conventional: 5.00% down vs 3.00% down
Differences in Rates and Payments

5% down	3% down	Difference
• Purchase price: \$450,000	• Purchase price: \$450,000	• same
• Loan amount: \$427,500	• Loan amount: \$436,500	• \$9,000
• Credit score: 760	• Credit score: 760	• same
• Interest rate: 6.50% "0" points	• Interest rate: 7.0% "1.00" lender credit	• .50%
• Principal and Interest: \$2,702	• Principal and Interest: \$2,904	• \$202
• Mortgage Insurance: \$ 86	• Mortgage Insurance: \$ 131	• \$ 45
• Principal & Int w/ MI \$2,788	• Principal & Int w/ MI \$3,035	• \$247
• Taxes and Insurance \$ 700	• Taxes and Insurance \$ 700	• same
• Total Monthly Payment \$3,488	• Total Monthly Payment \$3,735	• \$247

Conventional 5.00% down vs 3.00% down
Differences in Cash Requirements

5% Cash Requirements:	3% Cash Requirements:	Difference
Down payment: \$22,500	Down payment: \$ 13,500	• \$9,000
Financing closing costs: \$ 8,000	Financing closing costs: \$ 8,000	• same
BAC: 2.25%: \$10,125	BAC: 2.25%: \$ 10,125	• same
Cash from buyer: \$40,625	Cash from buyer: \$31,625	• \$9,000
Points paid from buyer: \$ - 0 -	Lender Credit: (\$ 4,365)	• (\$4,365)
Net cash from buyer: \$40,625	Net Cash From Buyer: \$27,260	• (13,365)

Buyer needs **(\$9,000) lower down payment**
(\$4,365) lender credit
\$13,365 less cash for closing!


 **Will This Always Work?** 

Assumption: 43% DTI Hard Stop?

Buyer's income = \$10,000

Allowable Debt to Income at 97% = 43.00%

- Mortgage Payment \$3,488
- **Front Ratio: 34.88%**
- Monthly car payment \$ 450
- Credit card payments \$ 262
- **Back Ratio 42.00%** (3,488 + 450 + 262 / 10,000)



Buyer's income = \$10,000

Allowable Debt to Income at 97% = 43.00%

- Mortgage Payment \$3,735
- **Front Ratio: 37.35%**
- Monthly car payment \$ 450
- Credit card payments \$ 262
- **Back Ratio 44.47%** (3,735 + 450 + 262 / 10,000)

Now What?

"Just 'flip it' to FHA or Non-QM"

But...What at what payment?

Just because we need cash...doesn't mean borrower qualifies.

What Do Trends Show?

Where Rates Really Come From
(First, The Fed)

The Federal Reserve Dual Mandate... A Balancing Act

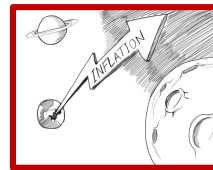
1. **Promote Maximum Employment**- "natural rate of unemployment."
 ... to ensure as many people as possible who want a job can find one;

- *lowering interest rates makes borrowing cheaper,*
- *encourages businesses to expand, hire more workers.*
- *too much focus on lowering unemployment and*
- *keeping interest rates too low, leads to higher inflation.*



2. **Stabilize Prices (Control Inflation)**
 ... to maintain 2.00% target rate, a healthy level for economic growth.

- *raising interest rates cools down overheated economy, reducing inflation.*
- *too much focus on controlling inflation; raising interest rates too high,*
- *slows economic growth which increases unemployment.*



Facts About the Fed



1. **Doesn't directly control mortgage rates; mortgage rates are influenced by the bond market and overall economic conditions.**
2. **Controls Short-Term Rates, Not Long-Term:** The Fed sets the "federal funds rate," a very short-term rate charged on credit cards, car loans, and other forms of borrowing that are **short-term**. *Mortgages, however, are long-term (typically 15-30 years). The Fed does not directly influence mortgage rates*
3. **Can influence economic conditions,** when the bond market reacts to conditions, drives mortgage rates.
4. **Mortgage Rates Are Tied to Bonds:** Mortgage rates are tied to 10-year Treasury bonds. Investors buy MBS for safe, steady returns. When bond prices go up, yields (interest rates) go down. When bond demand is high, mortgage rates tend to be lower, and vice versa. **(inverse relationship)**
5. **Economic Conditions Influence Rates:** With high inflation, investors demand higher returns to compensate for rising costs, pushing mortgage rates up. During economic slowdowns demand for safe investments like bonds increases, leading to lower mortgage rates.

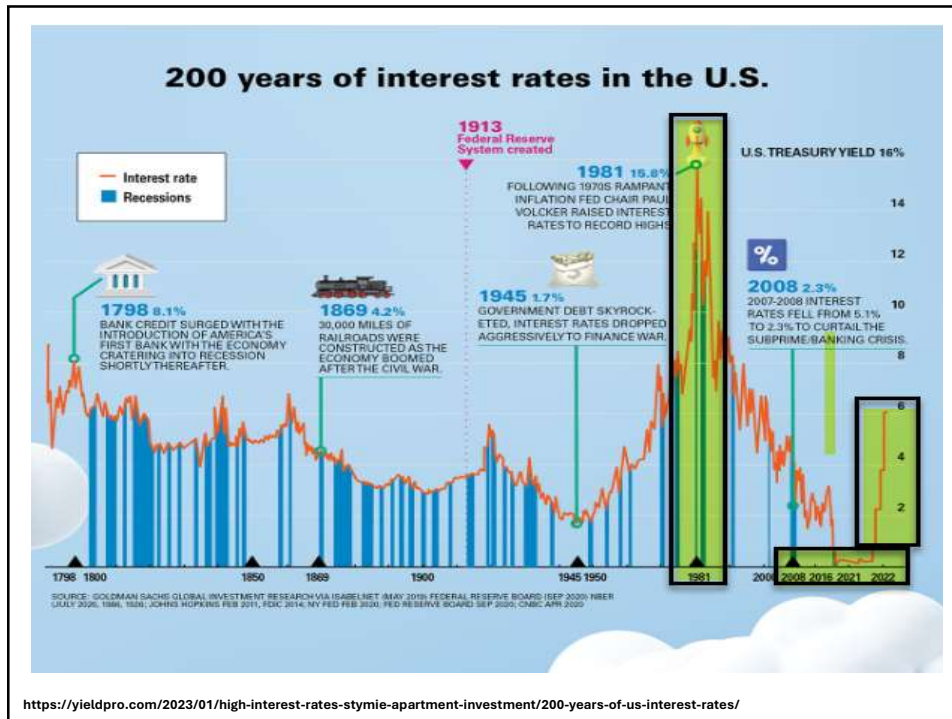
Understanding The "Market" Stocks and Bonds

