



STEPS Towards Homeownership – Affordability – a Deeper Dive with Freddie Mac’s Jaya Dey & C.A.R.’s Jordan Levine

Virtual Event

July 20th 2023

Welcome






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- Appraisals
- SBA Loans, PUA

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STEPS Towards Homeownership – Affordability Freddie Mac & California Association of REALTORS®



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**Affordable
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**Freddie Mac
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**S.V.P. & C.A.R.
Chief Economist**

**California
Association of
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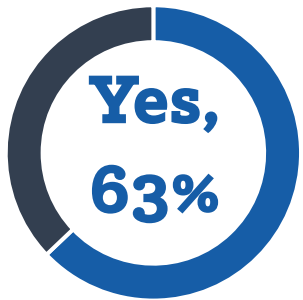
Marc Farfel

**Transaction
Rescue
Mgr./Lender
Liaison**

**California
Association of
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Did you know?

63% of consumers would start searching for a home if they knew they could qualify for a low-down payment



If you knew you could qualify for a mortgage with a much lower down payment, would you start to look for a house?

(n=1,008)

Source: 2019 C.A.R. Consumer Survey



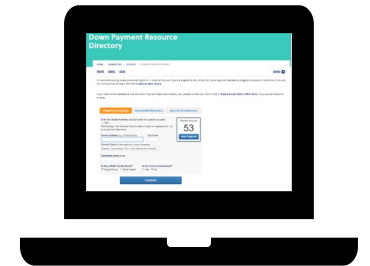
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C.A.R.'s Down Payment Resource Directory

<http://FindDownPayment.car.org>

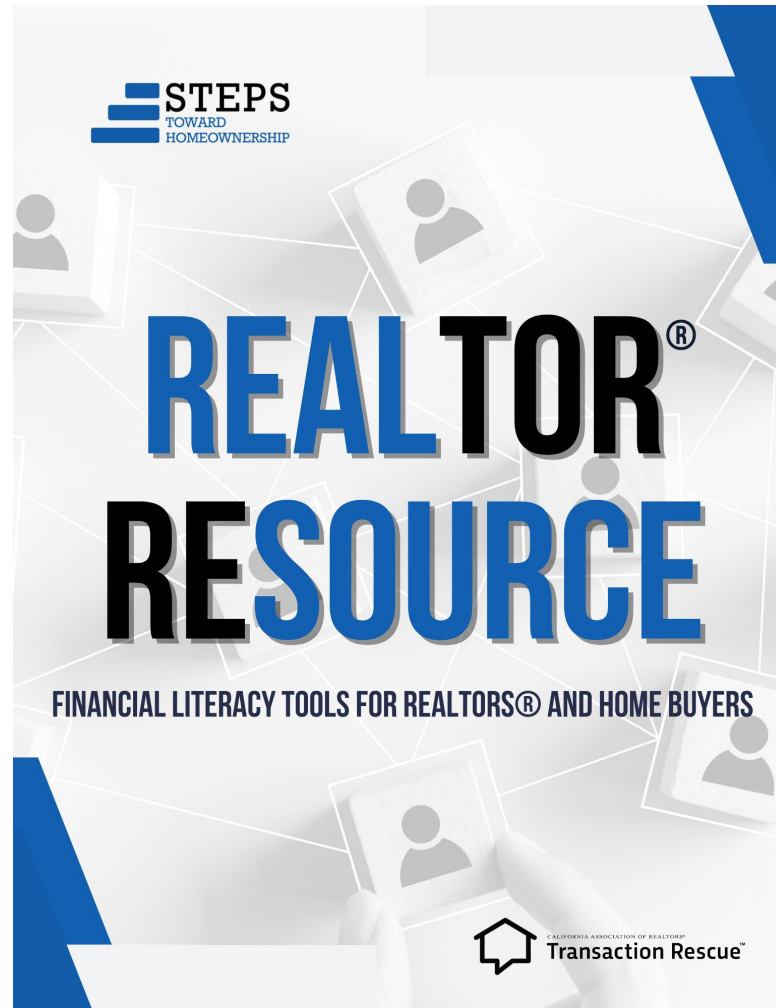
Within the C.A.R Tool, you can find:

- Participating Lenders
- Program Guide/Flyer
- Filters/Guidelines:
 - Special Groups (Teachers, Protectors, etc.)
 - Eligible Properties
 - Maximum Sales Price
 - Eligible Borrowers
 - Maximum Household Income
 - Loan Terms
- Benefits
- Latest Updates



Get Down Payment Assistance

REALTOR® Resource: Financial Literacy Tool





Please be advised that you aren't required to seek services from any of the speakers in the presentation

They were chosen because we believe they'll be helpful in providing education without requiring you to give them business. Having said that, we're not making any representations or warranties regarding the quality of their services.

We understand that you may have your own preferred companies and ultimately, it's your decision as to whose services you will seek.



Inclusivity Statement

We ask that each of you support C.A.R.'s diversity efforts by committing to treating each other with dignity and respect. Please:

- Keep statements focused on the topic or question before the group.
- Avoid mention of irrelevant demographic information like age or unrelated leadership experience.
- Refrain from saying or doing anything that could lead anyone to feel excluded or belittled.

C.A.R.'s Transaction Rescue Leadership may interject, as needed, to promote full and respectful dialogue.

Why Homeownership Matters Video



Thank You

Freddie Mac's Jaya Dey

Jordan Levine
Chief Economist

CALIFORNIA ASSOCIATION OF REALTORS®



Understanding Challenges and Opportunities of the Borrowers of the Future – California Insights

Jaya Dey, Principal Economist, Director
Single-Family Mission and Community Engagement, Freddie Mac

July 20, 2023



Economic and housing outlook



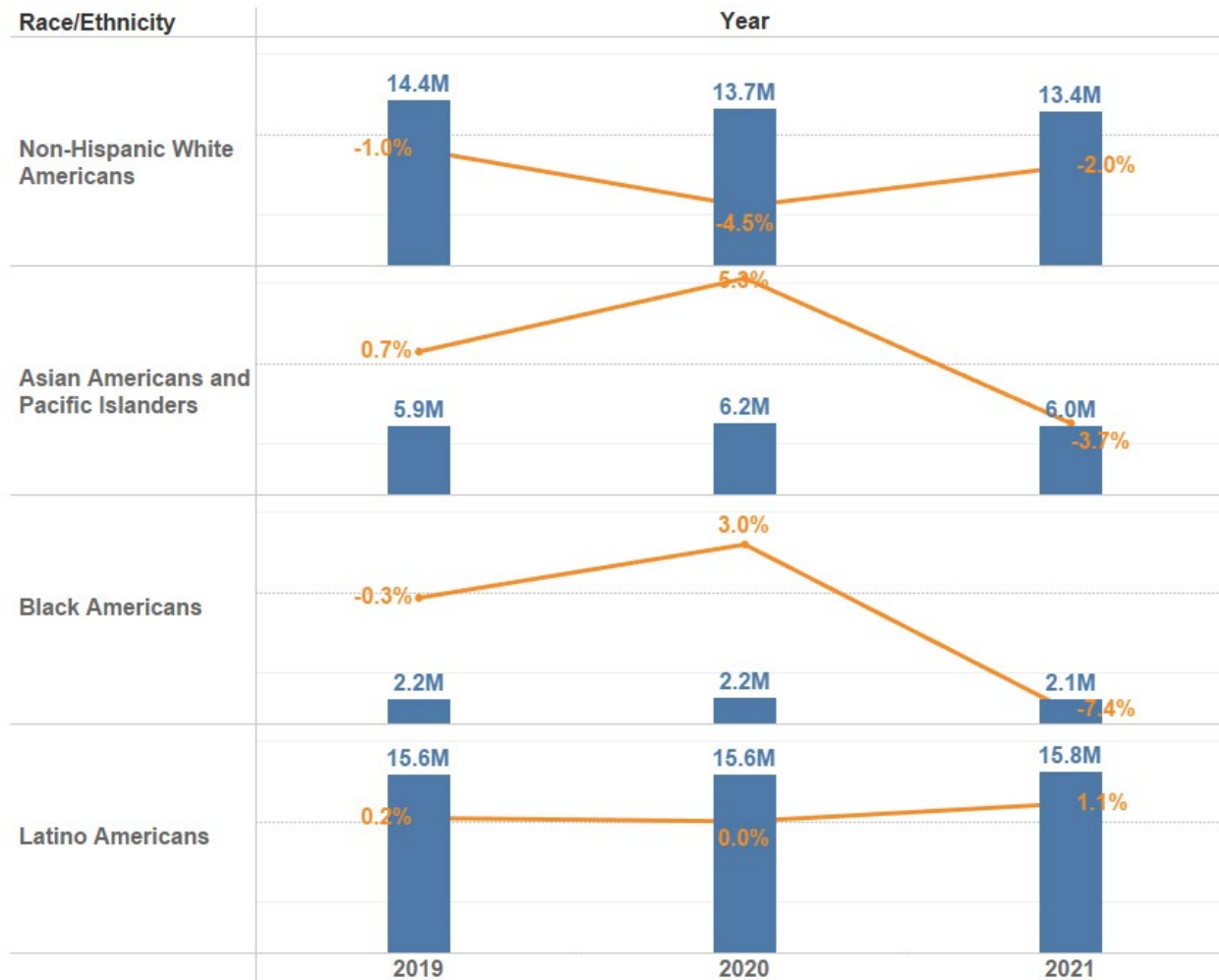
Population Growth by race/ethnicity in California



In California, Latino Americans constitute the largest population size

- Further, population shrunk for all race/ethnicity in 2021 except for Latino Americans.

■ California Population Count
 ■ California Population Growth

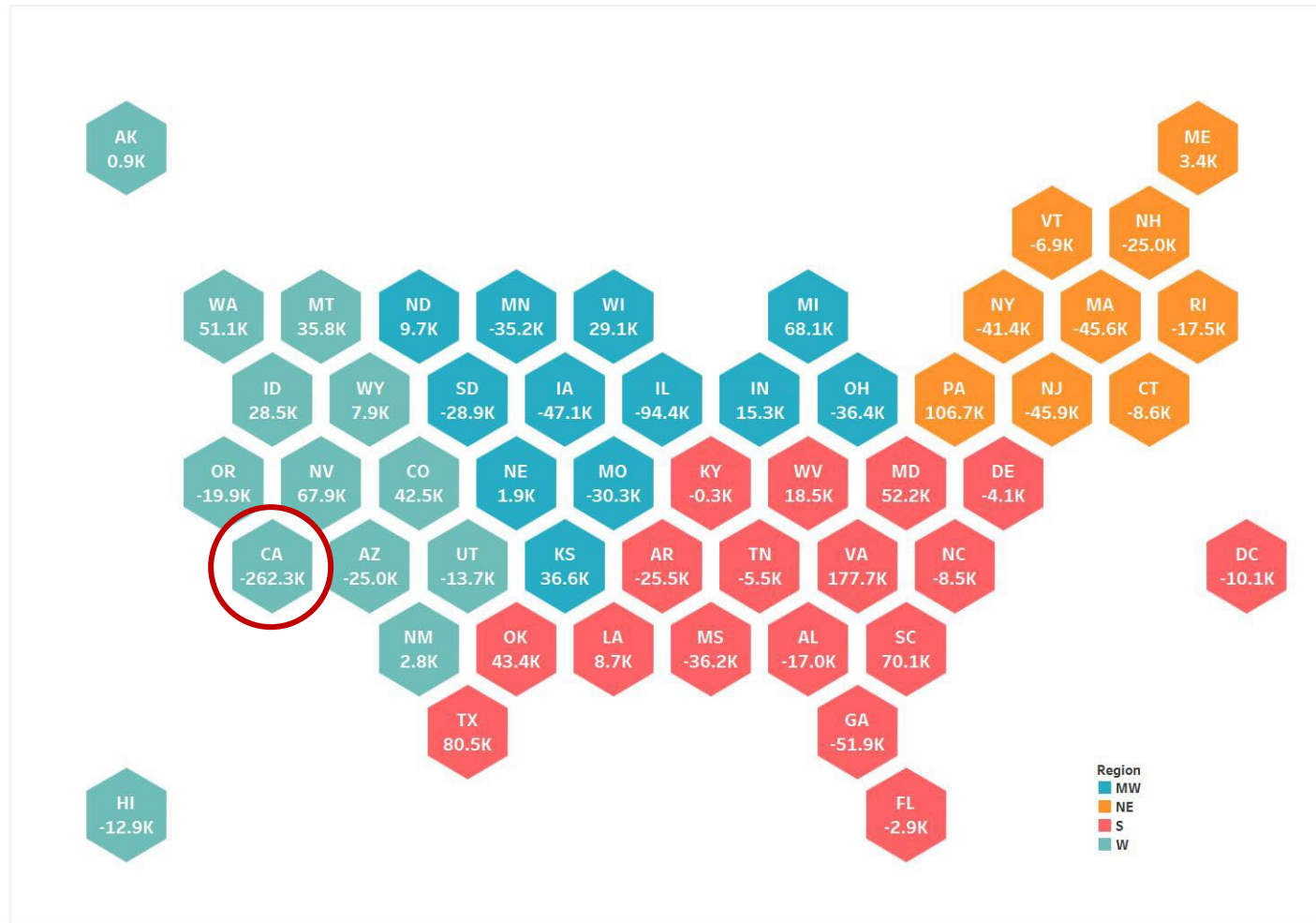


Source: Freddie Mac calculations at the California State level using united states census bureau data. Race is limited to one-race only without combinations. Population data source: CALIFORNIA: 2020 Census, U.S. Census Bureau QuickFacts: California.

California witnessed the largest number of people migrating to other states in the last year



2021 to 2022 Net Migration by State



Top 10 States With Negative Net Migration

California	-262.3K
Illinois	-94.4K
Georgia	-51.9K
Iowa	-47.1K
New Jersey	-45.9K
Massachusetts	-45.6K
New York	-41.4K
Ohio	-36.4K
Mississippi	-36.2K
Minnesota	-35.2K

Top 10 States With Positive Net Migration

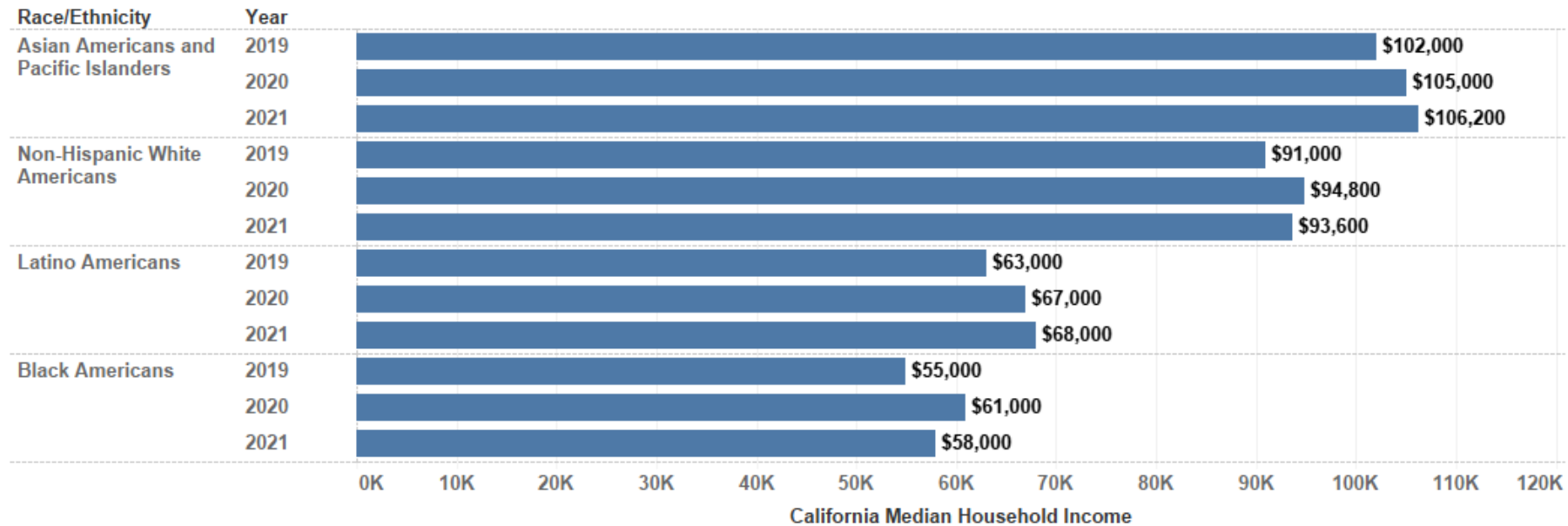
Virginia	177.7K
Pennsylvania	106.7K
Texas	80.9K
South Carolina	70.1K
Michigan	68.1K
Nevada	67.9K
Maryland	52.2K
Washington	51.1K
Oklahoma	43.4K
Colorado	42.5K

Source: Migration data calculated using Current Population Survey Data for 2022 one-year estimate www.ipums.org. Note: Figures includes missing data for some states since it is limited to only Asian American and Pacific Islanders population.

Median Household Income in California



- In California, Median household income of AAPI is highest among all race/ethnicity groups.
- AAPI and Latino American household income increased for 3 consecutive years between 2019 and 2021.

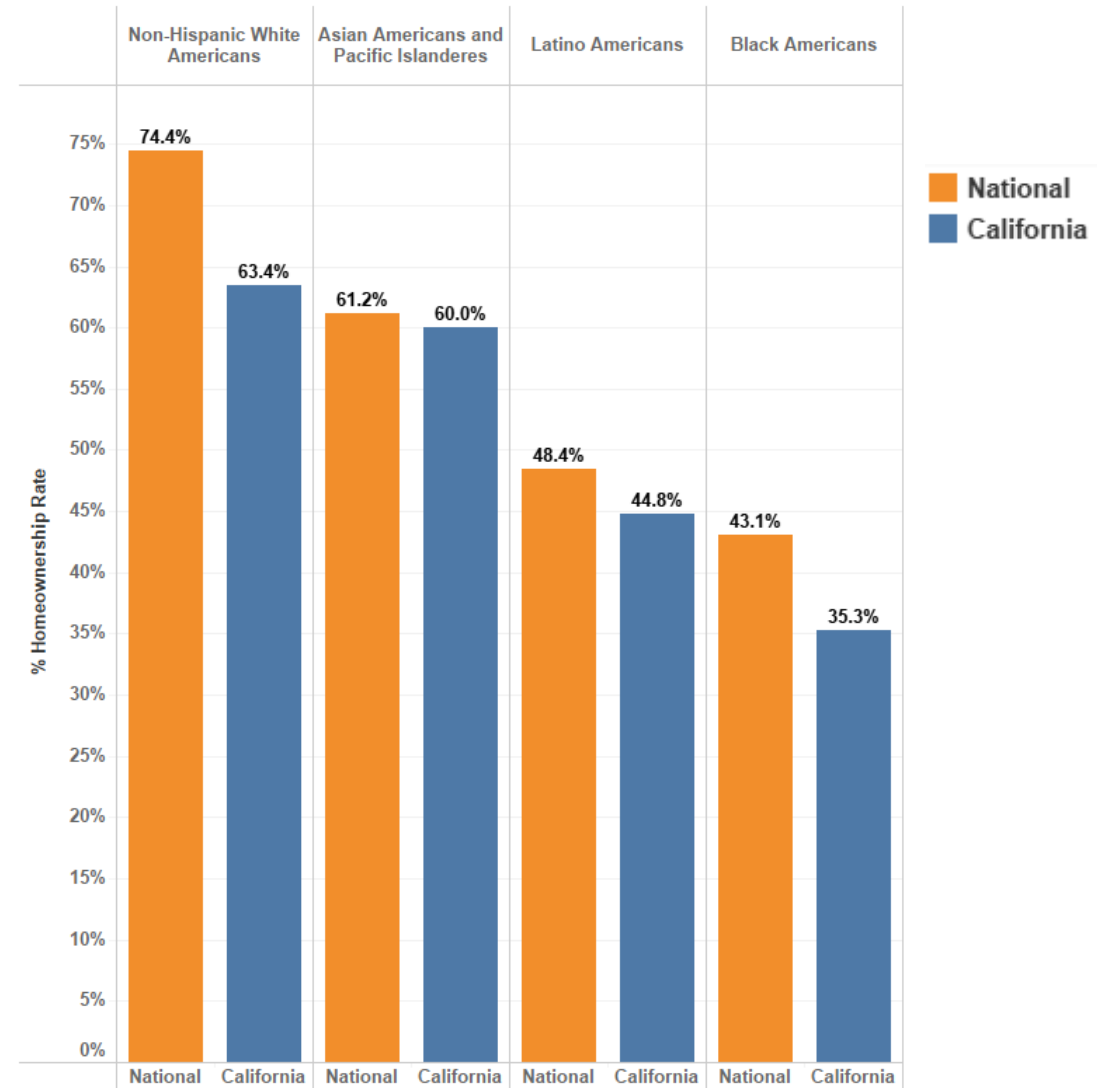


Source: Freddie Mac calculations at the California State level using united states census bureau data IPUMS. Race is limited to one-race only without combinations. IPUMS official site: [IPUMS USA](https://www.ipums.org/)

Homeownership by race/ethnicity in California



- As of 2021, California homeownership rates among all ethnicity groups are lower than their national counterparts.
- Racial gaps in homeownership rates in the state are lower than their national counterparts.