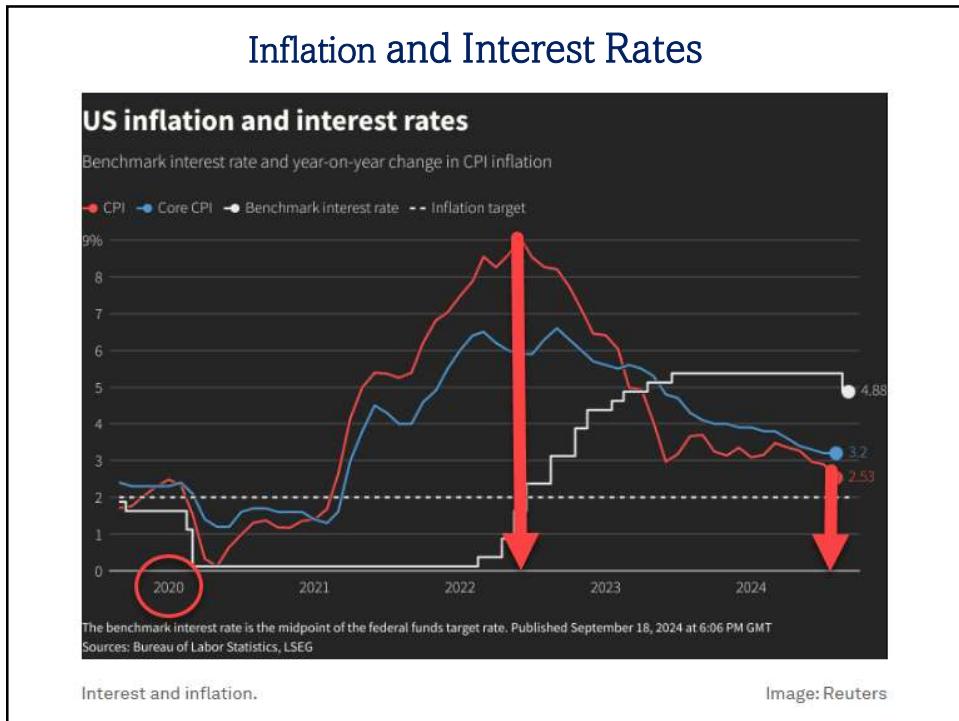
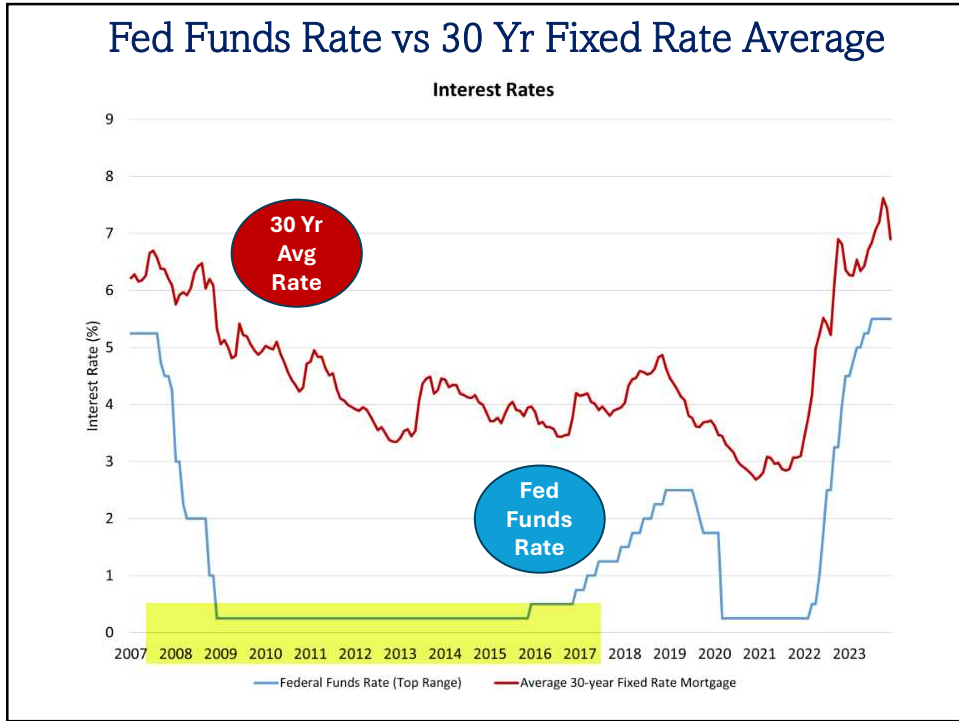


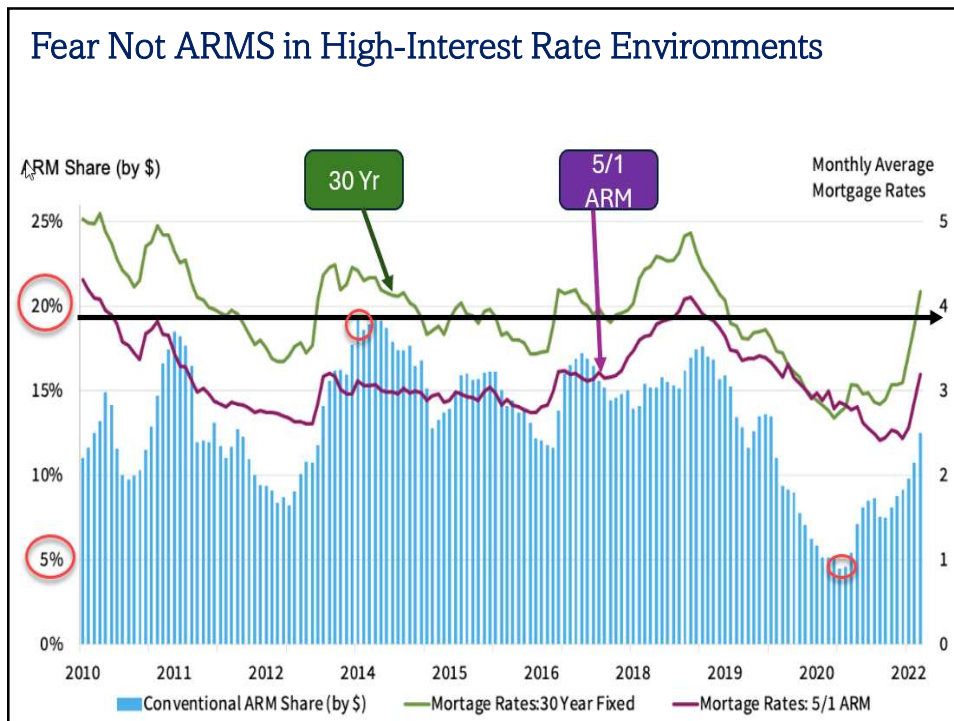
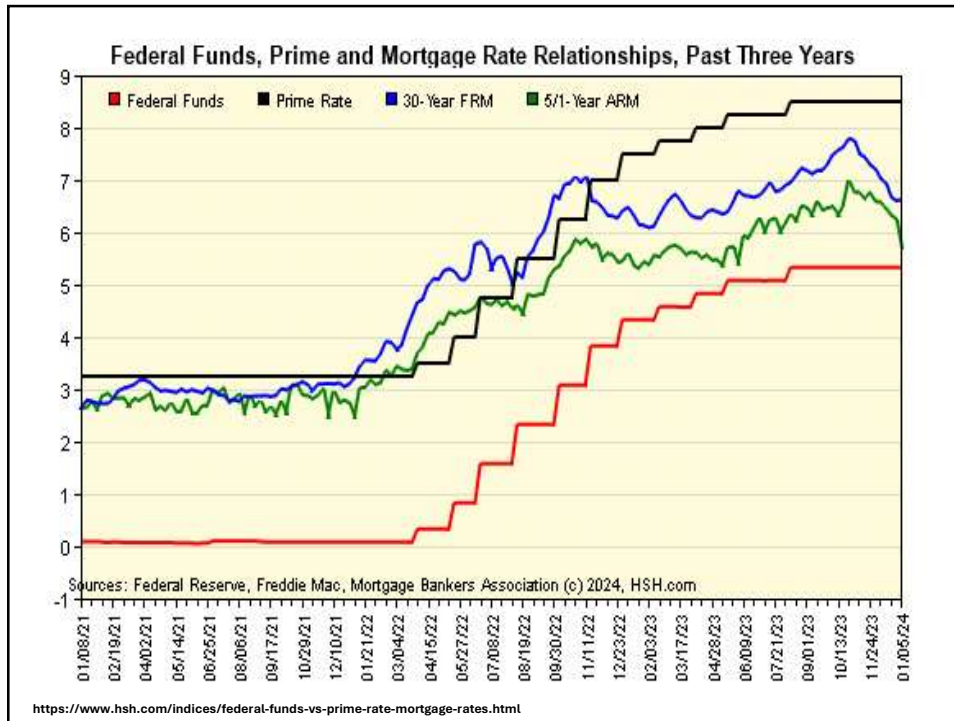
"Expectations"