Source: Freddie Mac calculations at the California and National level using 2021 United States Census Bureau data IPUMS. Race is limited to one-race only without combinations. IPUMS official site: [IPUMS USA](https://www.census.gov/ipeds/data/ipumsusa/)

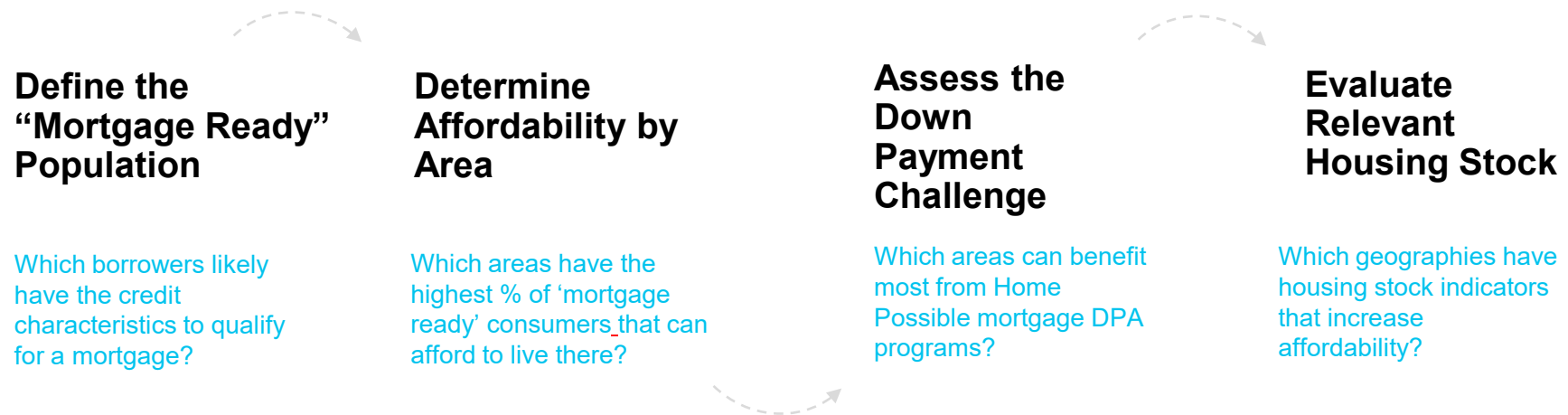
How do we identify borrowers of the future?



Building a Targeted Approach Based on Various Relevant Homeownership Factors



Our unique, purchased dataset allows us to perform benchmarking studies and conduct research to better understand future borrowers. We would like to share and discuss an approach to targeting specific segment, both in general and as it applies to assisting our partners in relevant, priority markets.



Who is “Mortgage Ready”?



“Mortgage Ready”

(all the following)

- 45 years or younger
- Credit Score ≥ 661
- DTI $\leq 25\%$
- No foreclosures or bankruptcies in 84 months
- No severe delinquencies in 12 months



“Near Mortgage Ready”

(all the following)

- 45 years or younger
- Credit Score > 600 and < 661
- DTI $\leq 25\%$
- No foreclosures or bankruptcies in 84 months
- No severe delinquencies in 12 months



“Not Currently Mortgage Ready”

(any of the following)

- 45 years or younger
- Credit Score ≤ 600
- DTI $> 25\%$
- Foreclosures or bankruptcies in 84 months
- Severe delinquencies in 12 months

*Note: Using all credit visible with no mortgage trade lines in Credit Bureau. Mortgage readiness – Based on research criteria **not** actual underwriting.*

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How many are “Mortgage Ready”?



	Overall Population		Non-Hispanic White Americans		Black Americans		Latino Americans		Asian Americans, Native Hawaiians and Pacific Islanders	
	Freq (M)	Percent (%)	Freq (M)	Percent (%)	Freq (M)	Percent (%)	Freq (M)	Percent (%)	Freq (M)	Percent (%)
"Not Currently Mortgage Ready"	18.7	20%	8.8	17%	4.3	39%	4.6	24%	0.6	8%
"Near Mortgage Ready"	10.6	12%	5.2	10%	1.8	16%	2.8	15%	0.5	6%
"Mortgage Ready"	39.0	43%	21.6	42%	3.3	30%	8.1	43%	4.5	61%
"Mortgage Owner"	23.3	25%	16.2	31%	1.6	15%	3.4	18%	1.8	24%

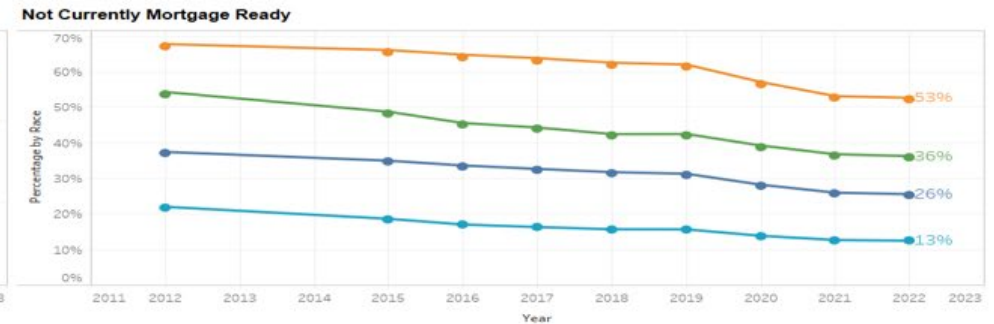
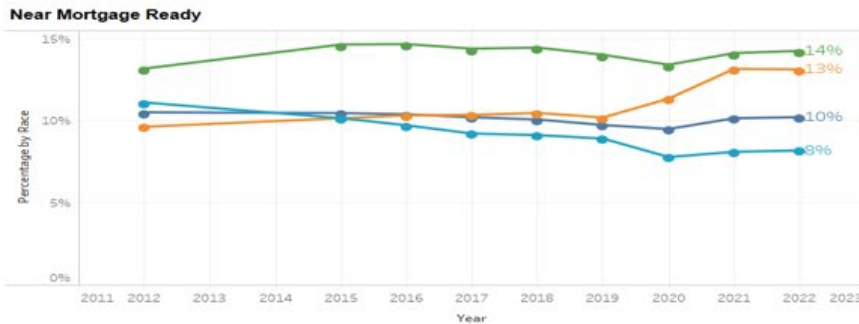
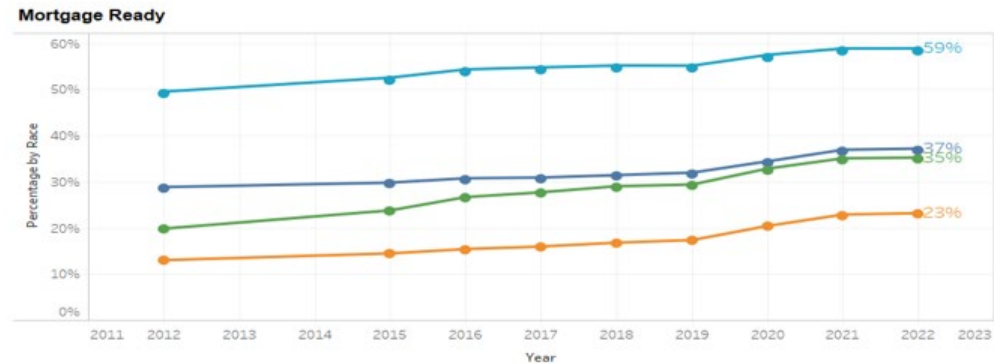
Source: Freddie Mac calculations using anonymized credit bureau data for Feb 2023. Records with invalid income estimates and debt-to-income ratio estimates are removed. Note that Senior and Gen X older than 45 years of age are excluded from the analysis.

- The green rectangle indicates the “mortgage ready” in each segment. This is an opportunity as this population have credit characteristics indicating they could get a mortgage.
 - **39 Million “Mortgage Ready” Overall Population**
- The orange circle shows that 39% of Black Americans are not currently Mortgage ready based on our criteria. More efforts are needed to move this population to Near or Mortgage ready.

Credit profiles are trending in the right direction



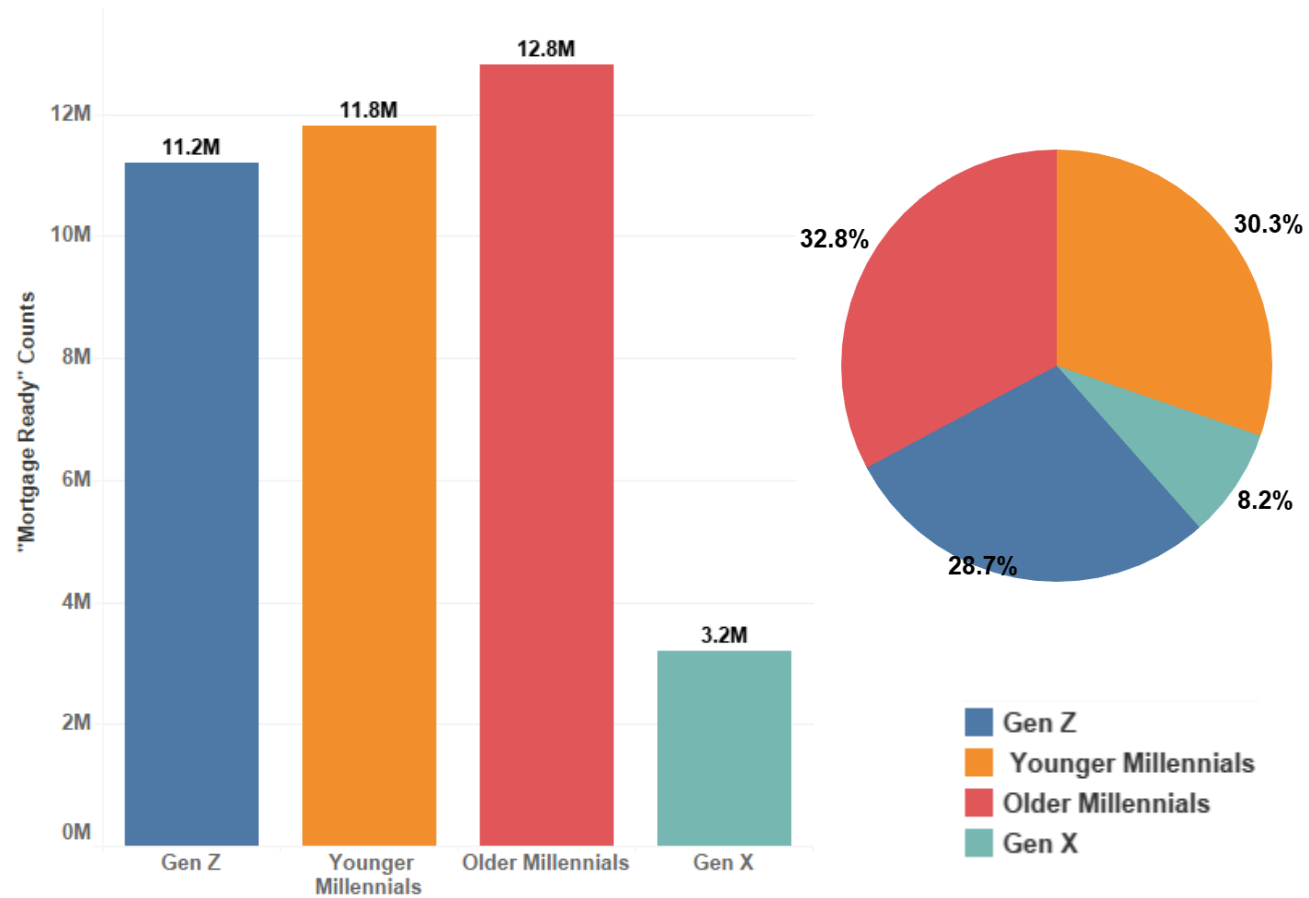
- The percent of Mortgage ready and near mortgage ready has been increasing recently for all demographics.
- Not currently mortgage ready is decreasing, indicating their movement to near or mortgage ready.



Legend
■ Non-Hispanic White Americans ■ Black Americans ■ Latino Americans ■ Asian Americans and Pacific Islanders

Source: Freddie Mac calculations using anonymized credit bureau data with individuals aged 45 and younger. Due to data availability, data for 2012-2021 was based on September archive, data for 2022 was based on February archive.

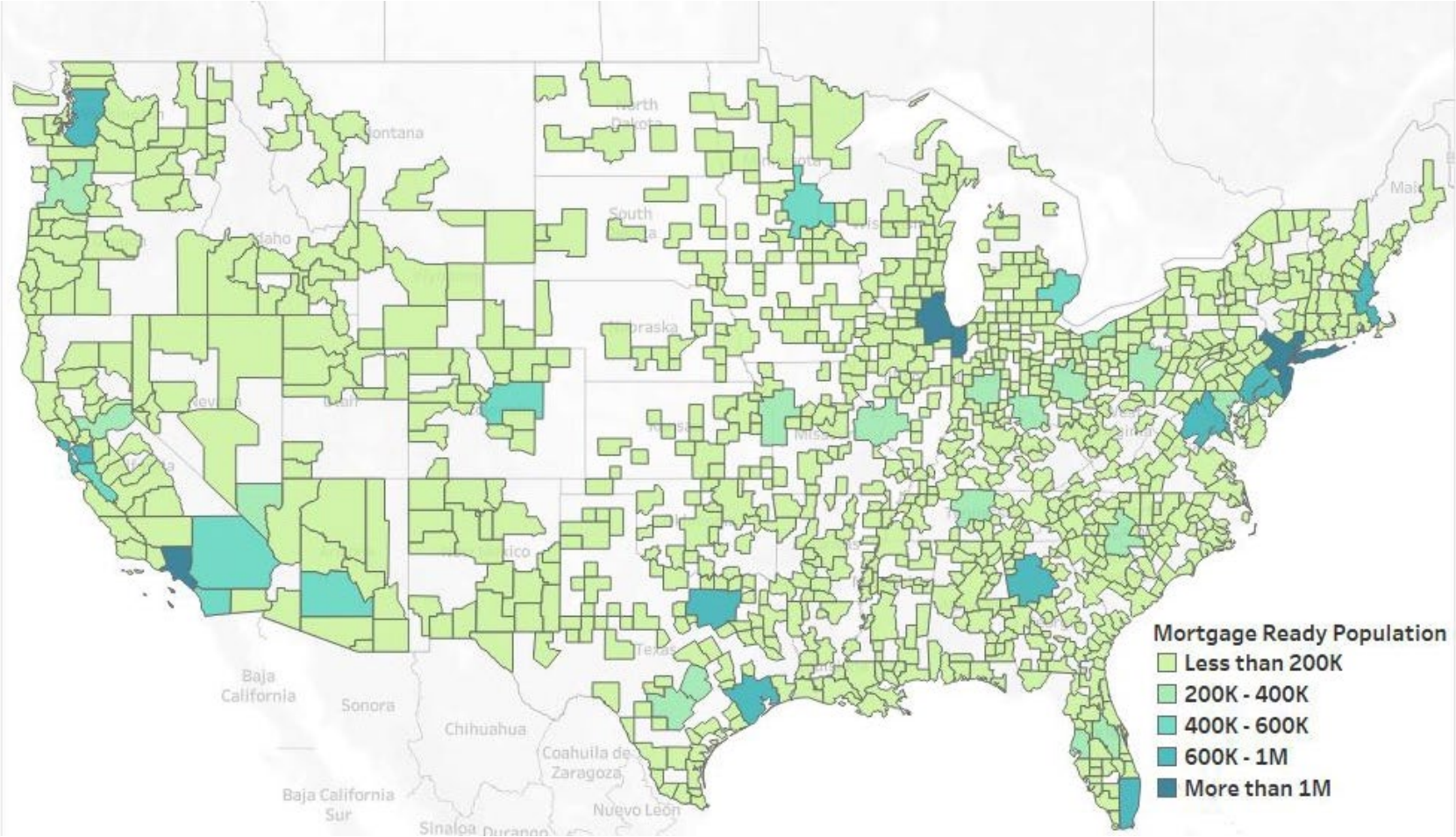
“Mortgage Ready” population by generation



Most “Mortgage Ready” population are Older Millennials, slightly more than Younger Millennials and Gen Zs

Source: Freddie Mac calculations using anonymized credit bureau data for Feb 2023. Records with invalid income estimates and debt-to-income ratio estimates are removed. Note that Senior and Gen X older than 45 years of age are excluded from the analysis. As of 2023, Gen Z is 18-25 years old, Millennials are 26-42 years old. Older millennials are 33-42 years old. Younger millennials are 26-32 years old. Gen X is 43-61 years old.

Where are the “Mortgage Ready” in U.S.?



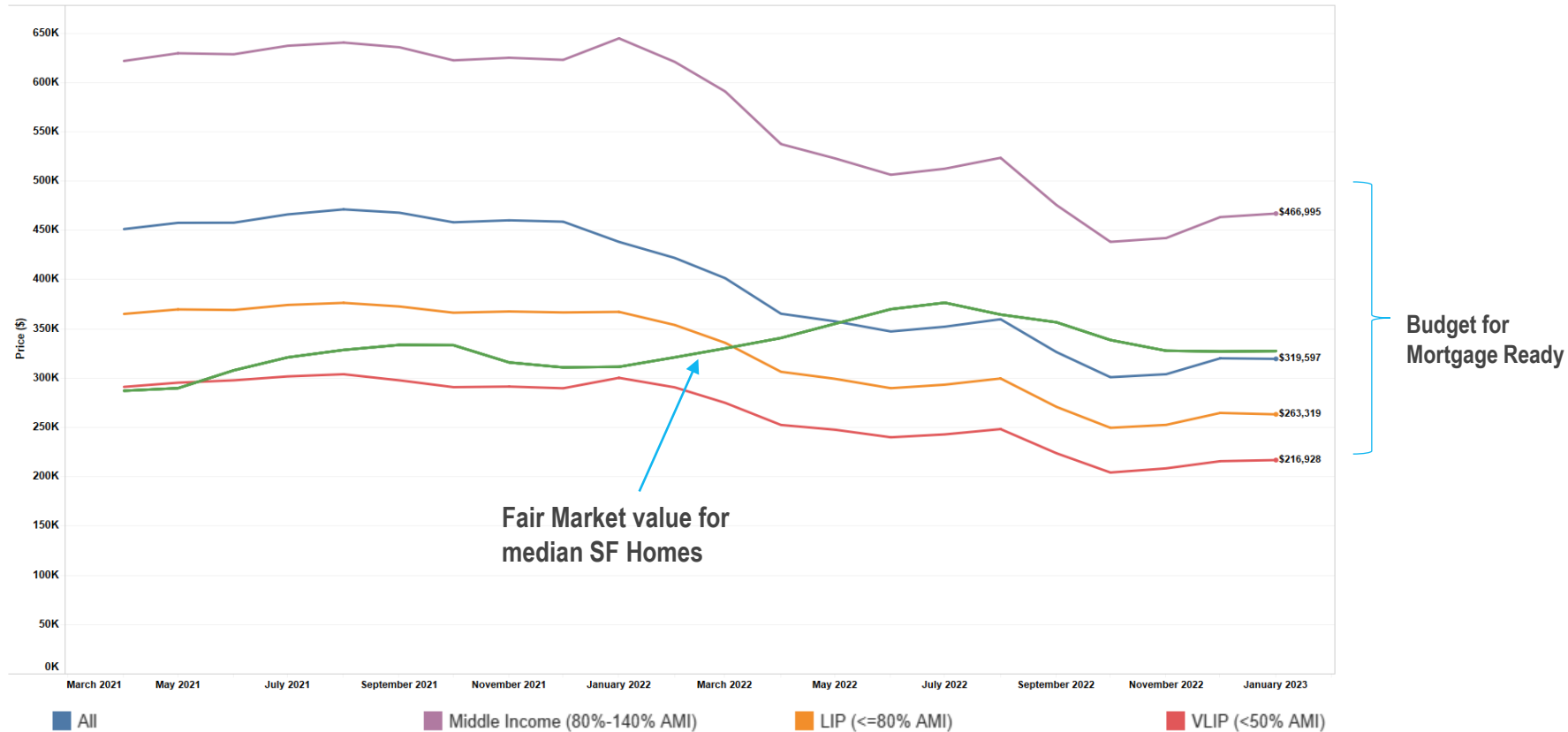
Source: Freddie Mac calculations at the CBSA-level using anonymized credit bureau data and Freddie Mac Home Value Explorer data for Feb 2023. “Mortgage Ready” population outside CBSAs are not counted. Note: According to National Association of Realtors’ methodology, if a consumer’s quarterly household income is greater than or equal to the annual mortgage payment on a median priced house in his/her county (under the assumption of 3% down payment, 6.34% mortgage rate, 30-year contract), then that house is affordable for him/her/them.

What are the challenges for future borrowers?