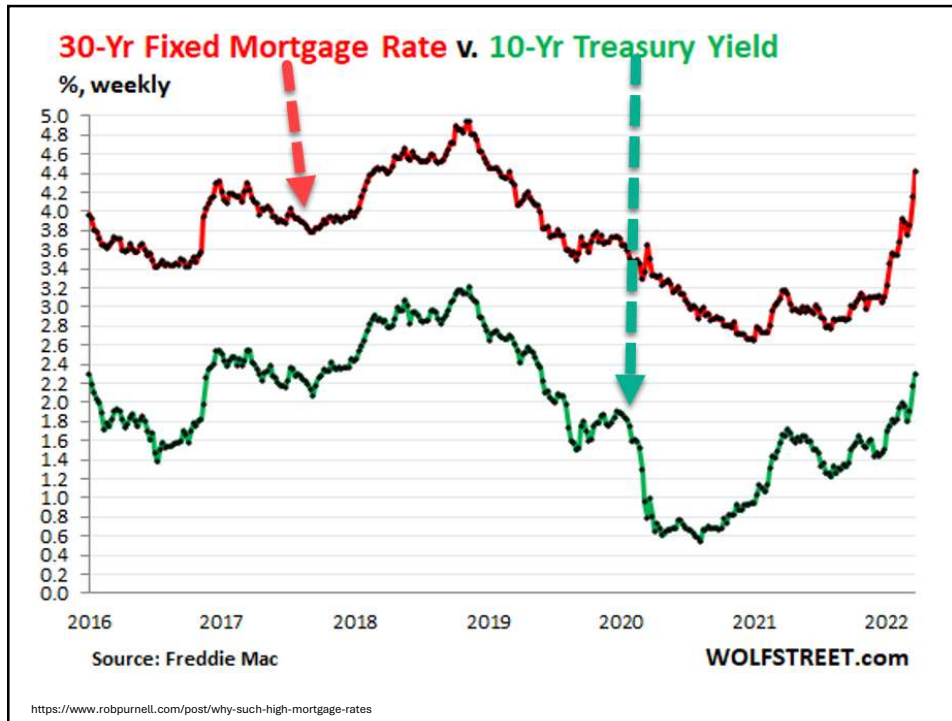


"Confidence"





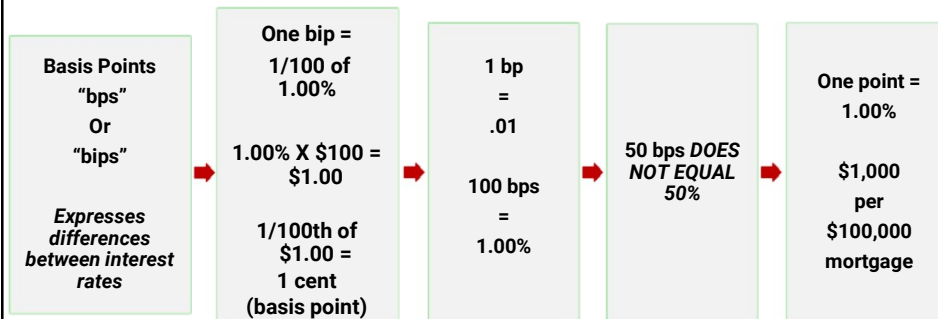




Converting Fractions to Decimals

Decimals	Fractions	RATE	15 Day	30 DAY
0.125%	1/8	5.250	0.649	0.681
0.250%	1/4	5.375	0.049	0.082
0.375%	3/8	5.490	(0.397)	(0.365)
0.500%	1/2	5.500	(0.522)	(0.490)
0.625%	5/8	5.625	(1.063)	(1.030)
0.750%	3/4	5.750	(1.122)	(1.073)
0.875%	7/8	5.875	(1.726)	(1.677)
1.00%	8/8	5.990	(2.115)	(2.067)
		6.000	(2.240)	(2.192)
		6.125	(2.698)	(2.650)
		6.250	(2.167)	(2.119)

“Basis Points” Are Not the Same as Percentages



Two originators pay structure:	
Sue earns 50% of the commission	
Bob earns .50 basis points	
Loan amount	\$350,000

Gross Company Revenue	2.00%
Gross in Dollars	\$ 7,000
Sue 50% in Dollars	\$ 3,500
Bob earns 50 BPS L/A	\$ 1,750

Converting Basis Points to Dollars

RATE	15 Day	30 DAY	45 DAY	60 DAY
5.250	2.518	2.643	2.768	2.893
5.375	1.876	2.001	2.126	2.251
5.490	1.390	1.515	1.640	1.765
5.500	1.140	1.265	1.390	1.515
5.625	0.559	0.684	0.809	0.934
5.750	0.502	0.627	0.752	0.877
5.875	(0.141)	(0.016)	0.109	0.234
5.990	(0.566)	(0.441)	(0.316)	(0.191)
6.000	(0.691)	(0.566)	(0.441)	(0.316)
6.125	(1.184)	(1.059)	(0.934)	(0.809)
6.250	(0.701)	(0.576)	(0.451)	(0.326)
6.375	(1.134)	(1.009)	(0.884)	(0.759)
6.490	(1.428)	(1.303)	(1.178)	(1.053)
6.500	(1.553)	(1.428)	(1.303)	(1.178)
6.625	(1.835)	(1.710)	(1.585)	(1.460)
6.750	(1.585)	(1.460)	(1.585)	(1.210)
6.875	(1.713)	(1.588)	(1.588)	(1.338)
6.990	(1.820)	(1.695)	(1.695)	(1.460)
7.000	(1.945)	(1.820)	(1.820)	(1.585)
7.125	(2.244)	(2.119)	(1.994)	(1.662)
7.250	(2.038)	(1.913)	(1.788)	(1.662)

Yellow = COSTS Paid by Buyer

Orange = CREDITS Buyers Receive from Lender

Bonafide Discount Points
\$300,000 Loan Amount
 Cost Payment
 5.750 0.627 \$1,881 \$ 1,751
 5.875 (0.016) (\$ 48) \$ 1,774
 Difference \$1,929 \$ 23
 B/E (\$1,929/\$23) = 83.87 months

Bonafide Discount Points
\$300,000 Loan Amount
 Price .627 below par
 (100.00 - 99.373)
\$ 1,881 cost to buyer at closing

Lender Credit at Closing
\$300,000 Loan Amount
 Price: Price 2.119 above par
 102.119 - 100.00)
\$6,357 credit to buyer at closing

Or any price on the rate sheet!