-Affordability

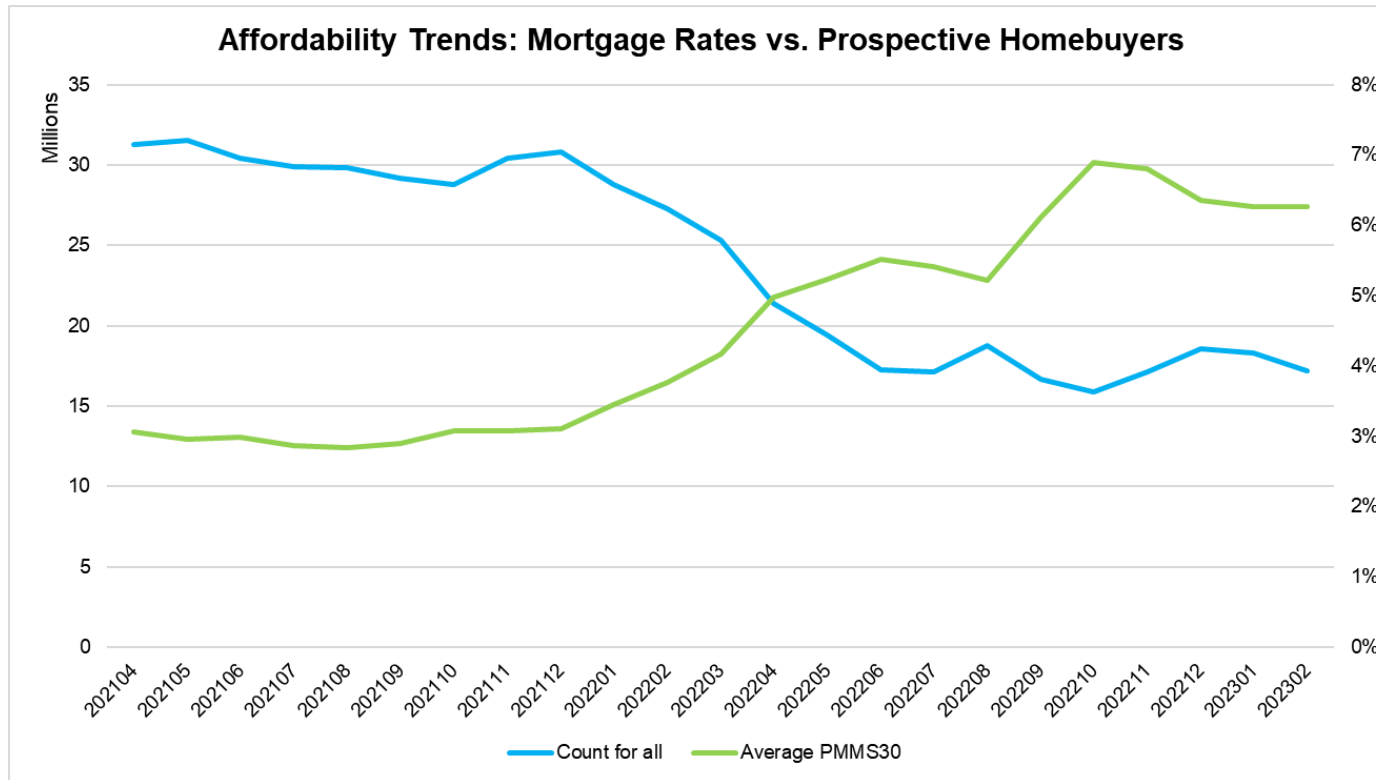


Given Increases in Interest Rates and House Prices, Affordability is Getting Threatened For “Mortgage Ready” Renters



Note: Freddie Mac calculation using anonymized credit bureau data and Home Value Explorer (HVE) data. Green line represents fair market value for single-family home. Blue, purple, orange and red lines represent the typical budget for “Mortgage Ready” overall, middle income, low-to-moderate income and very low-income consumers, respectively. Mortgage capacity assess the housing budget of a prospective homebuyer, determining their readiness to secure a mortgage. It operates under the assumption that their backend debt-to-income ratio would be limited to 43%, assuming they were obtaining a 30-year fixed-rate mortgage with a 3% down payment (interest rate is derived from the average PMMS30).

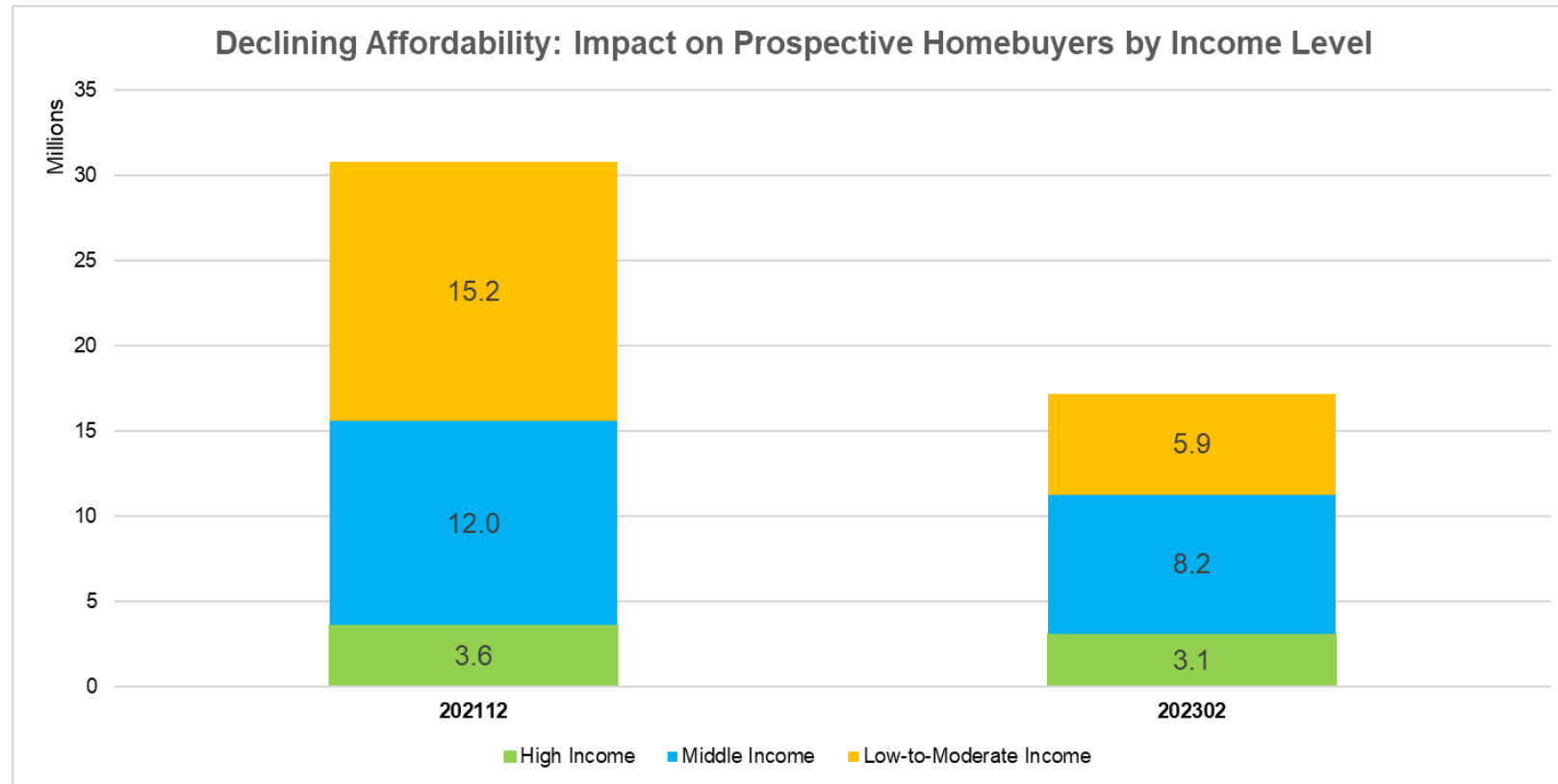
Further, This has Dramatically Reduced Number of Potential Homebuyers...



Interest rates going from 3% to 6% reduced the number of “Mortgage Ready” renters who could qualify for a median priced home by 15 Million.

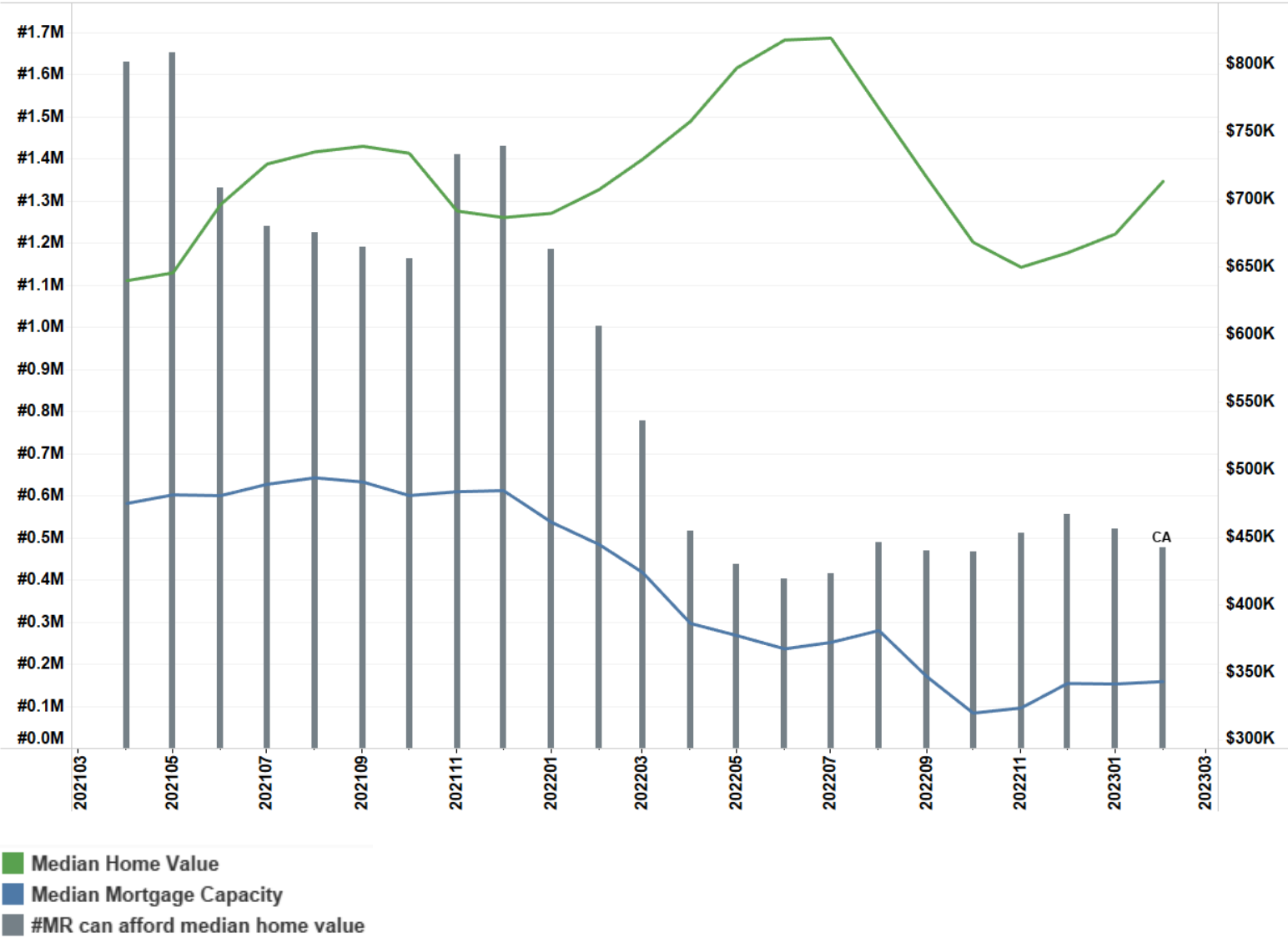
Source: Freddie Mac calculation using anonymized credit bureau data and Home Value Explorer (HVE) data as of December 2021 through February 2023. Mortgage capacity assess the housing budget of a prospective homebuyer, determining their readiness to secure a mortgage. It operates under the assumption that their backend debt-to-income ratio would be limited to 43%, assuming they were obtaining a 30-year fixed-rate mortgage with a 3% down payment (interest rate is derived from the average PMMS30).

....Which is Primarily Driven by Decline in Low to Moderate Potential Homebuyers



Source: Freddie Mac calculation using anonymized credit bureau data and Home Value Explorer (HVE) data as of December 2021 through February 2023. Mortgage capacity assess the housing budget of a prospective homebuyer, determining their readiness to secure a mortgage. It operates under the assumption that their backend debt-to-income ratio would be limited to 43%, assuming they were obtaining a 30-year fixed-rate mortgage with a 3% down payment (interest rate is derived from the average PMMS30).

Many Potential Homebuyers Were Priced Out in California Over Past One Year

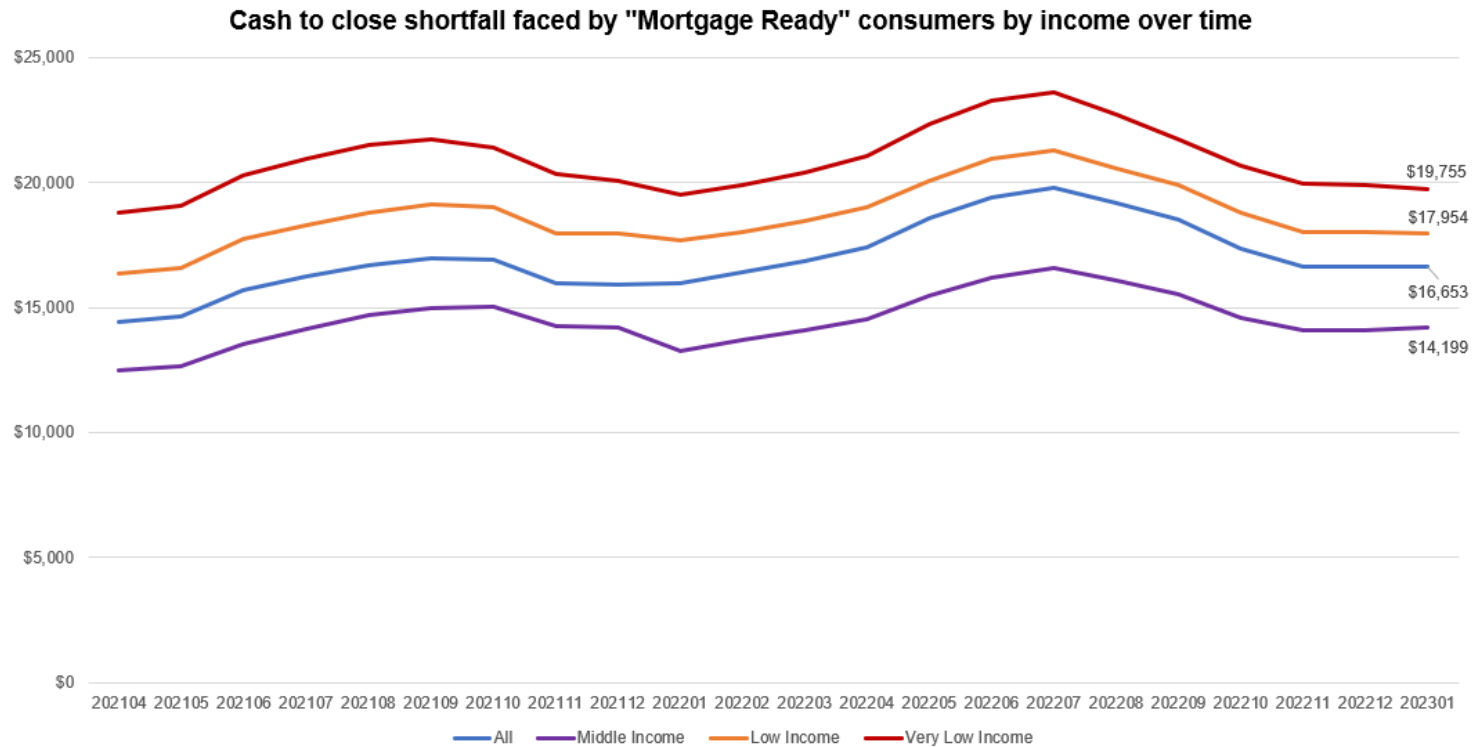


What are the challenges for future borrowers?

-Down Payment Challenges

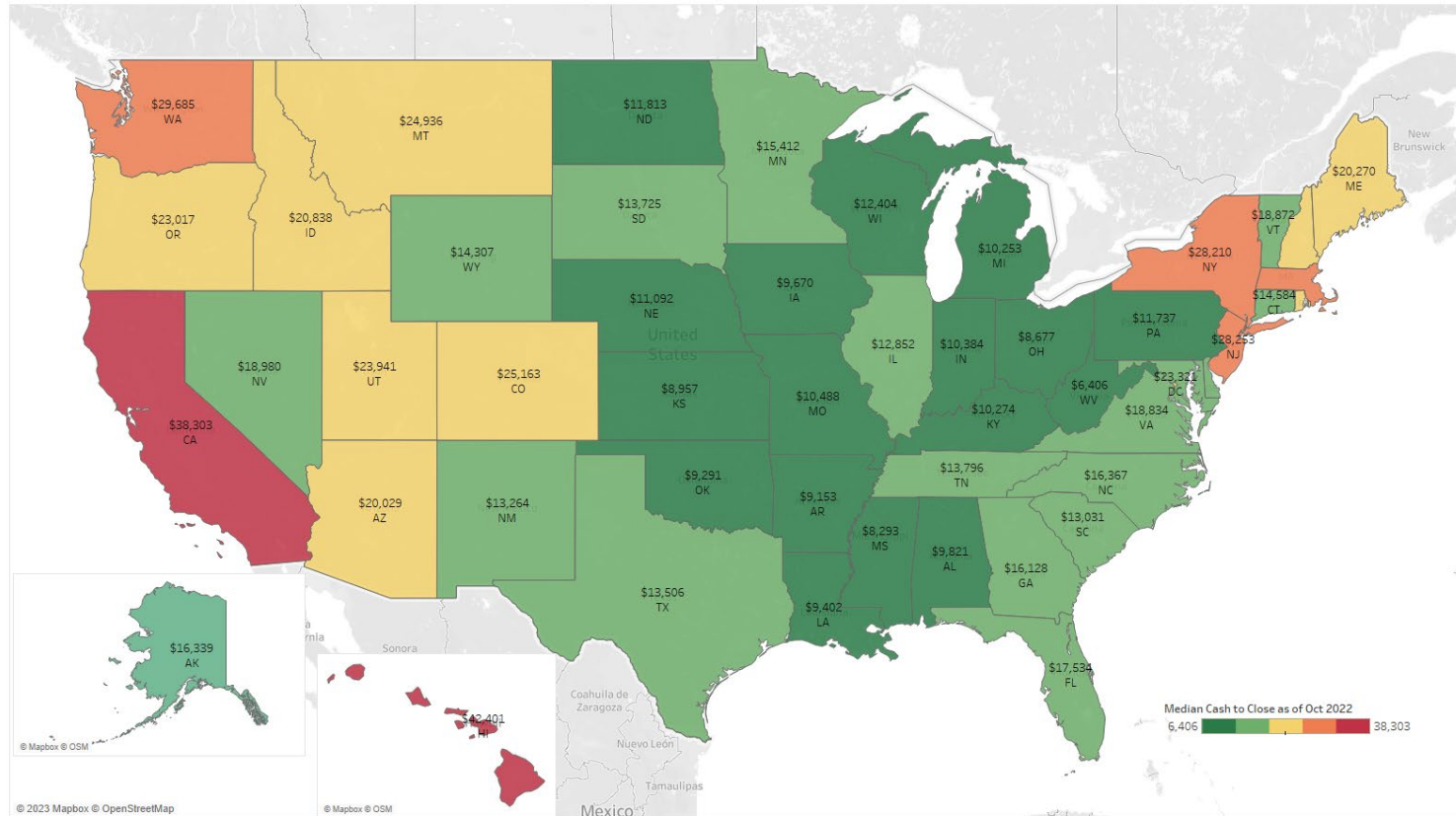


Down Payment and Closing Costs are a Barrier for Many “Mortgage Ready” Renters, Regardless of Income



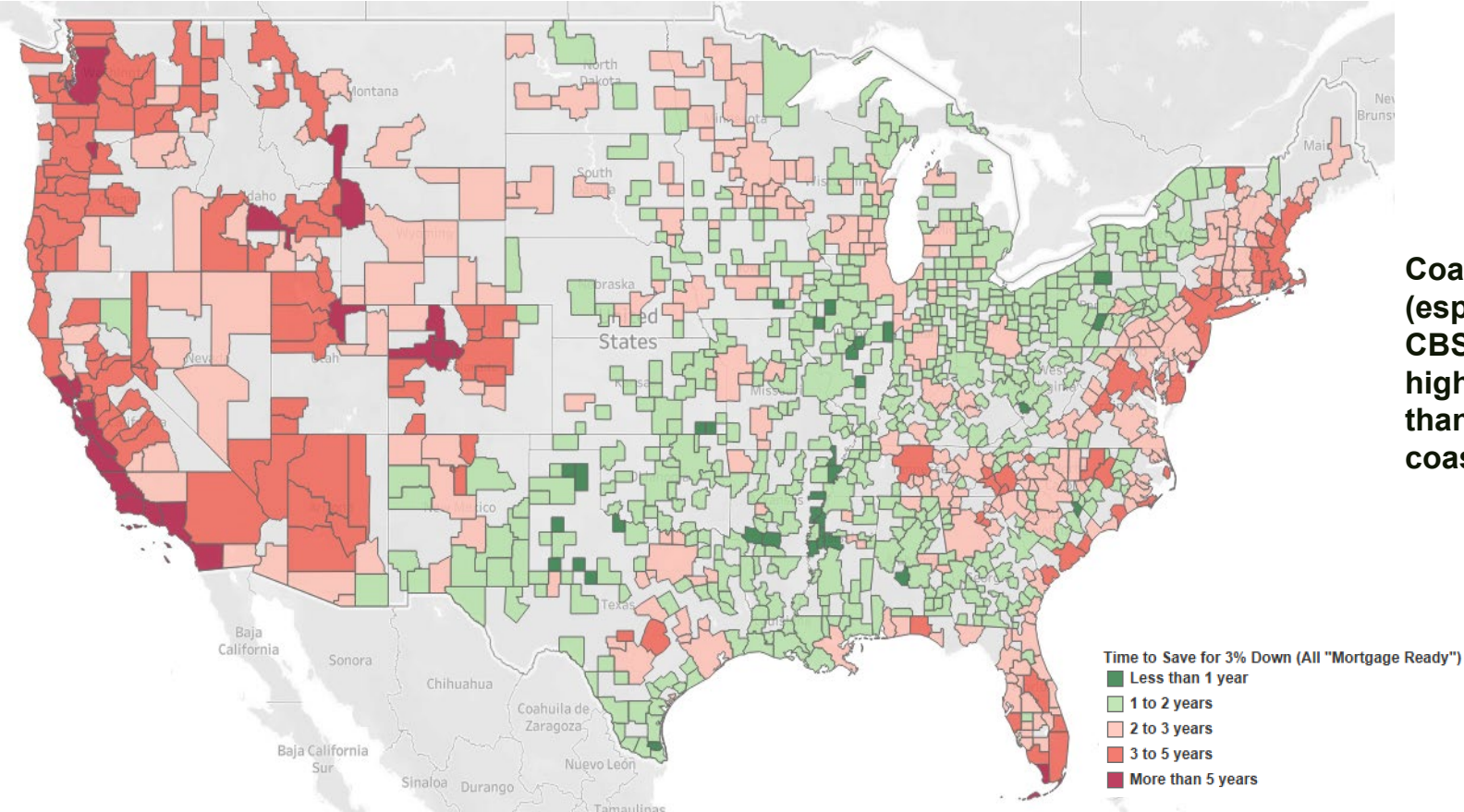
Source: Freddie Mac calculations using anonymized credit bureau data and Freddie Mac Home Value Explorer data. Cash to close is calculated by first summing the 3 percent down payment and closing cost estimates and then subtracting each consumer’s savings for 6 month. Median house price value at the individual’s county of residence was used to derive for both down payment and closing cost calculations. Closing costs is estimated to be 2.2% of the home value (Mota and Palim 2021). Savings was calculated by assuming each individual saves 7.5% of their post-tax income. According to Bureau of Economic Analysis, average personal savings rate is 7.5% of net income in 2019. We estimate net income by subtracting both state and fed taxes from gross income at the individual-level.

Median Cash to Close Shortfall Varies from \$6,400 to \$42,400 Across States



Source: Freddie Mac calculations using anonymized credit bureau data and Freddie Mac Home Value Explorer data. Cash to close is calculated by first summing the 3 percent down payment and closing cost estimates and then subtracting each consumer's savings for 6 month. Median house price value at the individual's MSA of residence was used to derive for both down payment and closing cost calculations. Closing costs is estimated to be 2.2% of the home value (Mota and Palim 2021). Savings was calculated by assuming each individual saves 7.5% of their post-tax income. According to Bureau of Economic Analysis, average personal savings rate is 7.5% of net income in 2019. We estimate net income by subtracting both state and fed taxes from gross income at the individual-level.

Time to Save (3 Percent Down) for “Mortgage Ready”



Coastal CBSAs (especially California CBSAs) require higher time to save than most non-coastal CBSAs.

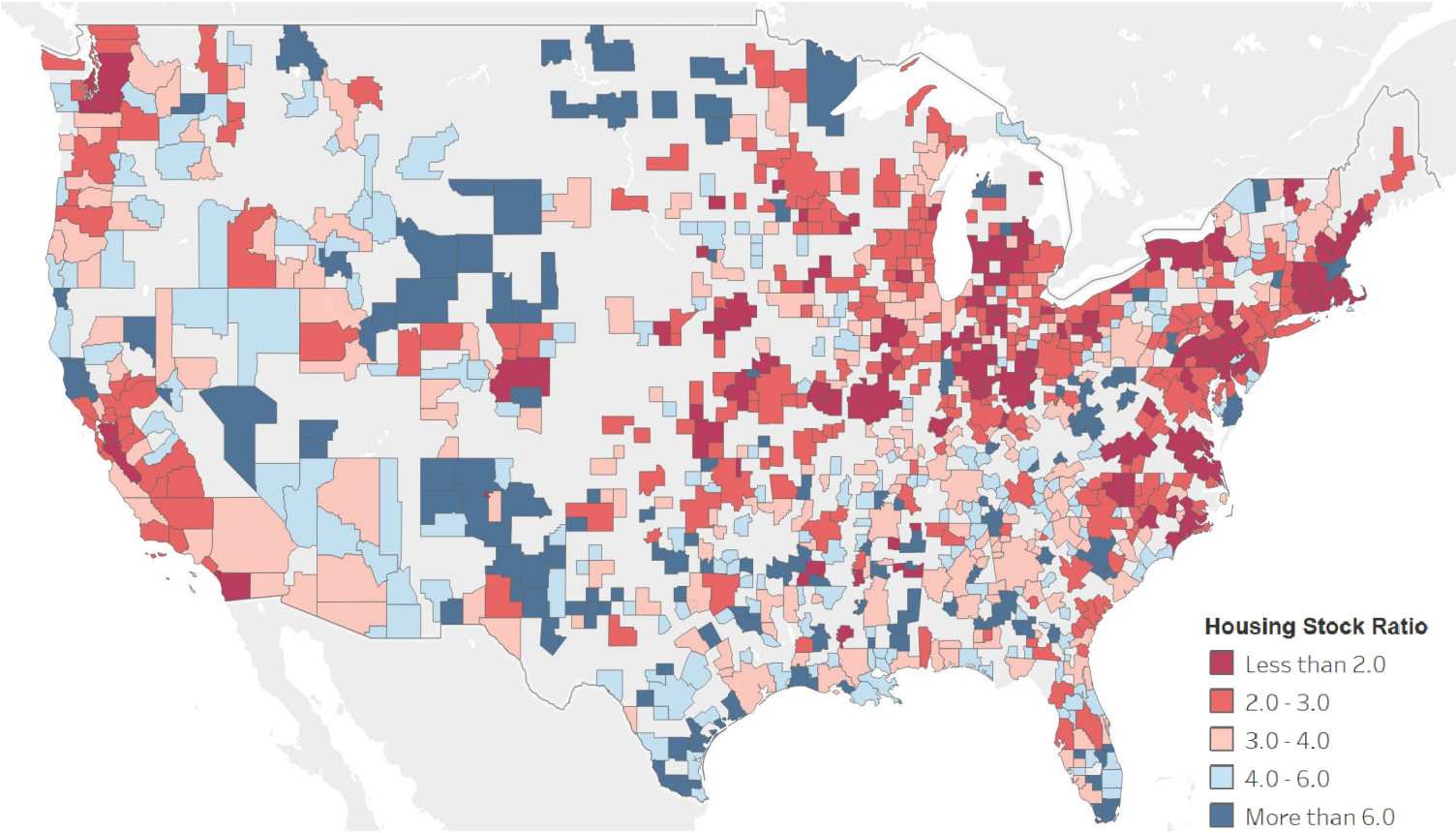
Source: Freddie Mac calculations at CBSA-level using anonymized credit bureau data with “mortgage ready” individuals aged 45 and younger for Feb 2023. Records with invalid income estimates and debt-to-income ratio estimates are removed. Time to Save for an individual is calculated by dividing county-level median down payment requirements by monthly savings. Time To Save at CBSA-level is median Time To Save of all individuals in a CBSA. According to Bureau of Economic Analysis, average personal savings rate is 7.5% of net income. We estimate net income by subtracting both federal and state taxes from gross income at the individual-level.

What are the challenges for future borrowers?

-Housing Supply



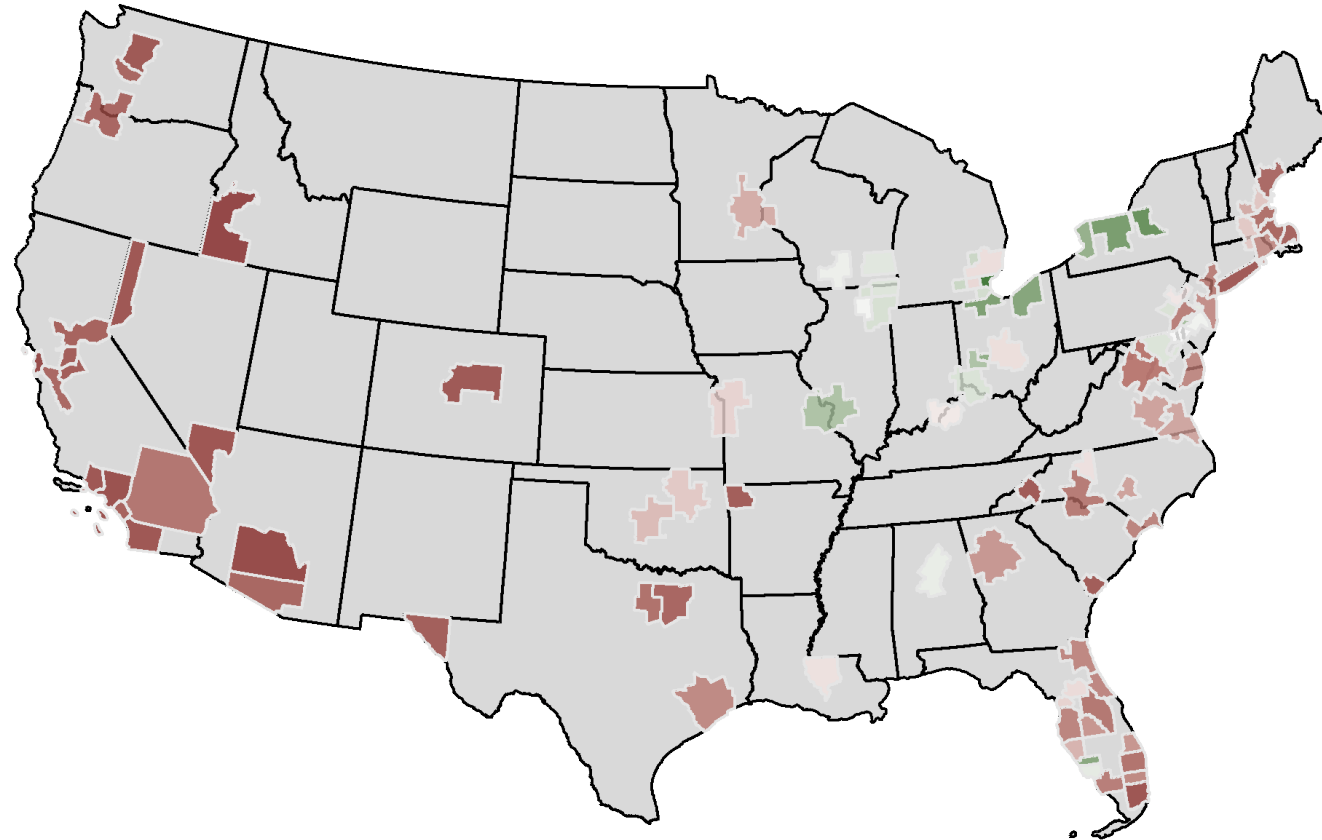
There is Chronic Shortage of Housing Supply in the US



Housing market tightness varies across CBSAs. Many CBSAs in the coastal areas and midwest have tighter housing supplies

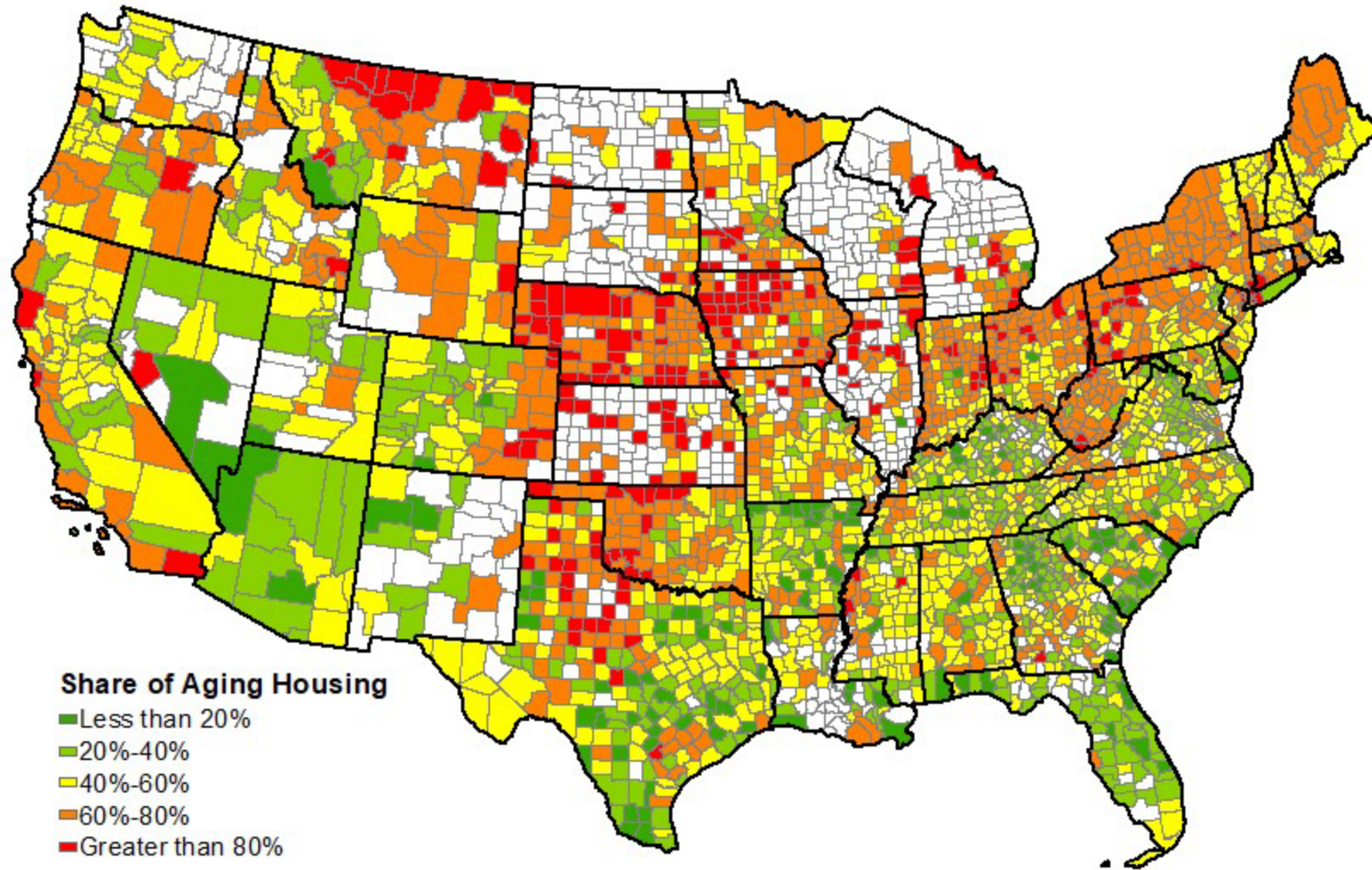
Source: Based on data from Redfin.com. Housing stock based on 3-month moving average from Dec 2022 to Feb 2023. According to industry rule-of-thumb, housing stock is adequate if housing stock ratio exceeds 6.0.

Further, housing stock affordable to low-to-moderate income population remains low across metros.



Source: Freddie Mac calculations using 2022 FHFA Area Median Income (AMI) data, and October-December 2022 CoreLogic listing and Freddie Mac PMMS data.

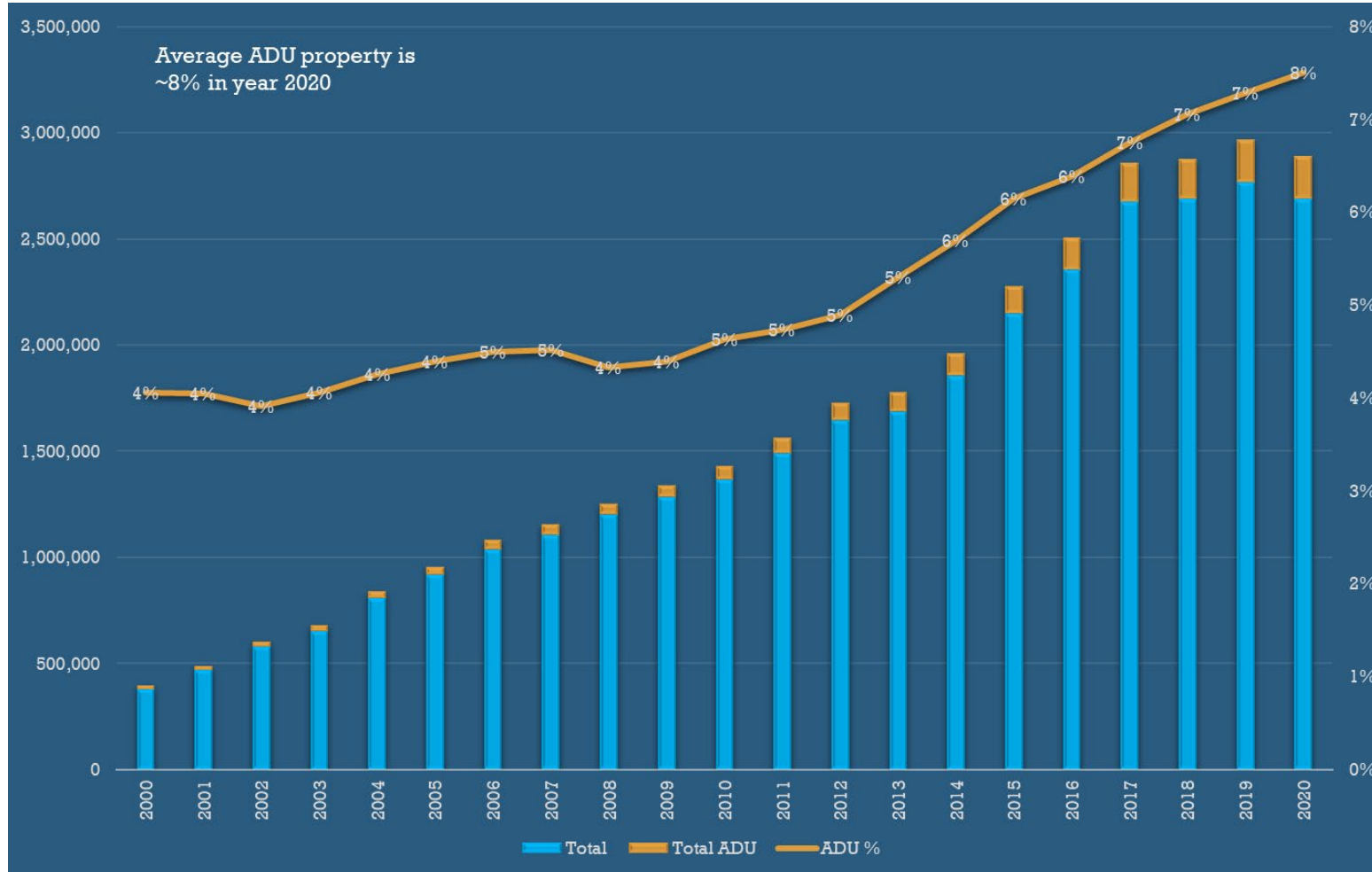
More than half of existing houses were constructed prior to 1979.



Condominiums. We restrict to counties with at least 50 single-family residences in our data.



Accessory Dwelling Units are growing rapidly over time.