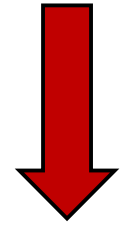
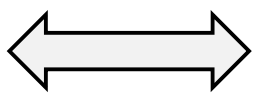
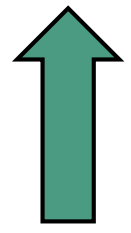
Pricing Terminology

"Yield Spread" was outlawed!

Above Par Pricing

Par Pricing

Below Par Pricing



Funds paid by the lender to the borrower at closing
LENDER PAID CREDIT (LPC)

No funds paid by lender
 No funds paid by borrower

Funds charged by lender From borrower at closing
BPC DISCOUNT POINTS

LO Compensation Rule Affect on Rates (2013)

Enacted to prevent loan originators from charging different interest rates or fees based on the terms of a loan, and to reduce steering.

(Pre-Rules) Percentage Comp

- ▶ \$100,000 loan amount
- ▶ *LO Comp = 65%*
- ▶ Fee on loan=2 points
- ▶ Gross Fee = \$2,000
- ▶ **Commission = \$1,300**

(Post-Rules) Basis Points Comp

- ▶ \$100,000 loan amount
- ▶ *LO Comp = 65 bps*
- ▶ Fee on loan=2 points
- ▶ Gross Fee = \$2,000
- ▶ **Commission = \$650**

Which company is most likely to offer a higher rate?

The Difference in “Rate” versus “Price”

30 Year Fixed

8.250	101.2250
8.125	101.1625
8.000	101.1000
7.875	101.0375
7.750	100.9750
7.625	100.9125
7.500	100.8500
7.375	100.7875
7.250	100.7250
7.125	100.6625
7.000	100.6000
6.875	100.4750
6.750	100.3500
6.625	100.2250
6.500	99.9750

If rate is 6.50% on \$200,000 loan:

Interest Note Rate:

- The **percentage** amount of interest
- paid over the life of the loan
- determined by the “note rate”

And buyer charged 2.00 points = \$4,000

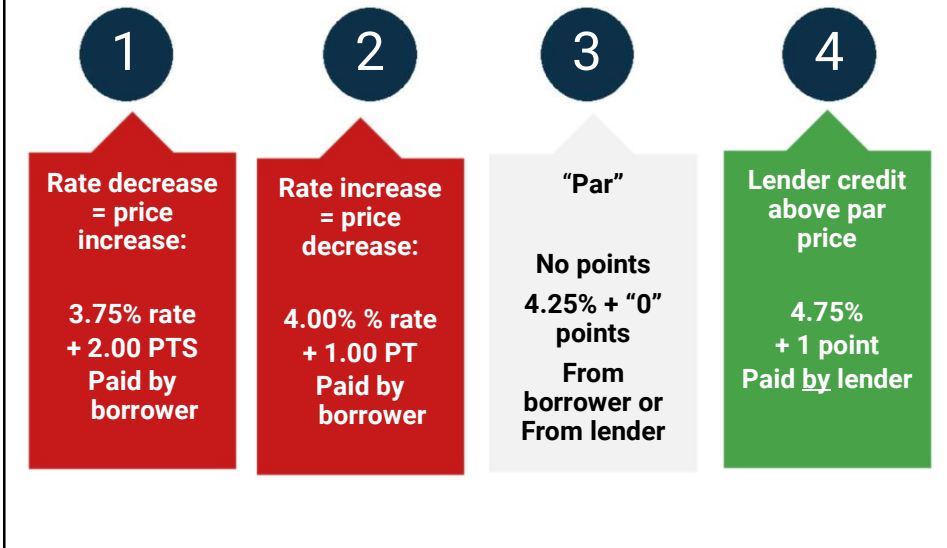
Interest Rate Price

- **Dollar cost**
- Adjusted by risk factors
- Higher risk = higher price

Closing Disclosure:

Points Charged:	\$4,000
Bonafide Discount .025 (100.00–99.975)	\$ 50
Origination Fee	\$3,500

So How May Points Buy Down the Rate?



Eligibility Requirements & Pricing for Transaction Risk

Higher Risk = Higher Rates

Rate Starts with Eligibility Requirements

Principal Residence		
Purchase Limited Cash-Out Refinance	1 Unit	FRM: 97% ⁽¹⁾ ARM: 95%
	2-4 Units	FRM/ARM: 95% ⁽²⁾
Cash-Out Refinance	1 Unit	FRM/ARM: 80%
	2-4 Units	FRM/ARM: 75%

Second Homes		
Purchase Limited Cash-Out Refinance	1 Unit	FRM/ARM: 90%
Cash-Out Refinance	1 Unit	FRM/ARM: 75%

Investment Property		
Purchase	1 Unit	FRM/ARM: 85%
	2-4 Units	FRM/ARM: 75%
Limited Cash-Out Refinance	1-4 Units	FRM/ARM: 75%
	1 Unit	FRM/ARM: 75%
Cash-Out Refinance	2-4 Units	FRM/ARM: 70%

Reserves, LTV and Credit Based on DTI






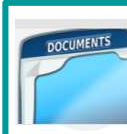
Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV	Maximum DTI ≤ 36%		Maximum DTI ≤ 45%	
			Credit Score/LTV	Minimum Reserves	Credit Score/LTV	Minimum Reserves
Principal Residence						
Purchase Limited Cash-Out Refinance	1 Unit	FRM/ARM: 95%	680 if > 75% 640 if ≤ 75%	0	720 if > 75% 680 if ≤ 75%	0
			FRM: 620 if > 75%	2		
	2 Units	FRM/ARM: 85%	660 if > 75%	6	700 if > 75% 660 if ≤ 75%	6
	3-4 Units	FRM/ARM: 75%	660	6	680	6
Cash-Out Refinance	1 Unit	FRM/ARM: 80%	680 if > 75% 660 if ≤ 75%	0	700 if > 75% 680 if ≤ 75%	2
			660 if > 75% 640 if ≤ 75%	6		
	2-4 Units	FRM/ARM: 75%	680	6	700 680	6 12

*Pricing Risk
Factors, LLPAs and
the Sweet Spot*

...where's the best rate and price

aka...the you're going to get a headache session

Price and Rate Factors

 LTV & credit score Primary factor	 Transaction type
 Loan amount	 Property type
 Occupancy	 Loan type