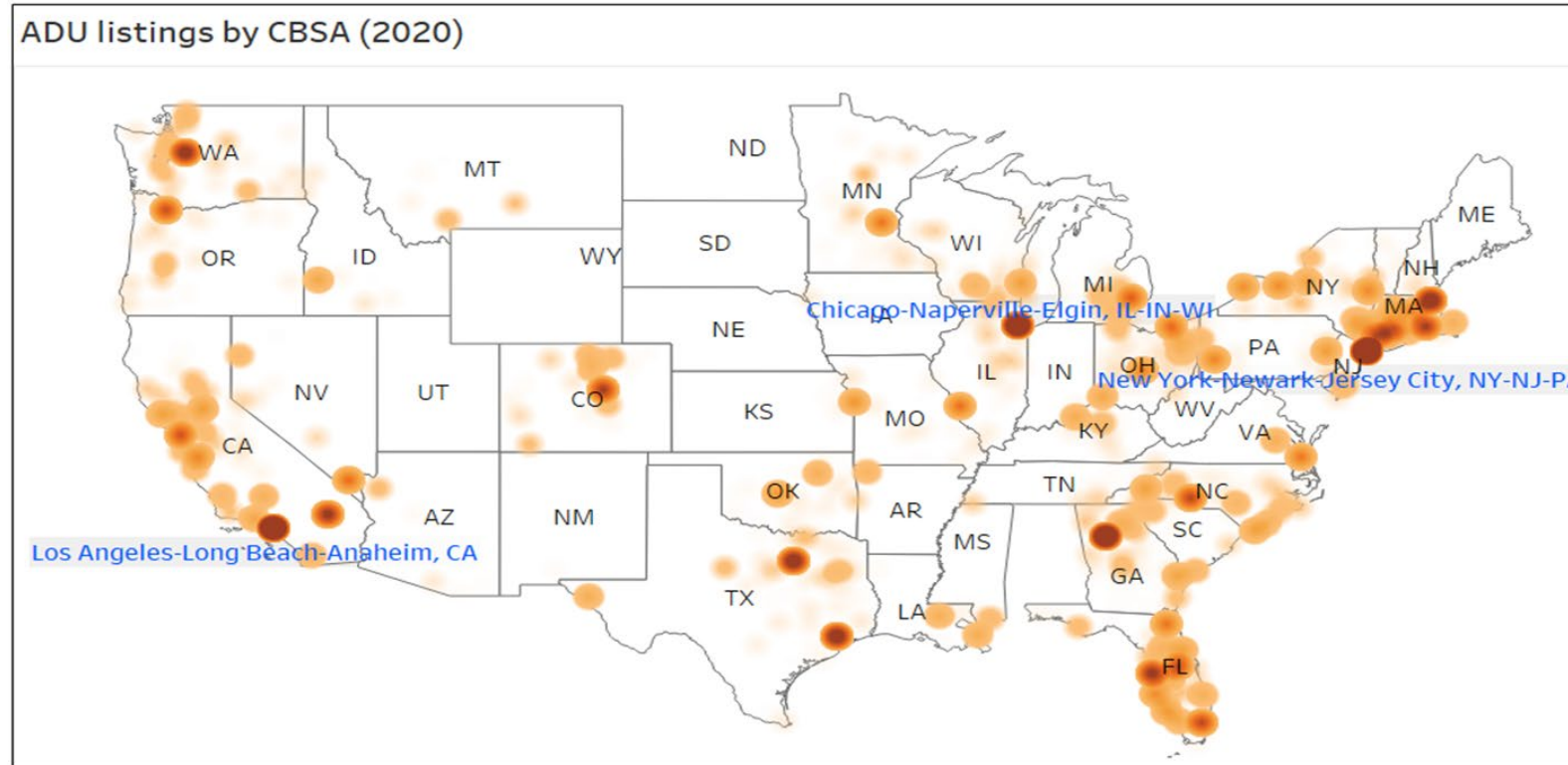
Source: Freddie Mac calculations using MLS data captured among the most recent and unique properties between 1990-2020. US territories are excluded.

Accessory Dwelling Units (ADUs) can likely expand affordable housing stock in high-cost states such as CA and NY.



Source: Freddie Mac calculations using MLS data captured among the most recent and unique properties between 1990-2020. US territories are excluded.

Los Angeles experienced a 14.7% increase in listings that had an ADU



Cd Cbsa Rds	CBSA_NAME	CNT	Cnt Adu	ADU(%)
35620	New York-Newark-Jersey City, NY-NJ-PA	94,683	16,737	17.7
31080	Los Angeles-Long Beach-Anaheim, CA	93,858	13,764	14.7
16980	Chicago-Naperville-Elgin, IL-IN-WI	111,990	10,890	9.7
12060	Atlanta-Sandy Springs-Roswell, GA	132,498	10,174	7.7
14460	Boston-Cambridge-Newton, MA-NH	43,074	6,512	15.1
26420	Houston-The Woodlands-Sugar Land, TX	116,750	6,190	5.3
19100	Dallas-Fort Worth-Arlington, TX	135,220	6,114	4.5
42660	Seattle-Tacoma-Bellevue, WA	61,341	5,499	9.0
45300	Tampa-St. Petersburg-Clearwater, FL	69,492	4,756	6.8
40140	Riverside-San Bernardino-Ontario, CA	49,606	4,723	9.5

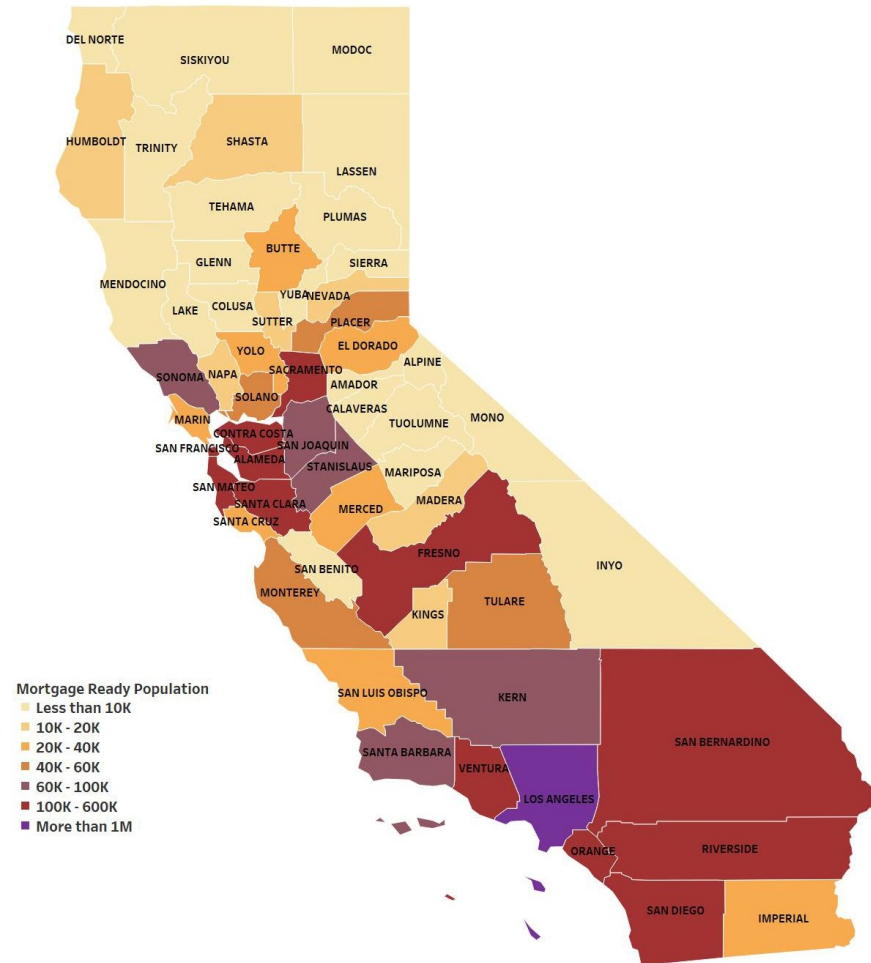
Source: Freddie Mac calculations using MLS data captured among the most recent and unique properties between 1990-2020. US territories are excluded.

Future Borrower Opportunities in California





What does the “Mortgage Ready” population look like in California?



Population	United States	California
SF Affordability	20%	3.2%
Housing Stock (ratio)	1.8	1.7
Time to Save for 3% Down (year)	3	5.8

No.	Top 5 Opportunity Markets (Share of “Mortgage Ready” population who can afford)
1	Hanford-Corcoran
2	El Centro
3	Bakersfield
4	Redding
5	Visalia

Source: Housing stock based on June 2023 data from Redfin. According to industry rule of thumb, housing stock is adequate if Housing Stock Indicator exceeds 6.0. Freddie Mac calculations using anonymized credit bureau data and Freddie Mac Home Value Explorer data for Feb 2023. Time to Save is calculated by dividing 3% down payment requirements by monthly savings. According to Bureau of Economic Analysis, average personal savings rate is 7.5% of net income in 2019. Note: According to National Association of Realtor’s methodology, if a consumer’s quarterly household income is greater than or equal to the annual mortgage payment on a median priced house (under the assumption of 3% down payment, 6.34% mortgage rate as of Feb 2023, 30-year contract), then that house is affordable for him/her/them.

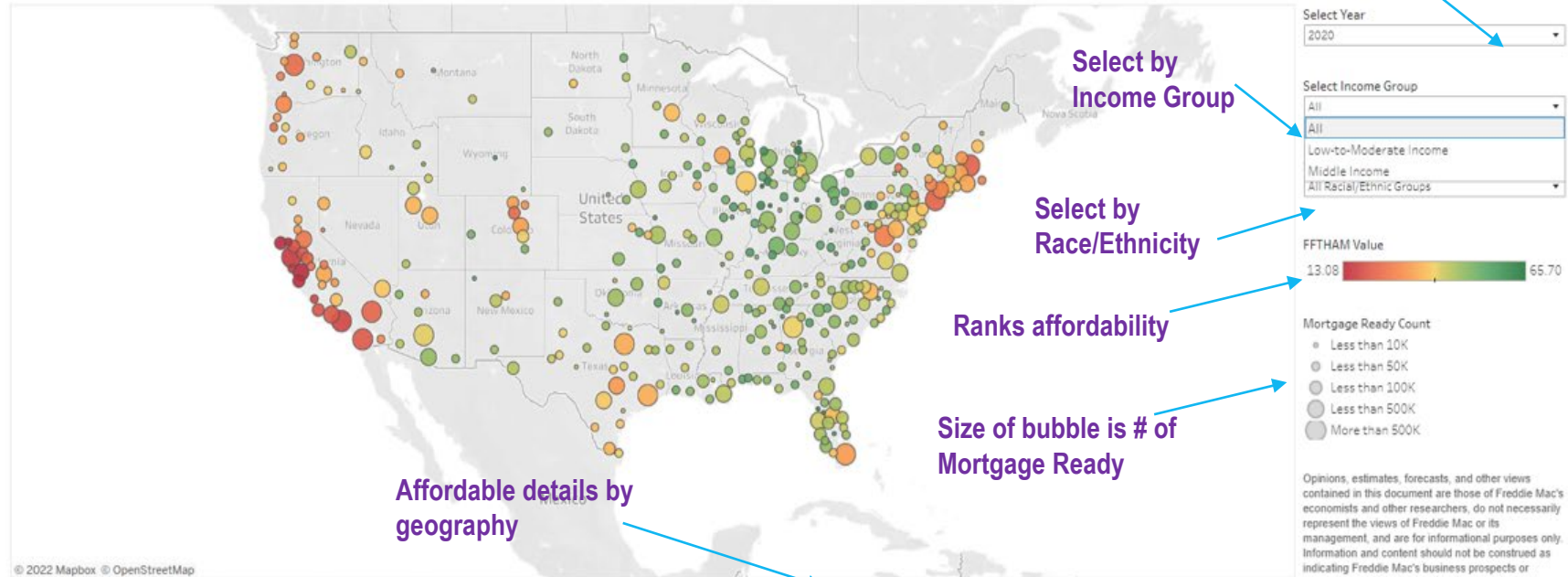
What resources are available to identify opportunities with first-time homebuyer populations?



Freddie Mac First Time Homebuyer Affordability Map by [Single Family Client and Community Engagement](#)



Freddie Mac First-Time Homebuyer Affordability Map



Source: Freddie Mac calculation using Credit Bureau data and National Mortgage Database.

Note: 1. Freddie Mac First-Time Homebuyer Affordability Map (FFTHAM) measures how many "Mortgage Ready" consumers have enough income to purchase a home by comparing their income distribution to recent first-time homebuyers' income distribution at MSA level. 2. A consumer is categorized as "Mortgage Ready" if he or she does not have a mortgage, is 45 or younger, has a credit score of 661 or above, has a back-end debt-to-income ratio not exceeding 25 percent, has no foreclosures or bankruptcies in the past 84 months, and has no severe delinquencies in the past 12 months. These definitions are research-based assessments and does not relate to our Guide or underwriting criteria. 3. Middle income refers to someone whose annual income is between 80% and 140% Area Median Income. 4. Year to Save evaluates the down payment challenge by measuring the time needed to save for 3% down payment for a median priced Single Family home at the individual's county of residence, under the assumption that the consumer does not have any savings to begin with, and will save a flat rate (i.e., 7.5%) of their net income each year. 5. Housing stock ratio measures the adequacy (if above 6) of housing stock at a given market.

Category	City
Mortgage Ready Count (#):	New Haven-Milford, CT 111,000
FFTHAM Value (%):	40
Housing Stock Ratio:	2
Median Year to Save (3% DP):	3

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Summary of Opportunities:



- The 39 Million Mortgage Ready population could become borrowers of the future.
- Rise in interest rates and house prices have priced out around 15M Mortgage Ready who could afford a median priced home in their areas.
 - Despite that, there are 196.6K potential homebuyers in CA.
- Down-payment is a barrier to the Mortgage Ready. Reducing costs at closing, could increase opportunities for Mortgage Ready to become borrowers of the future.
- More than 50% of housing stock in the country are aging.
 - Efforts should be put in ramping up renovation and rehabilitation of these decades-long houses.
- Targeting cities based on potential homebuyers who can afford to purchase in their areas and adequate housing stock can be an opportunity to expand new business.

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Questions?





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Why Homeownership Matters

Jordan Levine

Jordan Levine
Chief Economist

CALIFORNIA ASSOCIATION OF REALTORS®



Homeownership in California & Its Benefits

STEPS Toward Homeownership

April 5, 2023

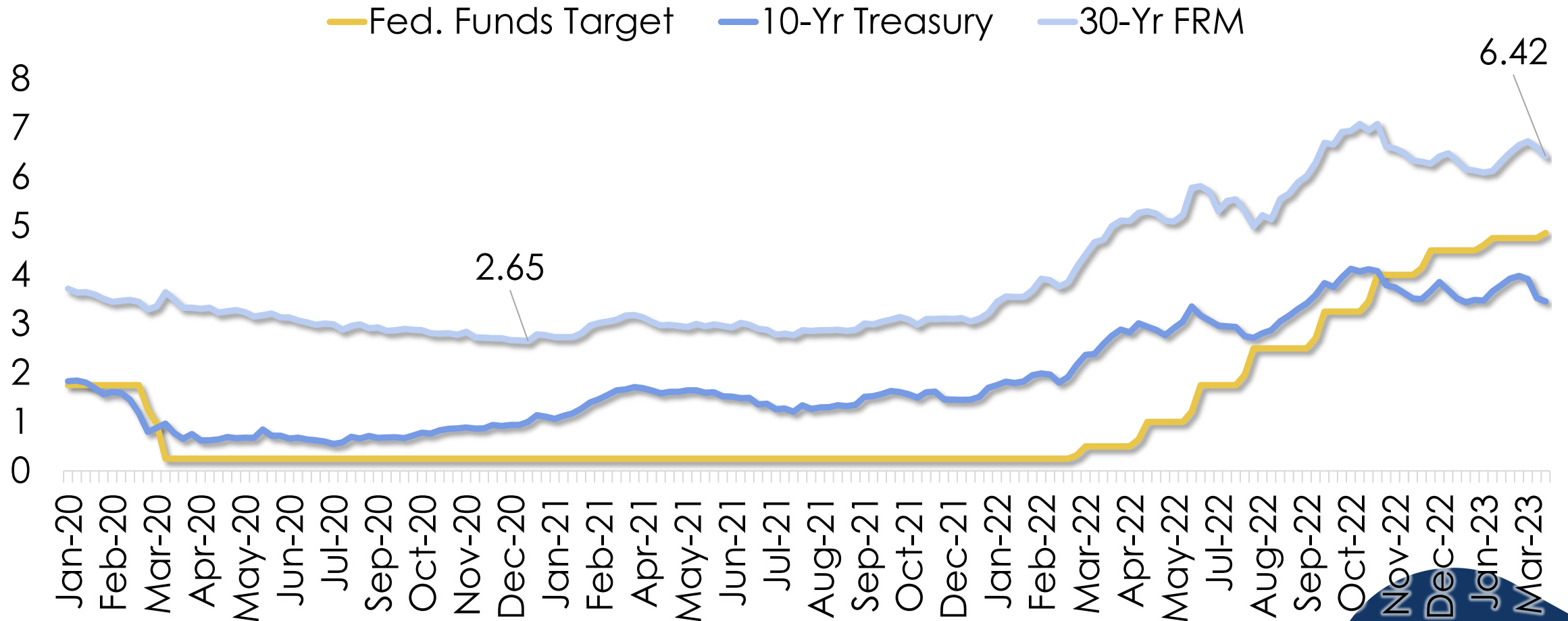
Jordan G. Levine

Vice President & Chief Economist
California Association of REALTORS®



Rates broke 7% again, but back down again after SVB

Key Interest Rates



Step 1: Define Buyer's Profile

Select County of Residence

Riverside

Select Annual Household Income

\$80,000

Select Desired Downpayment (% of Purchase Price)

3.5%

5.0%

10.0%

20.0%

Select Desired Monthly Payment (% of Income)

Low (30%)

Medium (35%)

High (40%)

Step 2: Toggle Interest Rate for Buyer Impacts

Select Rate for Purchasing Power & Inventory Below Cutoff

3.0%

3.5%

4.0%

4.5%

5.0%

5.5%

6.0%

6.5%

7.0%

7.5%

8.0%

8.5%

9.0%

9.5%

10.0%

Impact on Homebuyer's Purchasing Power

\$2,000

Target Monthly Payment (PITI)

\$442,201

Price Cutoff At Selected Rate

\$88,440

Downpayment Amount

Impact on Number of Listings Below Cutoff

Feb-23

Listings As Of Month

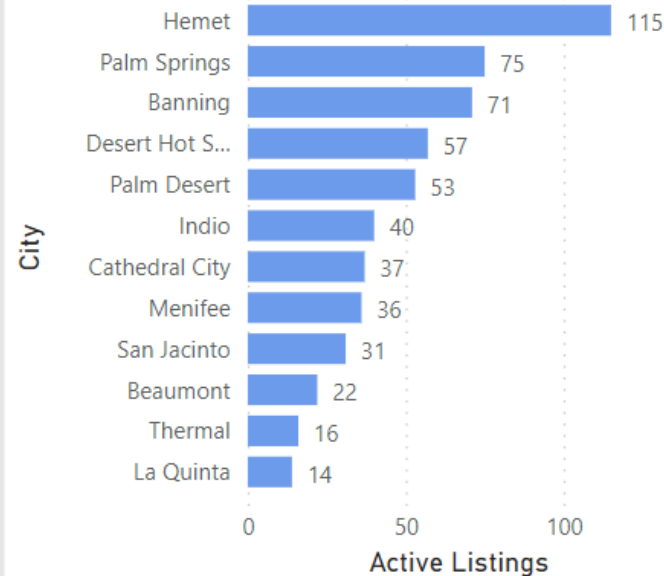
678

Listings At/Below Price Cutoff

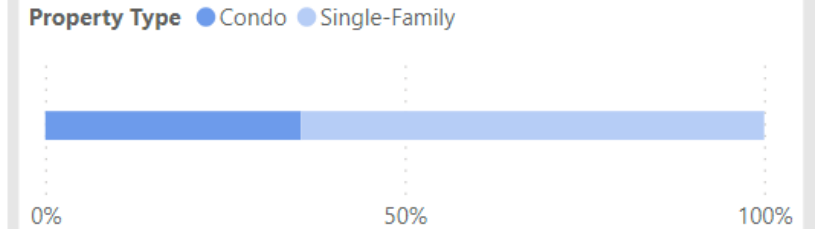
19%

Share At/Below Price Cutoff

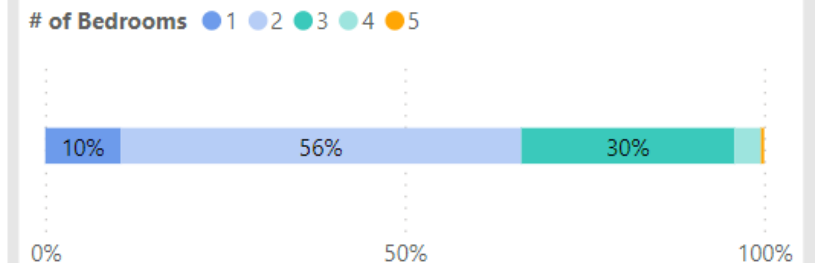
Active Listings by City



Share of Active Listings by Property Type



Share of Active Listings by # of Bedrooms



Step 1: Define Buyer's Profile

Select County of Residence

Riverside

Select Annual Household Income

\$80,000

Select Desired Downpayment (% of Purchase Price)

3.5%

5.0%

10.0%

20.0%

Select Desired Monthly Payment (% of Income)

Low (30%)

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Step 2: Toggle Interest Rate for Buyer Impacts

Select Rate for Purchasing Power & Inventory Below Cutoff

3.0%

3.5%

4.0%

4.5%

5.0%

5.5%

6.0%

6.5%

7.0%

7.5%

8.0%

8.5%

9.0%

9.5%

10.0%

Impact on Homebuyer's Purchasing Power

\$2,000

Target Monthly Payment (PITI)

\$322,241

Price Cutoff At Selected Rate

\$64,448

Downpayment Amount

Impact on Number of Listings Below Cutoff

Feb-23

Listings As Of Month

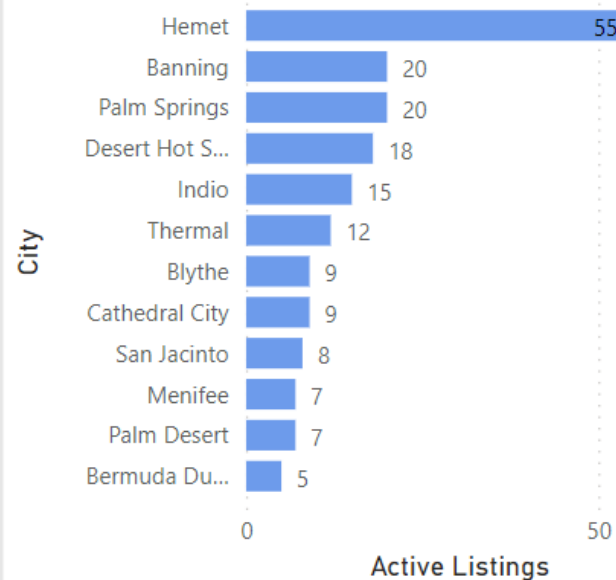
213

Listings At/Below Price Cutoff

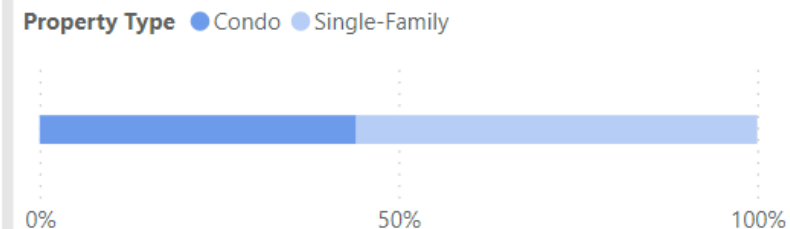
6%

Share At/Below Price Cutoff

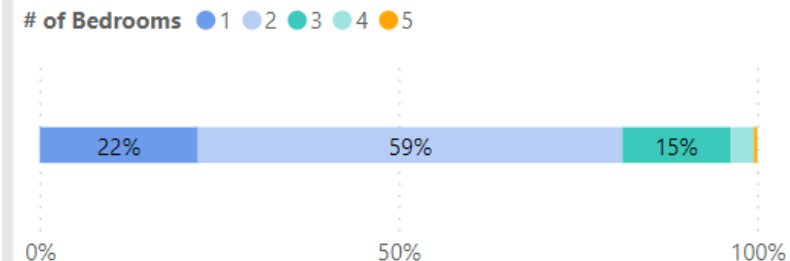
Active Listings by City



Share of Active Listings by Property Type

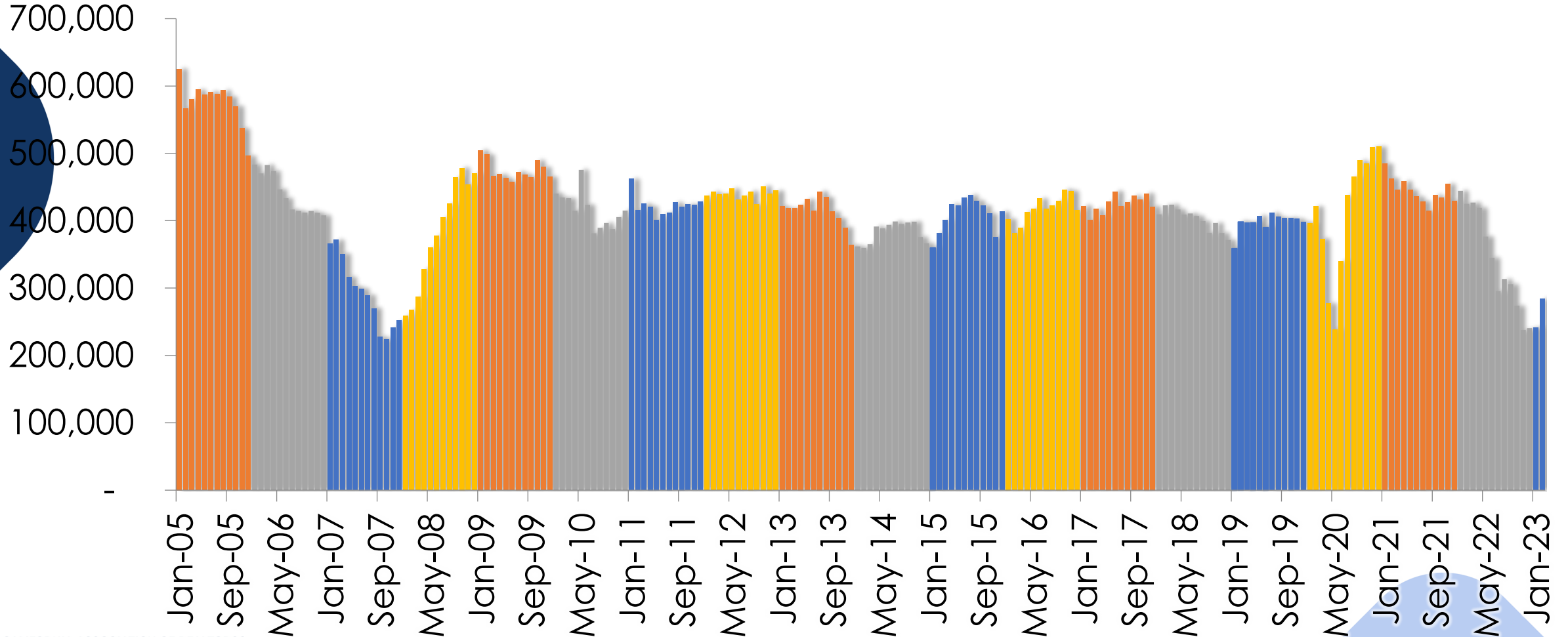


Share of Active Listings by # of Bedrooms



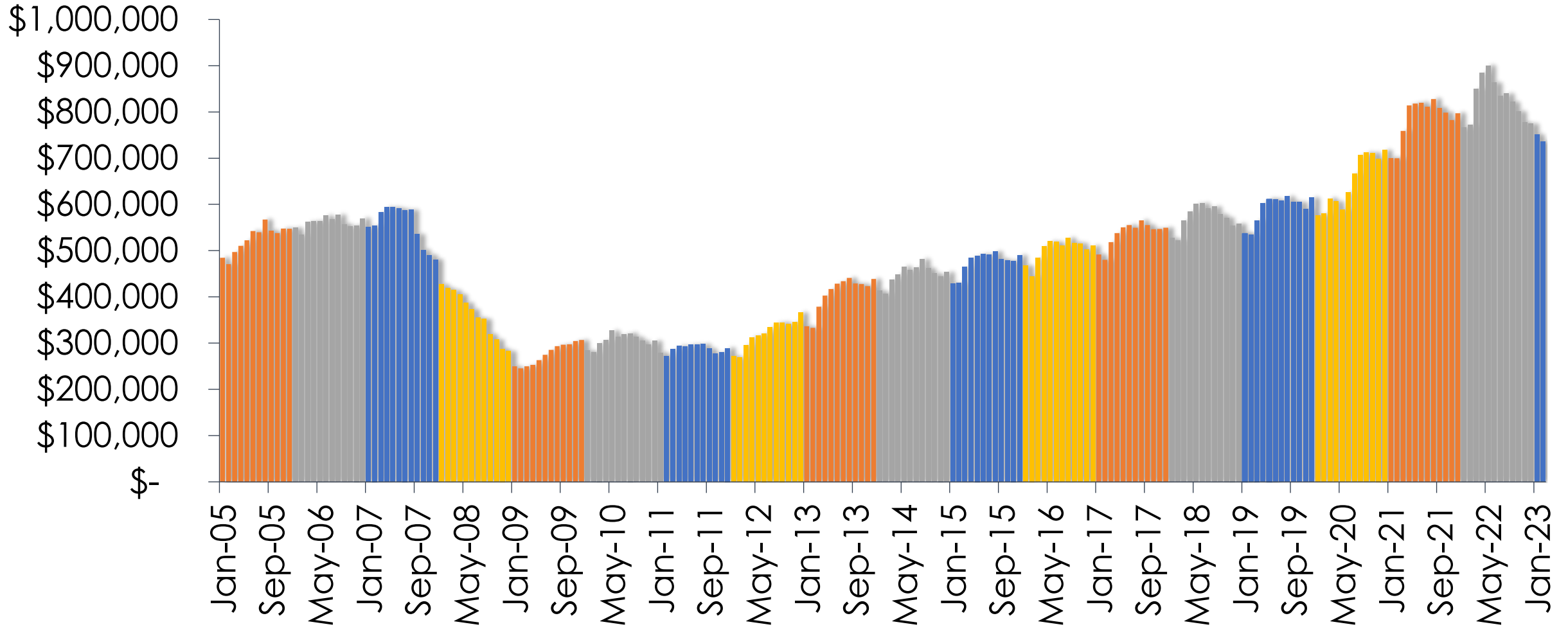
Sales remain below 300,000 for 5th straight month