Comparing "Pricing" FHA Against Conforming

FHLMC30/25 Yr			
Rate	30 Day	45 Day	60 Day
5.250	92.295	92.263	92.251
5.375	92.880	92.848	92.834
5.500	93.416	93.384	93.368
5.625	93.961	93.929	93.911
5.750	94.734	94.713	94.688
5.875	95.269	95.248	95.221
5.990	95.319	95.298	95.271
6.000	95.773	95.751	95.723
6.125	96.213	96.191	96.160
6.250	96.853	96.834	96.805
6.375	97.314	97.294	97.262
6.500	97.700	97.679	97.644
6.625	98.024	98.005	97.968
6.750	98.490	98.476	98.449
6.875	98.898	98.881	98.871
6.990	98.927	98.910	98.900
7.000	99.185	99.164	99.151
7.125	99.479	99.452	99.436
7.250	99.920	99.912	99.846
7.375	100.337	100.325	100.258
7.500	100.674	100.661	100.594
7.625	100.927	100.909	100.840
7.750	101.126	101.094	100.818
7.875	101.492	101.457	101.180
8.000	101.813	101.774	101.497

30 Yr 355-360 Months FHA			
Rate	30 Day	45 Day	60 Day
4.875	92.314	92.189	92.064
5.000	92.769	92.644	92.519
5.125	93.225	93.100	92.975
5.250	94.156	94.031	93.906
5.375	94.611	94.486	94.361
5.500	95.066	94.941	94.816
5.625	95.522	95.397	95.272
5.750	96.250	96.125	96.000
5.875	96.705	96.580	96.455
6.000	97.160	97.035	96.910
6.125	97.616	97.491	97.366
6.250	98.187	98.062	97.765
6.375	98.842	98.517	98.220
6.500	99.097	98.972	98.675
6.625	99.533	99.408	99.111
6.750	99.997	99.856	99.684
6.875	99.958	99.817	99.645
7.000	100.392	100.251	100.079
7.125	100.778	100.637	100.465
7.250	101.147	101.022	100.834
7.375	101.066	100.941	100.753
7.500	101.468	101.343	101.155
7.625	101.823	101.698	101.510
7.750	102.142	102.017	101.892
8.750	102.750	102.750	102.750

Starting with PAR (or closest one)
 Rates are priced by # of days
 The longer a rate is locked for the higher the cost.
 Rate lock periods depend on when in the process the rate is locked.



Sweet Spot

Adjusting Conventional Pricing

6.990	98.927	98.910	98.900
7.000	99.185	99.164	99.151
7.125	99.479	99.452	99.436
7.250	99.920	99.912	99.846
7.375	100.337	100.325	100.258
7.500	100.674	100.661	100.594
7.625	100.927	100.909	100.840
7.750	101.126	101.094	100.818
7.875	101.492	101.457	101.180
8.000	101.813	101.774	101.497

Purchase Price: \$425,000
 LTV: 95%
 Loan amount \$403,750
 FICO: 680
 Rate 7.25%
 Base: .088 (99.912)
 Adj: 1.375 (LTV & FICO)
 Cost: 1.463 (\$5,906)

FICO/LTV on Term >15yr only	FHLMC Purchase LLPA								
	≤30.00%	30.01-60.00%	60.01-70.00%	70.01-75.00%	75.01-80.00%	80.01-85.00%	85.01-90.00%	90.01-95.00%	>95.00%
≥780	0.000	0.000	0.000	0.000	-0.375	-0.375	-0.250	-0.250	-0.125
760-779	0.000	0.000	0.000	-0.250	-0.625	-0.625	-0.500	-0.500	-0.250
740-759	0.000	0.000	-0.125	-0.375	-0.875	-1.000	-0.750	-0.625	-0.500
720-739	0.000	0.000	-0.250	-0.750	-1.250	-1.250	-1.000	-0.875	-0.750
700-719	0.000	0.000	-0.375	-0.875	-1.375	-1.500	-1.250	-1.125	-0.875
680-699	0.000	0.000	-0.625	-1.125	-1.750	-1.875	-1.500	-1.375	-1.125
660-679	0.000	0.000	-0.750	-1.375	-1.875	-2.125	-1.750	-1.625	-1.250
640-659	0.000	0.000	-1.125	-1.500	-2.250	-2.500	-2.000	-1.875	-1.500
≤639	0.000	-0.125	-1.500	-2.125	-2.750	-2.875	-2.625	-2.250	-1.750

Adjusting FHA Pricing

6.750	99.997	99.856	99.684
6.875	99.958	99.817	99.645
7.000	100.392	100.251	100.079
7.125	100.778	100.637	100.465
7.250	101.147	101.022	100.834
7.375	101.066	100.941	100.753
7.500	101.468	101.343	101.155
7.625	101.823	101.698	101.510
7.750	102.142	102.017	101.892
8.750	102.750	102.750	102.750

Purchase Price: \$425,000
 LTV: 95%
 Loan Amount: \$403,750
 FICO: 680
 Rate: 6.875%
 Base: .183 (99.817)
 Adj: .682(L/A & FICO)
 Cost: .865 (\$3,676)

	FHA & USDA - FICO/Loan Size								
	≤ \$50K	>\$50K-\$100K	>\$100K-\$150K	>\$150K-\$200K	>\$200K-\$250K	>\$250K-\$300K	>\$300K-\$350K	\$350K-\$450K	\$450K-HB
580-619	-3.560	-1.115	-0.430	-0.300	-0.245	-0.154	-0.166	0.425	-0.095
620-659	-2.370	-0.916	-0.416	-0.133	-0.020	0.031	0.048	0.035	0.089
660-699	-0.960	-0.835	-0.113	0.078	0.139	0.651	0.634	0.656	0.650
680-699	-0.700	-0.410	-0.109	0.172	0.188	0.686	0.672	0.682	0.666
700-749	-0.520	-0.308	0.150	0.281	0.261	0.748	0.730	0.730	0.726
720-749	-0.500	-0.173	0.218	0.300	0.300	0.800	0.777	0.770	0.770
750+	-0.288	-0.125	0.309	0.314	0.310	0.810	0.811	0.780	0.780

NOW LET'S COMPARE THE TWO LOAN PROGRAMS →

Conventional vs FHA Cash Differences At Same FICO

Purchase Price: \$425,000 5% Down, 95% LTV Base Loan amount \$403,750 FICO: 680

6.990	98.927	98.910	98.900
7.000	99.185	99.164	99.151
7.125	99.479	99.452	99.436
7.250	99.920	99.912	99.846
7.375	100.337	100.325	100.258
7.500	100.674	100.661	100.594
7.625	100.927	100.909	100.840
7.750	101.126	101.094	100.818
7.875	101.492	101.457	101.180
8.000	101.813	101.774	101.497

Conventional
 Base: .088 (99.912)
 Adj: 1.375 (LTV & FICO)
 Cost: 1.463 = \$5,906

6.750	99.997	99.856	99.684
6.875	99.958	99.817	99.645
7.000	100.392	100.251	100.079
7.125	100.778	100.637	100.465
7.250	101.147	101.022	100.834
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7.500	101.468	101.343	101.155
7.625	101.823	101.698	101.510
7.750	102.142	102.017	101.892
8.750	102.750	102.750	102.750

FHA
 Base: .183 (99.817)
 Adj: .682(L/A & FICO)
 Cost: .865 = \$3,676

When FICO Scores Are Different

Purchase Price: \$425,000 5% Down, 95% LTV
 Base Loan amount \$403,750
 FICO: 680 & 760 (no change in rate on FHA)