California, February 2023 Sales: 284,010 Units, **-33.2%** YTY, **+17.6%** MTM

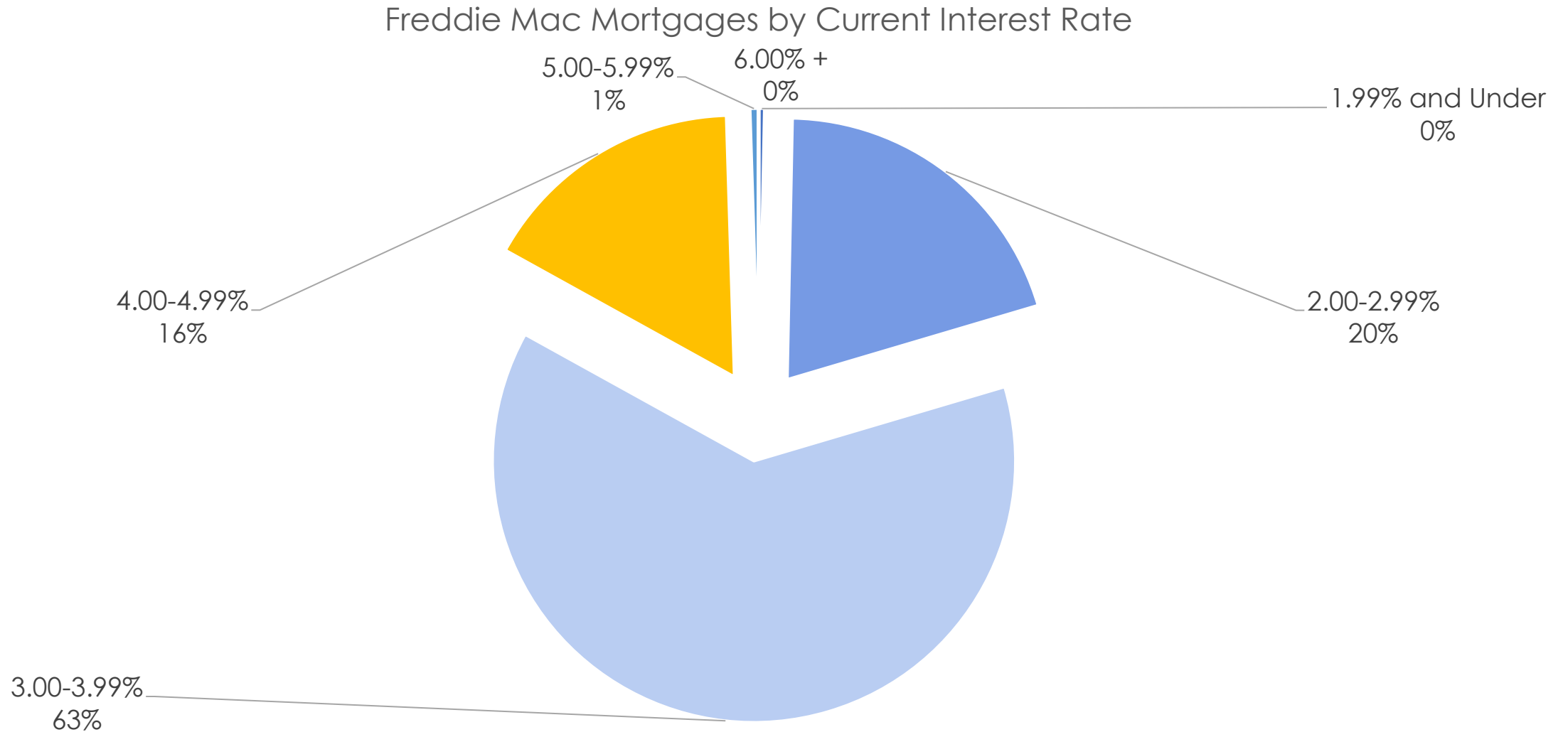


California median home price softens

California, February 2023: \$735,480, -2.1% MTM, -4.8% YTY

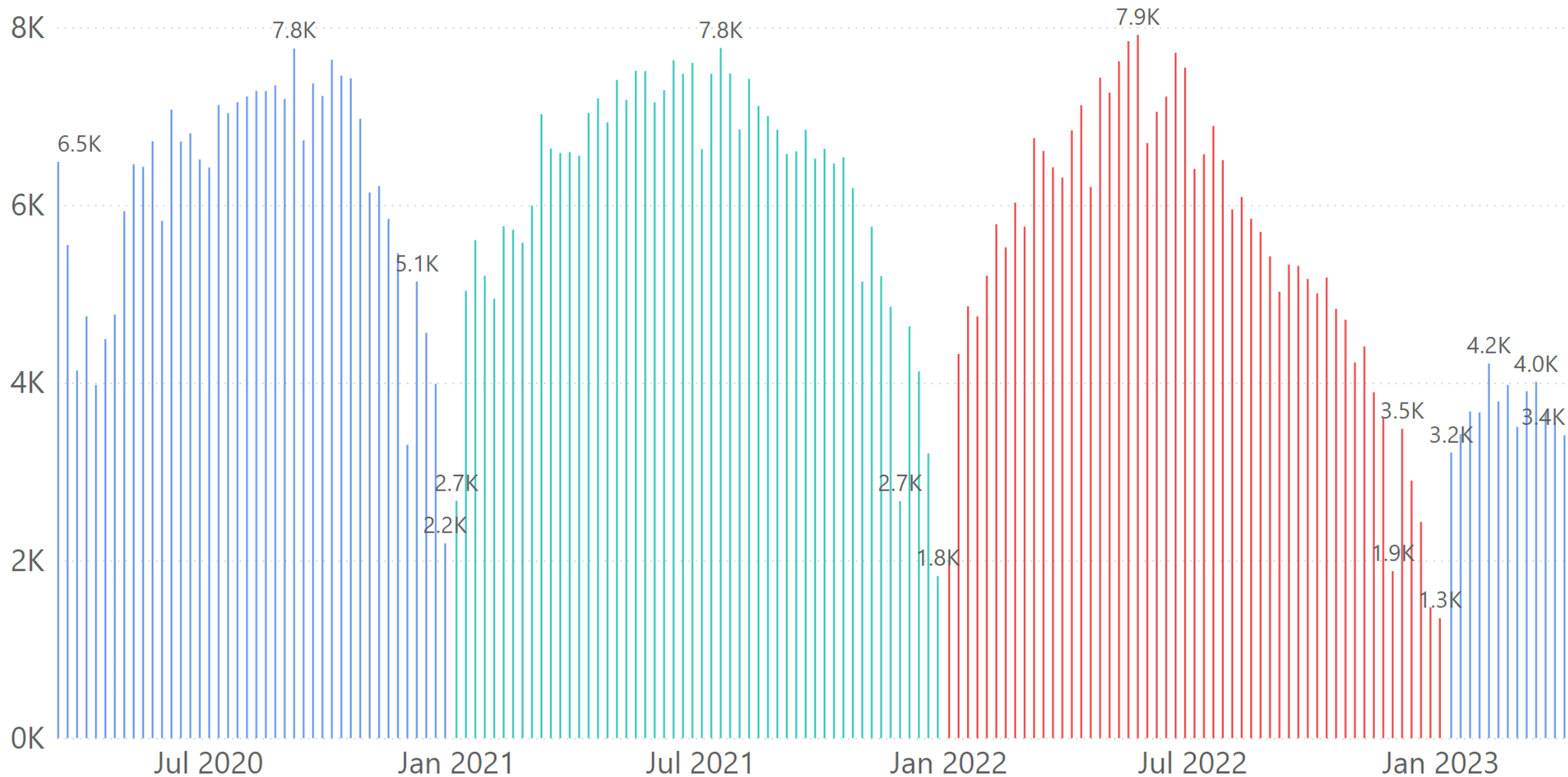


Lock in effect is alive and well, unfortunately



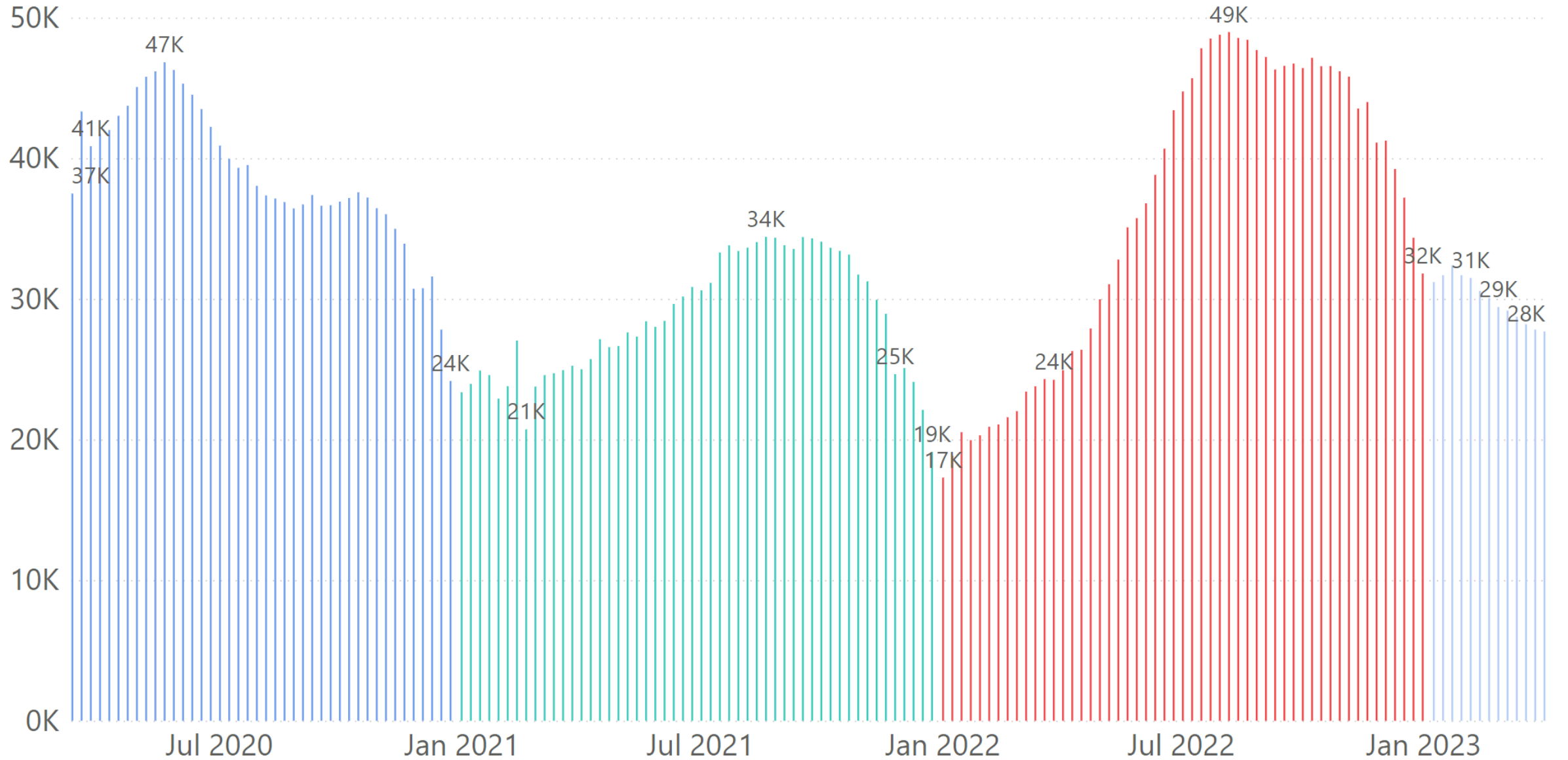
New Existing SFR Listings Added to MLSs

Year ● 2020 ● 2021 ● 2022 ● 2023



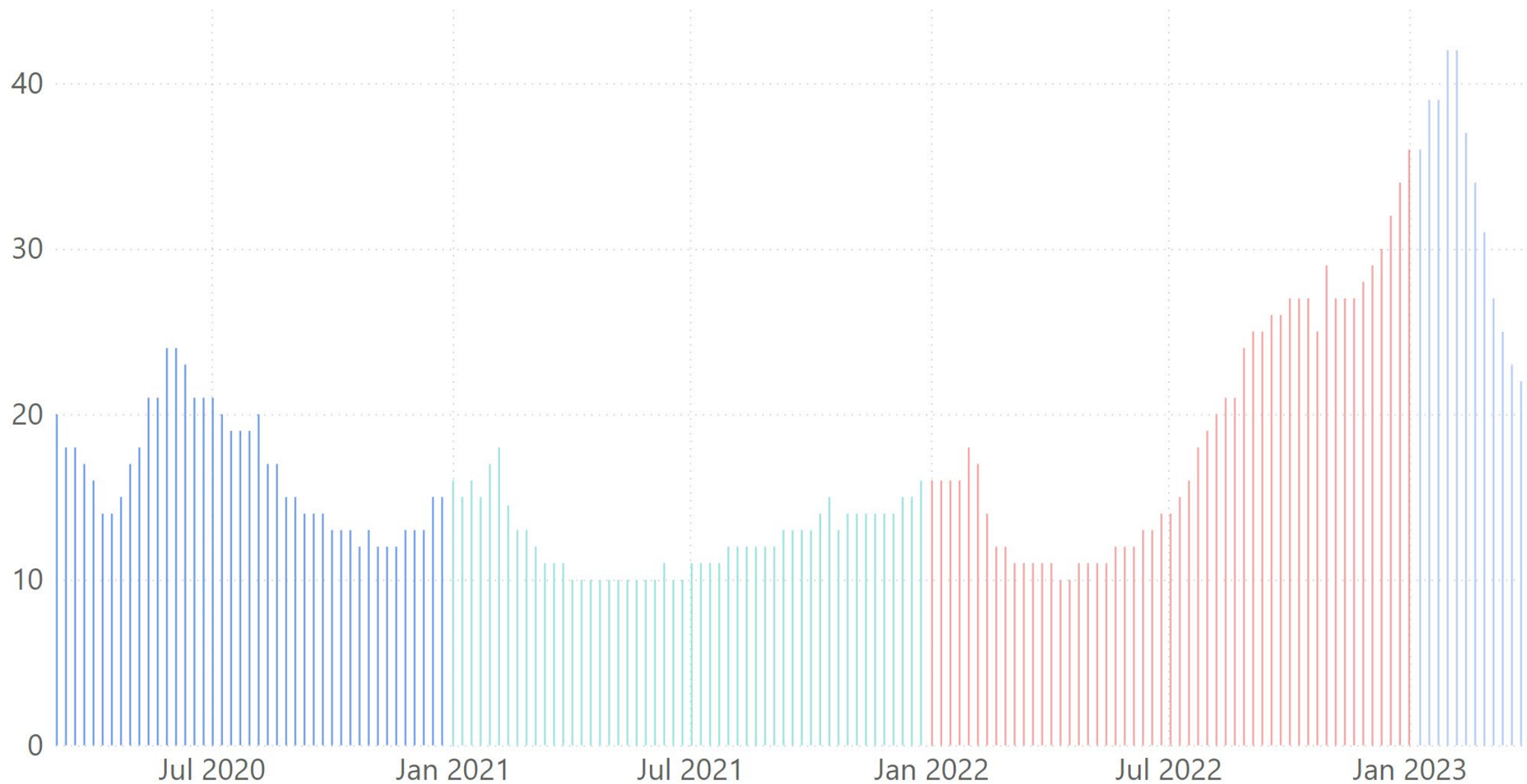
Existing SFR Active Listings

Year ● 2020 ● 2021 ● 2022 ● 2023



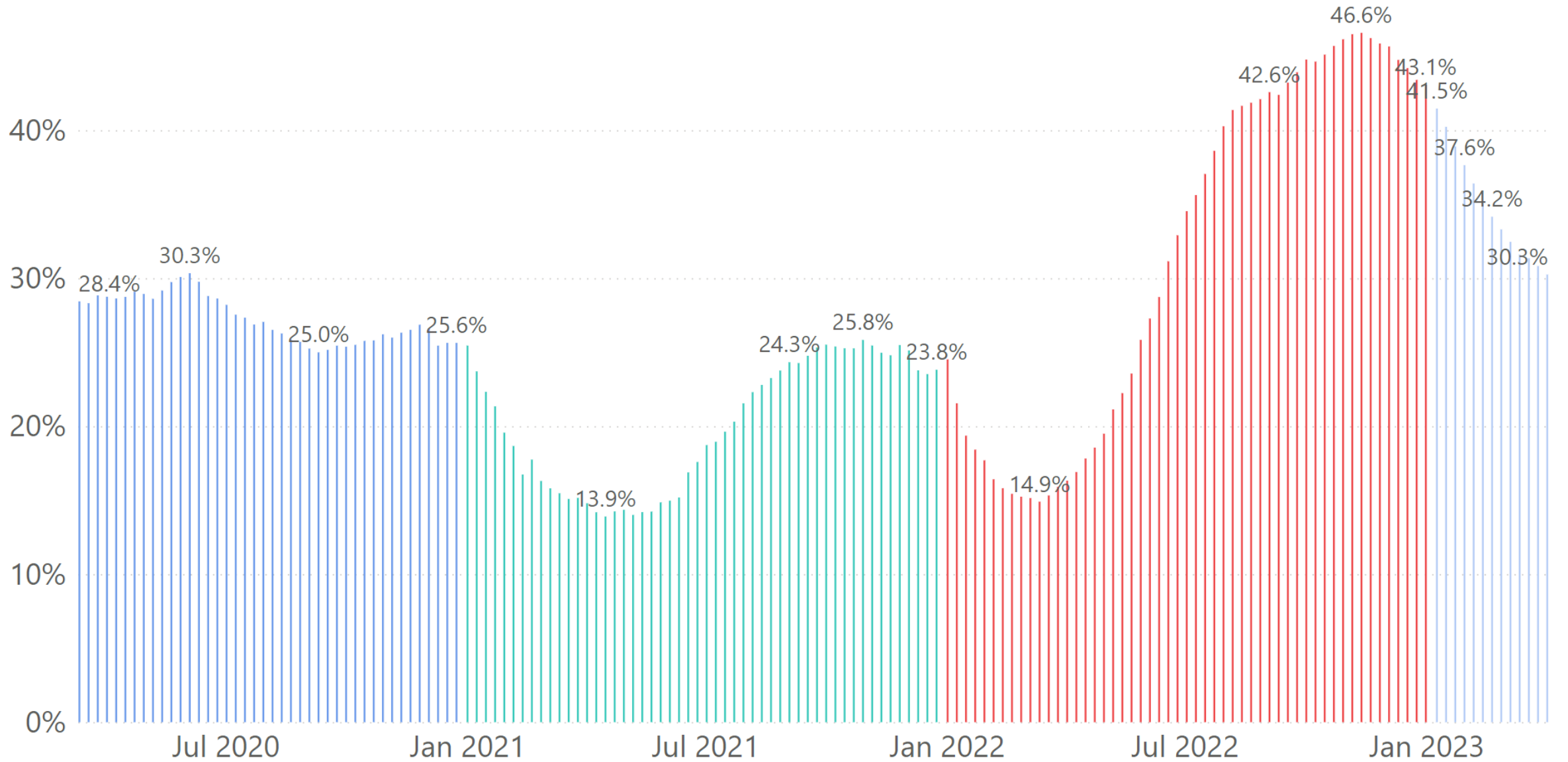
Median Days on Market for Closed Sales (Month-to-Date for Current Month)

Year ● 2020 ● 2021 ● 2022 ● 2023



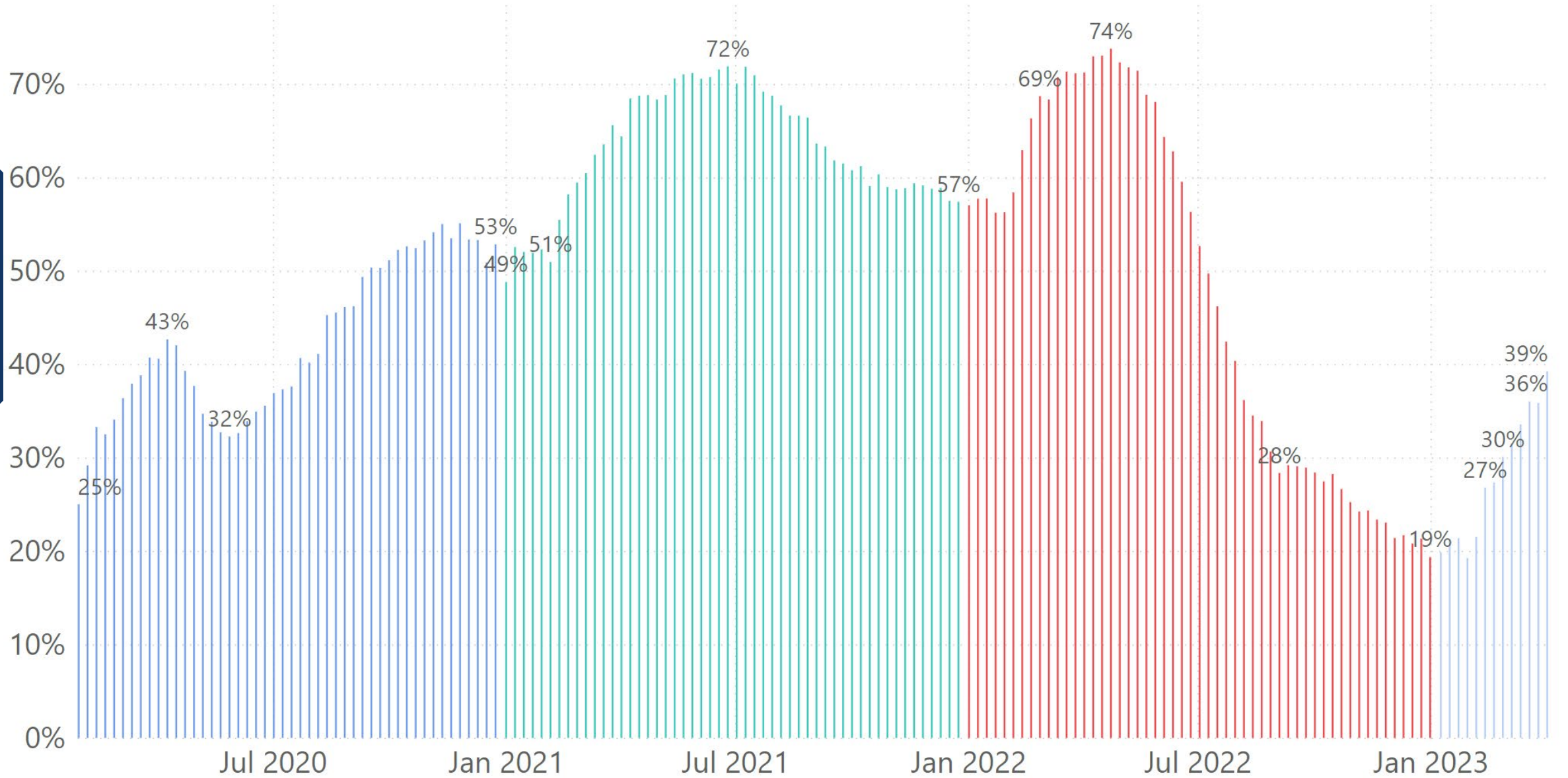
% of Active Listings w/Reduced Price

Year ● 2020 ● 2021 ● 2022 ● 2023



% of Homes Closed Above List Price



Year ● 2020 ● 2021 ● 2022 ● 2023



Even after the tremendous decline in housing prices and the rising wave of foreclosures that began in 2007, homeownership continues to be a significant source of household wealth, and remains particularly important for lower-income and minority households.

Harvard Joint Center for Housing Studies, 2013

Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?)



While it may still be the case, as suggested by the simulation studies, that under the right conditions renters would come out ahead of owners, in practice we do not observe these outcomes.

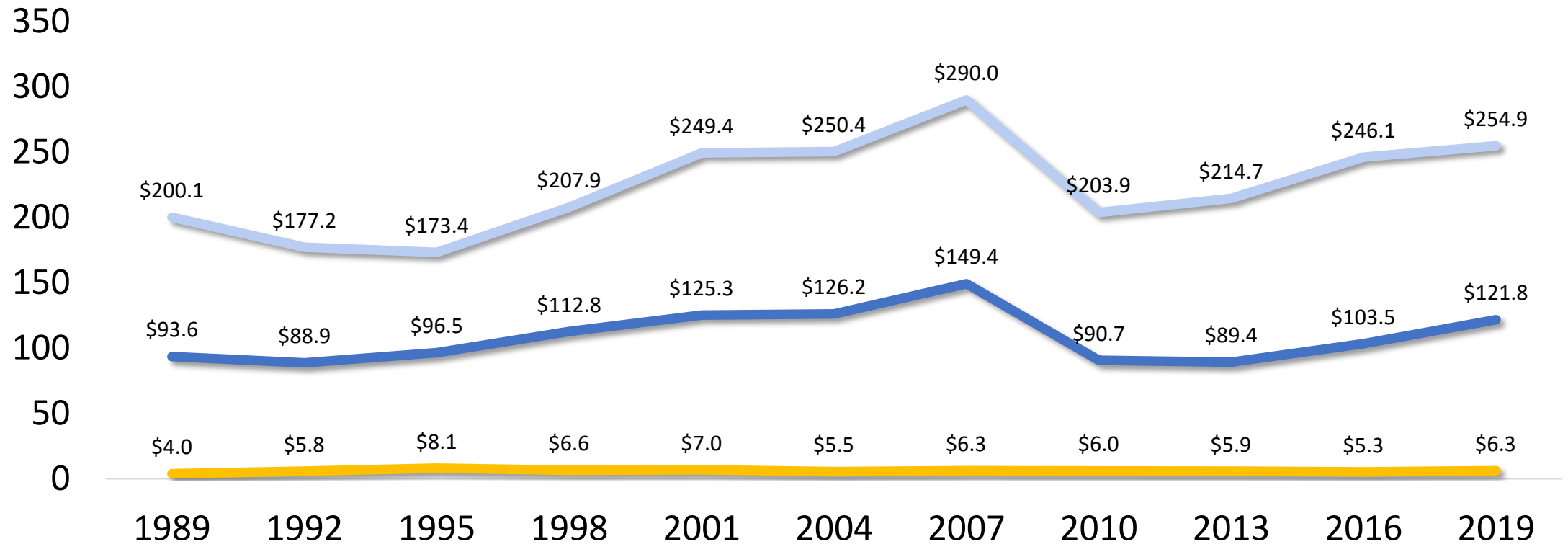
Harvard Joint Center for Housing Studies, 2013

Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?)

The benefits of homeownership are well documented

Real Household Net Worth Per Capita

— All families — Owner — Renter or other

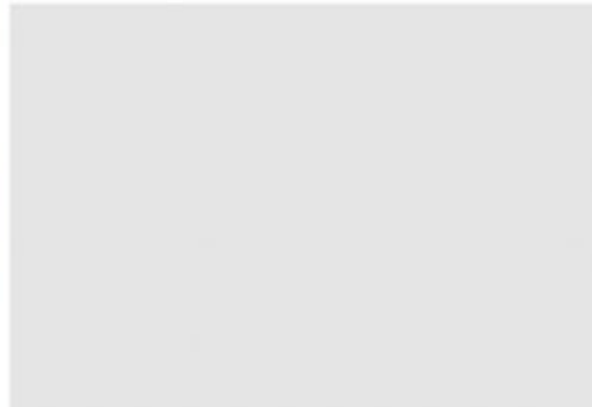


Education



Findings show that homeownership has a significant positive impact on educational achievement.

Children of homeowners tend to have higher levels of achievement in math and reading, and lower drop-out rates.



Health



Homeowners and children of homeowners are generally happier and healthier than non-owners.

The wealth building effect of homeownership and the sense of control it provides to homeowners in a stable housing market positively affect homeowners' mental and physical health.

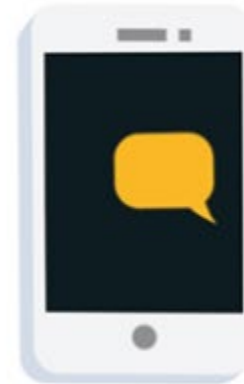


Civic Engagement



Homeowners tend to be more involved in their communities than renters.

Homeowners are likely to participate in local elections, civic groups and neighborhood groups.

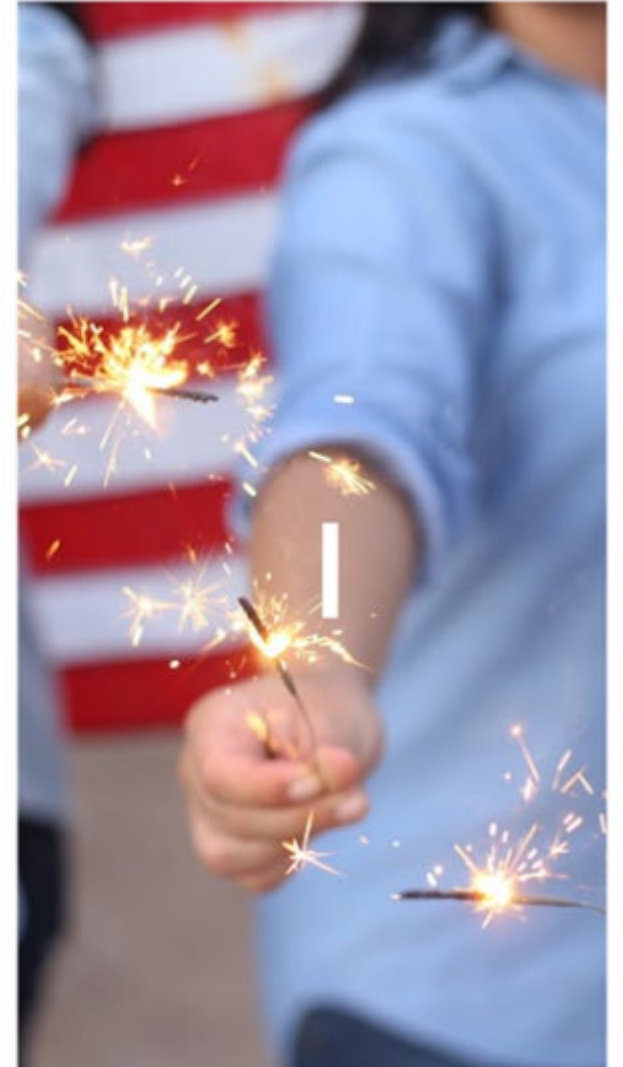


Crime



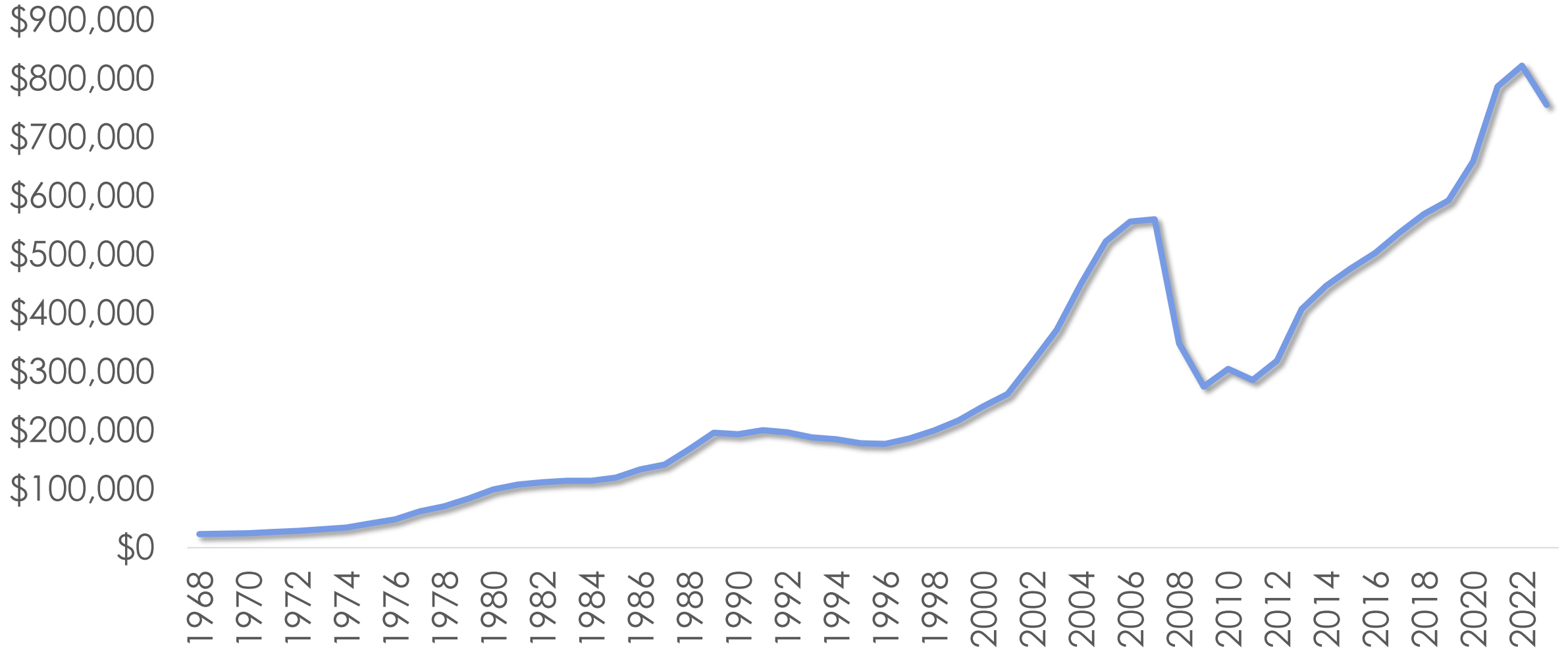
There is a lower crime rate among homeowners and people living in a stable housing environment.