Conventional	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Rate</td><td style="text-align: right;">7.250%</td></tr> <tr><td>Base:</td><td style="text-align: right;">.0088 (99.912)</td></tr> <tr><td>LLPA</td><td style="text-align: right;">.375 (LTV & FICO)</td></tr> <tr><td>Cost:</td><td style="text-align: right;">1.463 \$5,906</td></tr> </table>	Rate	7.250%	Base:	.0088 (99.912)	LLPA	.375 (LTV & FICO)	Cost:	1.463 \$5,906	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Rate</td><td style="text-align: right;">7.250%</td></tr> <tr><td>Base:</td><td style="text-align: right;">.088 (99.912)</td></tr> <tr><td>LLPA</td><td style="text-align: right;">.25 (LTV & FICO)</td></tr> <tr><td>Cost:</td><td style="text-align: right;">.338 \$1,364</td></tr> </table>	Rate	7.250%	Base:	.088 (99.912)	LLPA	.25 (LTV & FICO)	Cost:	.338 \$1,364
	Rate	7.250%																
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	Rate	6.875%																
Base:	.183 (99.817)																	
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	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Monthly Payment:</td><td style="text-align: right;">\$ 2,652</td></tr> <tr><td>MIP (.85)</td><td style="text-align: right;">286</td></tr> <tr><td>Total with MIP</td><td style="text-align: right;">\$ 2,938</td></tr> </table>	Monthly Payment:	\$ 2,652	MIP (.85)	286	Total with MIP	\$ 2,938	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Monthly Payment:</td><td style="text-align: right;">\$ 2,652</td></tr> <tr><td>MIP (.85)</td><td style="text-align: right;">286</td></tr> <tr><td>Total with MIP</td><td style="text-align: right;">\$ 2,938</td></tr> </table>	Monthly Payment:	\$ 2,652	MIP (.85)	286	Total with MIP	\$ 2,938				
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Total with MIP	\$ 2,938																	

FHA Upfront Mortgage Insurance Premium (UFMIP) Currently 1.75% of the Base Loan Amount

<p>UFMIP Paid At Closing Can be paid by buyer, seller, agent or any other interested party.</p>	<p>UFMIP Financed Added to "base" loan amount interest charged at the note rate</p>																																				
<table style="width: 100%;"> <tr><td>Purchase Price:</td><td style="text-align: right;">\$425,000</td></tr> <tr><td>Base Loan Amount</td><td style="text-align: right;">\$403,750</td></tr> <tr><td>UFMIP</td><td style="text-align: right;">\$ 7,065</td></tr> <tr><td>Total Loan Amount</td><td style="text-align: right;">\$403,750</td></tr> <tr><td>Rate</td><td style="text-align: right;">6.875%</td></tr> </table> <table style="width: 100%;"> <tr><td>Cost:</td><td style="text-align: right;">\$ 3,427</td></tr> <tr><td>Monthly Payment:</td><td style="text-align: right;">\$ 2,652</td></tr> <tr><td>MIP (.85)</td><td style="text-align: right;">286</td></tr> <tr><td>Total with MIP</td><td style="text-align: right;">\$ 2,938</td></tr> </table>	Purchase Price:	\$425,000	Base Loan Amount	\$403,750	UFMIP	\$ 7,065	Total Loan Amount	\$403,750	Rate	6.875%	Cost:	\$ 3,427	Monthly Payment:	\$ 2,652	MIP (.85)	286	Total with MIP	\$ 2,938	<table style="width: 100%;"> <tr><td>Purchase Price:</td><td style="text-align: right;">\$425,000</td></tr> <tr><td>Base Loan Amount</td><td style="text-align: right;">\$403,750</td></tr> <tr><td>UFMIP</td><td style="text-align: right;">\$ 7,065</td></tr> <tr><td>Total Loan Amount</td><td style="text-align: right;">\$410,815</td></tr> <tr><td>Rate</td><td style="text-align: right;">6.875%</td></tr> </table> <table style="width: 100%;"> <tr><td>Cost</td><td style="text-align: right;">\$3,487</td></tr> <tr><td>Monthly Payment:</td><td style="text-align: right;">\$ 2,699</td></tr> <tr><td>MIP (.85)</td><td style="text-align: right;">286</td></tr> <tr><td>Total with MIP</td><td style="text-align: right;">\$ 2,985</td></tr> </table>	Purchase Price:	\$425,000	Base Loan Amount	\$403,750	UFMIP	\$ 7,065	Total Loan Amount	\$410,815	Rate	6.875%	Cost	\$3,487	Monthly Payment:	\$ 2,699	MIP (.85)	286	Total with MIP	\$ 2,985
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<p>Net effect of financing UFMIP:</p> <p>☀ Points in dollars increased \$ 60.00</p> <p>☀ Monthly payment increased \$ 47.00</p>																																					

Conventional LLPA - Cumulative Price Adjustments for Risk

PRICE THIS:

FICO: 676
LTV: 77%
Product: ARM
30 Yr Fixed

6.990	98.927	98.910	98.900
7.000	99.185	99.164	99.151
7.125	99.479	99.452	99.436
7.250	99.920	99.912	99.846
7.375	100.337	100.325	100.258
7.500	100.674	100.661	100.594
7.625	100.927	100.909	100.840
7.750	101.126	101.094	100.818
7.875	101.492	101.457	101.180
8.000	101.813	101.774	101.497

Representative Credit Score	LTV Range 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%	>97.00%
≥ 740	0.000%	0.250%	0.250%	0.500%	0.250%	0.250%	0.250%	0.750%	0.750%
720 – 739	0.000%	0.250%	0.500%	0.750%	0.500%	0.500%	0.500%	1.000%	1.000%
700 – 719	0.000%	0.500%	1.000%	1.250%	1.000%	1.000%	1.000%	1.500%	1.500%
680 – 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.500%	1.500%
660 – 679	0.000%	1.000%	2.250%	2.750%	2.750%	2.250%	2.250%	2.250%	2.250%
640 – 659	0.500%	1.250%	2.750%	3.000%	3.250%	2.750%	2.750%	2.750%	2.750%
620 – 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.500%	3.500%
< 620 ¹	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.750%	3.750%

PRODUCT FEATURE	≤ 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%	>97.00%
Adjustable-rate mortgage	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.250%	0.250%	0.250%
Manufactured home ²	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Investment property	2.125%	2.125%	2.125%	3.375%	4.125%	4.125%	4.125%	4.125%	4.125%

PRICE THIS:

7.25% Base 0.088
FICO/LTV 2.750
ARM 0.000
Buyer cost 2.838

PRODUCT FEATURE	LTV Range								
	≤ 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%	>97.00%
Cash-out refinance ³									
Representative Credit Score									
≥ 740	0.375%	0.625%	0.625%	0.875%	N/A	N/A	N/A	N/A	N/A
720 – 739	0.375%	1.000%	1.000%	1.125%	N/A	N/A	N/A	N/A	N/A
700 – 719	0.375%	1.000%	1.000%	1.125%	N/A	N/A	N/A	N/A	N/A
680 – 699	0.375%	1.125%	1.125%	1.750%	N/A	N/A	N/A	N/A	N/A
660 – 679	0.625%	1.125%	1.125%	1.875%	N/A	N/A	N/A	N/A	N/A
640 – 659	0.625%	1.625%	1.625%	2.625%	N/A	N/A	N/A	N/A	N/A
620 – 639	0.625%	1.625%	1.625%	3.125%	N/A	N/A	N/A	N/A	N/A
< 620 ¹	1.625%	2.625%	2.625%	3.125%	N/A	N/A	N/A	N/A	N/A

What About Cash-out Refinance: on Investment Property?

PRICE THIS:

FICO: 676
LTV: 77%
Product: ARM
30 Yr Fixed

6.990	98.927	98.910	98.900
7.000	99.185	99.164	99.151
7.125	99.479	99.452	99.436
7.250	99.920	99.912	99.846
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7.750	101.126	101.094	100.818
7.875	101.492	101.457	101.180
8.000	101.813	101.774	101.497

Representative Credit Score	LTV Range 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%	>97.00%
≥ 740	0.000%	0.250%	0.250%	0.500%	0.250%	0.250%	0.250%	0.750%	0.750%
720 – 739	0.000%	0.250%	0.500%	0.750%	0.500%	0.500%	0.500%	1.000%	1.000%
700 – 719	0.000%	0.500%	1.000%	1.250%	1.000%	1.000%	1.000%	1.500%	1.500%
680 – 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.500%	1.500%
660 – 679	0.000%	1.000%	2.250%	2.750%	2.750%	2.250%	2.250%	2.250%	2.250%
640 – 659	0.500%	1.250%	2.750%	3.000%	3.250%	2.750%	2.750%	2.750%	2.750%
620 – 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.500%	3.500%
< 620 ¹	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.750%	3.750%

PRODUCT FEATURE	≤ 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%	>97.00%
Adjustable-rate mortgage	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.250%	0.250%	0.250%
Manufactured home ²	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Investment property	2.125%	2.125%	2.125%	3.375%	4.125%	4.125%	4.125%	4.125%	4.125%

PRICE THIS:

7.25% Base 0.088
FICO/LTV 2.750
Inv Prop 3.375
Cashout 1.875
Buyer Cost 8.088

PRODUCT FEATURE	LTV Range								
	≤ 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%	>97.00%
Cash-out refinance ³									
Representative Credit Score									
≥ 740	0.375%	0.625%	0.625%	0.875%	N/A	N/A	N/A	N/A	N/A
720 – 739	0.375%	1.000%	1.000%	1.125%	N/A	N/A	N/A	N/A	N/A
700 – 719	0.375%	1.000%	1.000%	1.125%	N/A	N/A	N/A	N/A	N/A
680 – 699	0.375%	1.125%	1.125%	1.750%	N/A	N/A	N/A	N/A	N/A
660 – 679	0.625%	1.125%	1.125%	1.875%	N/A	N/A	N/A	N/A	N/A
640 – 659	0.625%	1.625%	1.625%	2.625%	N/A	N/A	N/A	N/A	N/A
620 – 639	0.625%	1.625%	1.625%	3.125%	N/A	N/A	N/A	N/A	N/A
< 620 ¹	1.625%	2.625%	2.625%	3.125%	N/A	N/A	N/A	N/A	N/A


Deciding the Best Structure for Buyers

RATE	15 Day	30 DAY	45 DAY	60 DAY
5.250	2.518	2.643	2.768	2.893
5.375	1.876	2.001	2.126	2.251
5.490	1.390	1.515	1.640	1.765
5.500	1.140	1.265	1.390	1.515
5.625	0.559	0.684	0.809	0.934
5.750	0.502	0.627	0.752	0.877
5.875	(0.141)	(0.016)	0.109	0.234
5.990	(0.566)	(0.441)	(0.316)	(0.191)
6.000	(0.691)	(0.566)	(0.441)	(0.316)
6.125	(1.184)	(1.059)	(0.934)	(0.809)
6.250	(0.701)	(0.576)	(0.451)	(0.326)
6.375	(1.134)	(1.009)	(0.884)	(0.759)
6.490	(1.428)	(1.303)	(1.178)	(1.053)
6.500	(1.553)	(1.428)	(1.303)	(1.178)
6.625	(1.835)	(1.710)	(1.585)	(1.460)
6.750	(1.585)	(1.460)	(1.335)	(1.210)
6.875	(1.713)	(1.588)	(1.463)	(1.338)
6.990	(1.820)	(1.695)	(1.570)	(1.445)
7.000	(1.945)	(1.820)	(1.695)	(1.570)
7.125	(2.244)	(2.119)	(1.994)	(1.869)
7.250	(2.038)	(1.913)	(1.788)	(1.663)

Bonafide Discount Points			
\$300,000 Loan Amount			
Cost	Payment	Cost	Payment
5.750	0.627	\$1,881	\$ 1,751
5.875	(0.016)	(\$ 48)	\$ 1,774
Difference		\$1,929	\$ 23

Breakeven (1929/23) = 83.87 months

Lender Credit to Buyer at Closing			
\$300,000 Loan Amount			
Cost	Payment	Cost	Payment
6.625	(1.710)	\$1,881	\$5,130


The longer a buyer will have a mortgage, the more incentive to buy the rate down.
The less cash a buyer has, the more reason to lock a higher rate.
And sometimes need a little of both...

Interest Rate Lock Considerations

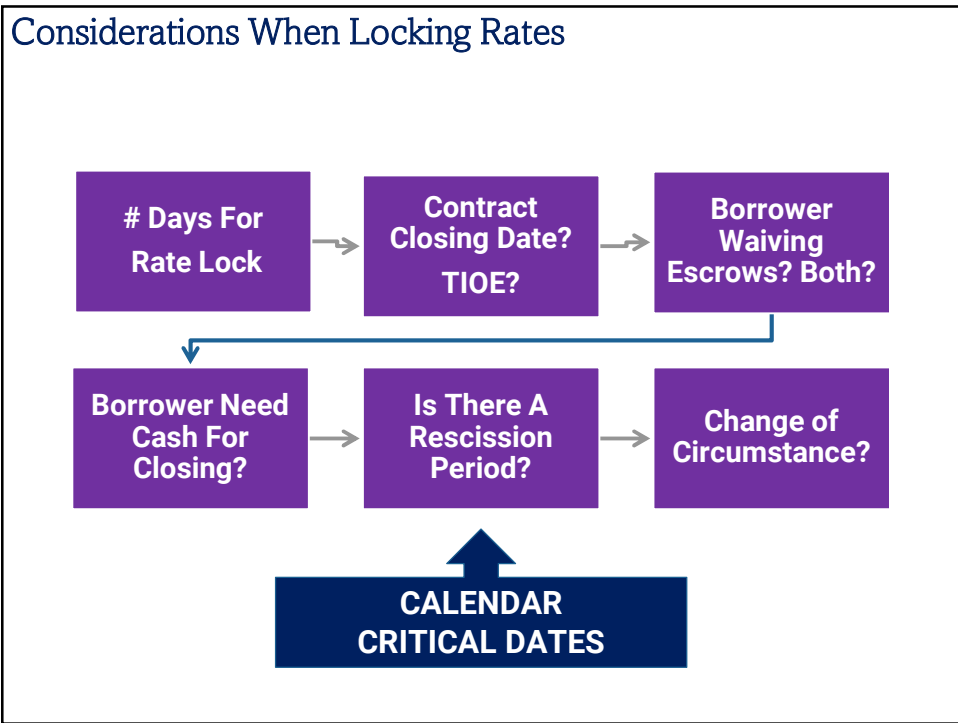
Locked or Floating?

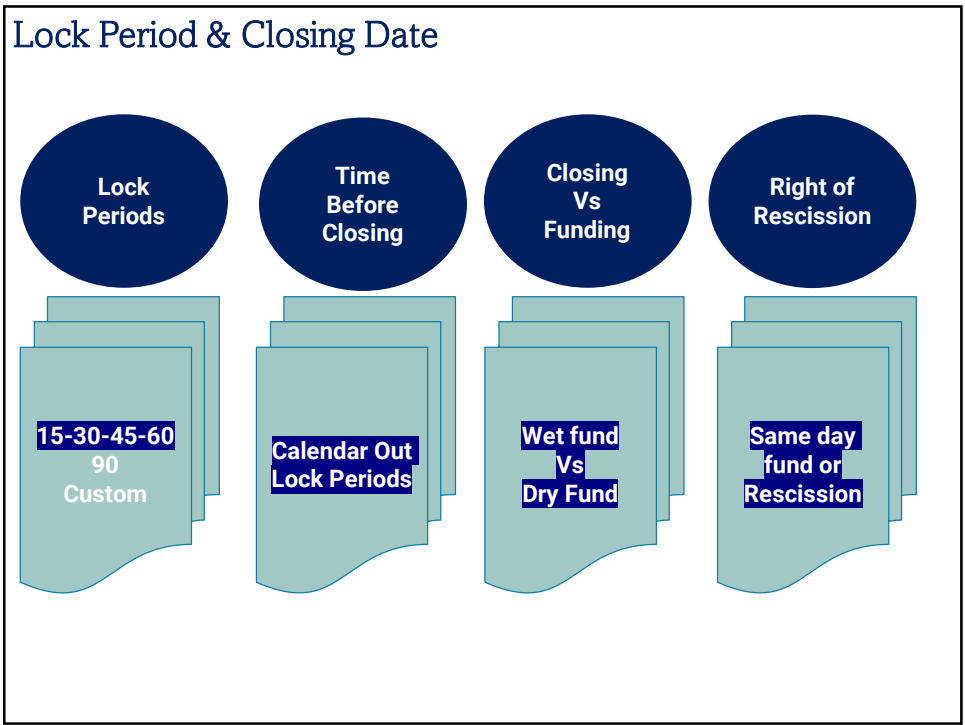
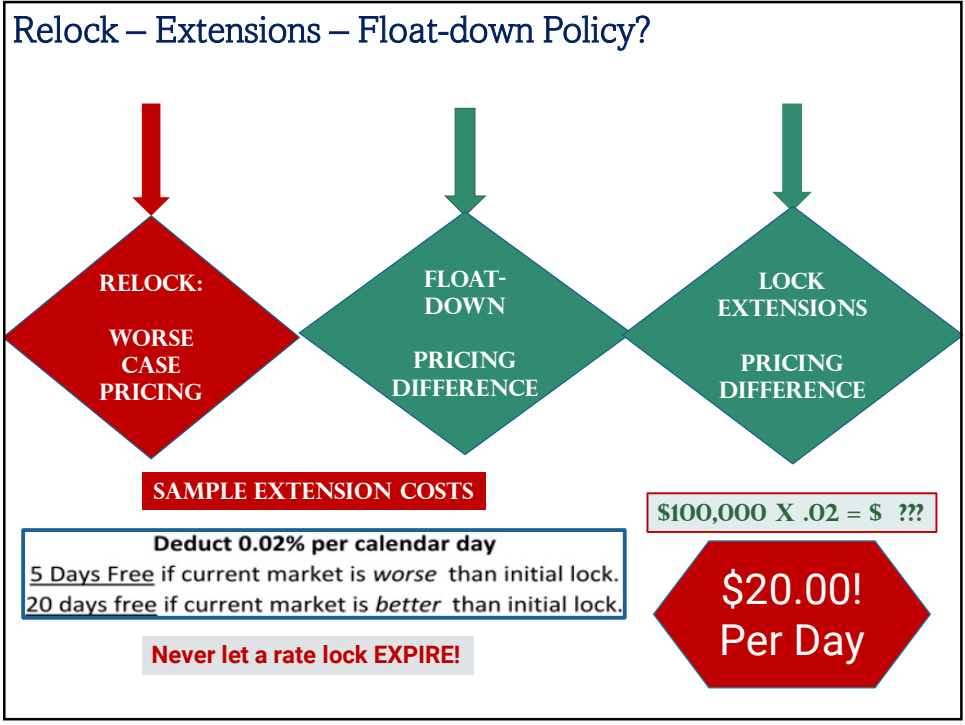



Proof the Rate is Locked... Or Not!

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate		LOAN TERM	30 years
DATE ISSUED	06/04/2021	PURPOSE	Refinance
APPLICANTS	HILLARY	PRODUCT	FIXED RATE
		LOAN TYPE	<input type="checkbox"/> Conventional <input checked="" type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> _____
		LOAN ID#	7001329370
PROPERTY	REDDING, CT 06896	RATE LOCK	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, until 7/19/2021 5:00 PM EDT
	REDDING, CT 06896		<i>Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 06/16/2021 at 5:00 PM EASTERN</i>
EST. PROP. VALUE	\$565,000		





Why Escrow & Escrow Options



R/T or CO Refinance	0.050
Escrow Waiver FICO < 700	0.250
Escrow Waiver CA FICO < 700	0.150
ARM > 90 LTV	0.250
90 Day (Add to 60 Day)	0.320
Manufactured Home Advantage	1.000

Pros:

No surprise payments for taxes or insurance when due
Escrowed loans cost less-less risk

Cons:

Lender holding borrower money
Payments could be late
Servicer could miss payment date
Extra cost at closing
Lost opportunity for ROI

Stuff Happens!

Extended closing date

- Extend the lock

Rate changed while locking

- Request – not guarantee till confirmed

Customer changed their mind

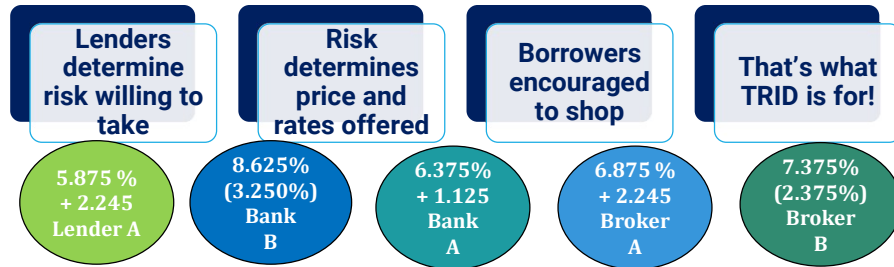
- Point change – same day locked rate
- Program change – same day locked rate

Relock- Float down or Expired

- Consult company policy
- **NEVER LET A LOCK EXPIRE!!!**



Rates, Locks & Shopping



Make them answer this question:

"I am shopping for the lowest rate!"

MLO: And how will you know when you have it?

Q & A

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