A stable neighborhood, independent of ownership structure, is also likely to reduce crime.



Over the long run, prices in CA only go 1 way

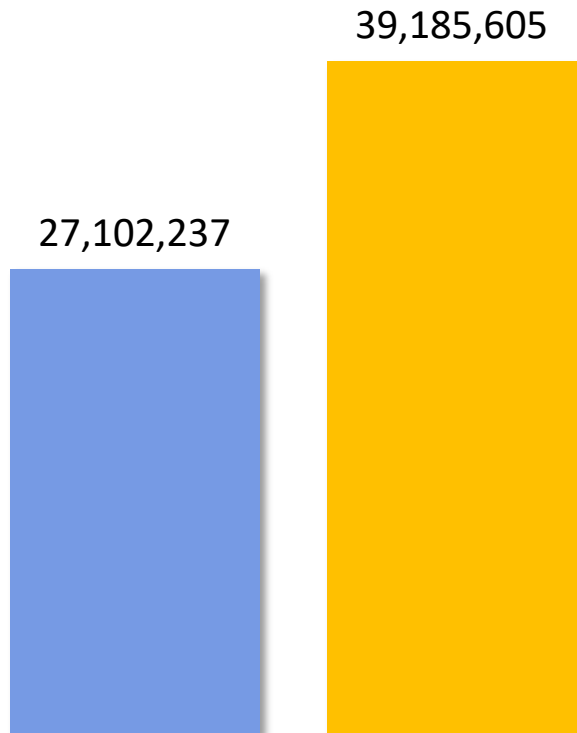
California Existing SFR Median Price



Basic laws of supply and demand ensure that...

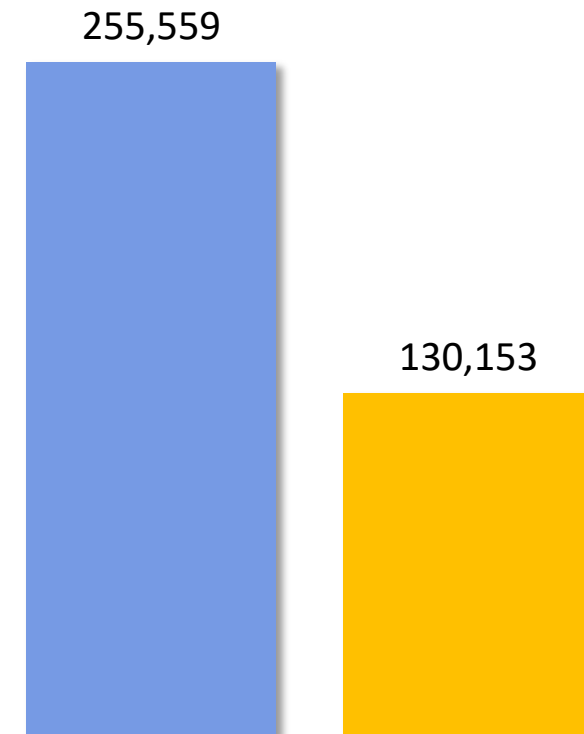
California Population

■ 1986 ■ 2022

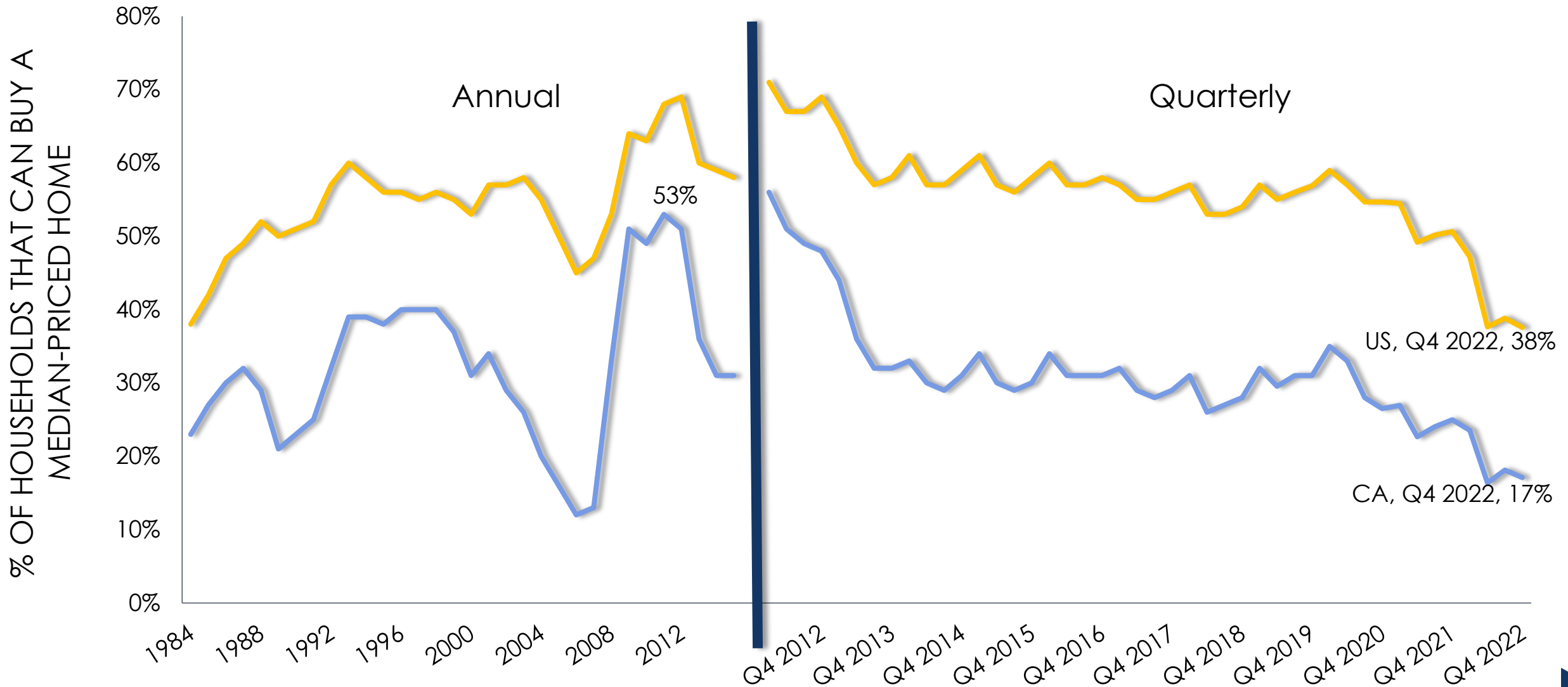


California Permits

■ 1988* ■ 2022



Housing affordability near the lowest level since 2007





Stay Up to Date w/Research & Economics Resources

Weekly Market Minute

<https://www.car.org/marketdata/marketminute>

Housing Matters Podcast

<https://www.car.org/marketdata/podcast>

Real Quick Videos

<https://www.car.org/marketdata/realquick>

Purchasing Power Calculator

<https://www.car.org/marketdata/interactive/interestrategyaffordability>



Thank You



Freddie Mac's Monica LaCrue

Jordan Levine
Chief Economist

CALIFORNIA ASSOCIATION OF REALTORS®



Freddie Mac Affordable Product Solutions



The Freddie Mac Home Possible[®] Mortgage

Home Possible offers **more options and credit flexibilities to help very low- to low-income borrowers** attain the dream of owning a home.

3% down payment

Flexible sources of funding to help more borrowers overcome the leading barriers to homeownership.

Flexibilities to help more borrowers qualify

Multiple qualifying choices including ownership of another property and non-occupant borrowers to support a broad range of borrowers.

Freddie Mac Loan Advisor[®]

Certainty and simplicity using a leading tool to efficiently evaluate borrowers.

Robust features

Product features designed for the changing needs of today's borrowers and anticipated needs of tomorrow's homebuyer.

A Solution for Various Borrower Scenarios



A newlywed couple is short on savings but received enough wedding-gift funds to complete their mortgage down payment. **Home Possible has them covered by allowing down payment and closing cost funds to come from gifts and a variety of other sources.**



A young family is moving to a larger primary home but won't sell their current house until after closing on the new one. **Ownership of another property is permitted with Home Possible, so they can breathe easy at the closing table.**



A freelance web designer is ready to buy a home of his own but still needs his parents as co-borrowers. Lucky for him, **Home Possible allows non-occupying borrowers 1-unit properties.**



A renter with two long-term roommates wants to make the jump to homeownership and will bring her boarders with her. **With Home Possible, she can use rental proceeds as qualifying income for her mortgage.**

Home Possible Income & Property Eligibility Tool

Use this tool to **verify if a borrower can qualify for a Home Possible® mortgage based** on the property location and the borrowers' qualifying income.

1551 Park Run Dr, Mc Lean, VA, X

SF.FreddieMac.com/working-with-us/affordable-lending/home-possible-eligibility-map

Allows you to check for available down payment assistance on the [Down Payment Resource](#) website

2019 Home Possible Income Limits by Census Tract
1551 Park Run Dr, Mc Lean, VA, 22102, USA
See if this property qualifies for [Down Payment Assistance](#)

County: Fairfax
FIPS Code 51059480202
Home Possible Income Limit: \$95,920
100% Median Income: \$119,900
80% Area Median Income: \$95,920
50% Area Median Income: \$59,950
High Needs Rural Tract: No
[Zoom to](#)

Provides Home Possible income limits based on property location

Eligibility: HomeOne® Highlights

What You Need to Know...



At least one borrower must be a first-time homebuyer (purchase transactions)



1-unit primary residence, excluding manufactured homes



All borrowers must occupy as their primary residence



Fixed rate only

Home Possible® & HomeOne® Overview

Home Possible®		HomeOne®
Qualifying income is at or below * 80% of the Area Median Income	Income	No income limitations
1-unit: 97% LTV/105% TLTV/97% HTLTV 2-4 unit: 95% LTV/TLTV/HTLTV	LTV Ratio	1 unit: 97% LTV/105% TLTV/97% HTLTV
1- to 4-unit Primary Residence Manufactured Homes up to 95% LTV/TLTV/HTLTV CHOICE Home® up to 97% LTV/105% TLTV/97% HTLTV	Property Type	1-unit Primary Residence 2-4 unit: Not permitted Manufactured homes not permitted CHOICE Home® up to 97% LTV/105% TLTV/97% HTLTV
Fixed Rate and ARMs Purchase and No-Cash out refinance	Loan Type	Fixed Rate Purchase No cash-out Refinances are eligible only if loan refinanced is owned by Freddie Mac** or is secured by an affordable second
Reduced MI Coverage (25% maximum)	Mortgage Insurance	Standard MI Coverage (35% maximum)
At least one borrower must occupy as primary residence. Non-occupying co-borrower allowed (max LTV 95%)	Occupancy	All borrowers must occupy as primary residence and for purchases at least one occupant must be a first-time homebuyer
Borrower can own up to two financed properties (includes the Home Possible property)	Additional Properties	Standard Seller/Service Guide requirements apply
Loan Product Advisor Accept. May be manually underwritten (See Guide Section 4501.8 for requirements)	U/W Path	Loan Product Advisor Accept Risk Class only

Meeting Evolving Needs with CHOICERenovation®

- Finances a **broader range** of renovations
 - Allows renovation costs of **≤ 75% of the appraised as-completed property value**
 - Allows renovations to **rebuild** homes to recover from damage caused by natural disasters and/or to **improve a home's resilience** to future events
 - Closes in a **single transaction** with a home purchase or refinance
 - Allows financing of **up to 6 months' principal, interest, taxes and insurance (PITI)**
- Eligible properties:
 - 1- to 4-unit primary residence
 - 1-unit second home
 - 1-unit investment property
 - Unit in PUD, condo, co-op, or leasehold estate
 - Manufactured home
 - Down payment as low as 3% allowed
 - Lender must obtain appraisal based on interior/exterior inspection on completion of renovations

Eligible Renovations

- May **finance a wide range** of home repairs, improvements, and resiliency and energy-efficiency features
- Proceeds must be used only to finance renovations to an **existing dwelling**
- Proceeds may **not** be used
 - to **raze** an existing structure **and build** a new dwelling
 - for **personal property**, with the exception of new appliances

Renovations must comply with all applicable state and local laws and regulations, including zoning regulations. All required permits and approvals must be obtained.



Meeting Evolving Needs with CHOICEReno eXPress

- Allows a **small-scale renovation financing** option to your borrowers for upgrades like replacing windows and doors, roof repairs, minor remodeling and interior or exterior painting
- Helps you contribute to **improving home values** and create affordable homeownership opportunities for more borrowers
- Allows you to deliver the mortgage to Freddie Mac **before renovations are completed, without recourse and without pre-approval**
- Enables you to offer borrowers the ability to **combine affordable renovation mortgage products** with a low down payment product, such as [Home Possible®](#), [HomeOne®](#) and [HFA Advantage®](#)

Eligible properties:

- 1-4-unit primary residence
- Manufactured homes, including manufactured homes that are certified CHOICEHome® (if permitted under the seller's purchase documents)
- 1-unit second homes
- 1-unit investment property
- Units located in planned unit developments (PUDs), condominiums, cooperatives (if permitted under the seller's purchase documents) or leasehold estates are acceptable

What is an ADU?



An ADU can be part of the main home, such as:

- A converted basement space or an addition
- An above-garage unit

Or it can be a detached structure(s) built on the main home's lot.

An ADU is an additional living area that:

- Includes a kitchen
- Includes a separate entrance
- Contributes less to the value of the property than the primary dwelling unit
- Includes a bathroom
- Is independent of the primary dwelling unit
- Is subordinate in living area

ADU Policy Expanded in June 2022

Previous Policy

- One ADU permitted only on a 1-unit property.
- Rental income from a 1-unit primary residence was permitted only from a live-in aide or with a HomePossible® mortgage.

New Policy as of June 1, 2022

- Allow one ADU on 1-, 2- and 3-unit properties.
- ADUs on 2- and 3-unit properties must be legally permissible by jurisdiction, legal non-conforming or be located in an area without zoning.
- Rental income generated from an ADU on a subject 1-unit primary residence may be used to qualify when certain requirements are met.
- If rental income from the ADU on a subject 1-unit primary residence is used to qualify the borrower, an appraisal is required, and any ACE appraisal waiver offered must not be accepted.

★ Our CHOICERenovation offering provides an option to use a “no cash-out” refinance mortgage to pay off short-term financing from ADU renovations, including the addition or renovation of the ADU, that are completed by the note date.

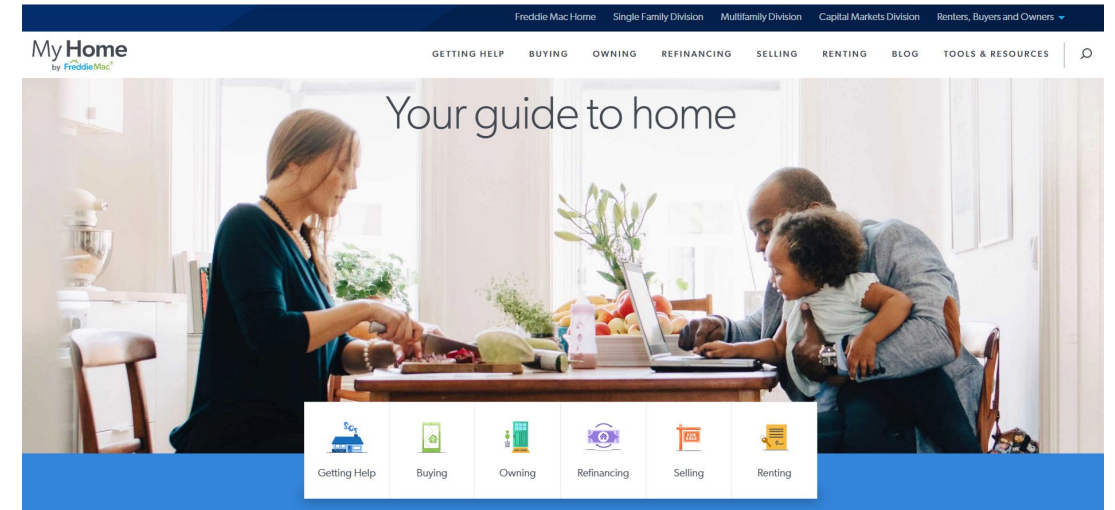
Freddie Mac Resources



My Home by Freddie Mac®

Multi-Lingual Resources for Homeowners and Renters on:

- Renting
- The Homebuying and Mortgage Process
- Sustaining Homeownership



Explore the resources: myhome.freddie.com

CreditSmart®

CreditSmart is a suite of free financial capability and homeownership education resources designed to empower consumers with the skills and knowledge to support them through every stage of their homeownership journey.

Every person has a unique homeownership journey which is why CreditSmart offers different paths to education and financial wellness.



CreditSmart® Essentials



CreditSmart® Military



CreditSmart® Homebuyer U



CreditSmart® Coach



CreditSmart® Multilingual

Real Estate Professional Resource Center: New and Expanded

Strengthen Your Role as a Trusted Advisor With Your One-Stop Access to:

-  Industry Insights
-  Enhanced Business Growth Strategies and Tools
-  Resources to Share with Clients
-  Connections to Expand Professional Networks
-  Latest News, Market Insights and Updates



Take a tour: sf.freddiemac.com/realestatepros

An aerial, black and white photograph of a suburban neighborhood. The houses are arranged in a grid-like pattern, with many trees interspersed between them. The overall scene is peaceful and residential.

Thank You



Shared Materials - Lending & Down Payment Assistance

2023 Conforming & High Balance Loan Limits by County for Freddie & Fannie (As of 1/01/2023)

The Federal Housing Finance Agency's (FHFA) announcement to increase the 2023 conforming loan limits for mortgages acquired by Fannie Mae and Freddie Mac to **\$726,200** on one-unit properties and a cap of **\$1,089,300** in high-cost areas. The previous loan limits were \$647,200 and \$970,800, respectively. Higher Loan Limits = More Properties Available to Entry Level Buyers

Loan Limit Counties

\$970,800 –	Alameda, Contra Costa, Los Angeles, Marin, Orange San Benito, Santa Clara, Santa Cruz, San Mateo
\$647,200 > < 970,800	San Diego, Ventura, Santa Barbara, San Luis Obispo, Monterey Napa, Sonoma, Yolo, Sacramento, Placer, El Dorado
\$647,200 –	All Remaining Counties for FHLMC/FNMA, FHA are less.

Link to Freddie Mac (FHLMC) / Fannie Mae (FNMA) 2023 Loan Limits

- <https://www.fhfa.gov/DataTools/Tools/Pages/Conforming-Loan-Limit-Map.aspx>

Link to FHA Loan Limits just changed on the 7th of December for 2023 Limits – Conforming \$726,200 max, (for single unit) less in many areas

<https://entp.hud.gov/idapp/html/hicost1.cfm>

Freddie Mac Choice Renovation Purchase Scenario Adding an ADU

FREDDIE MAC

Purchase	\$600,000
Renovation	\$250,000
Acquisition Cost	\$850,000
5% down	\$ 42,500
Loan Amount	\$807,500

Once the loan is closed, we deposit the \$250,000 into fund-controlled account and reimburse the contractor as they renovate/add the ADU

Approvals are Provided for Purchase Price + Renovation Funds = Acquisition Costs

Lending Terms /Abbreviations

- **AUS – Automated Underwriting System**
- **LPA – Loan Prospect Advisor (previously – Loan Prospector LP) (Freddie)**
- **DU – Desktop Underwriter (Fannie)**
- **GUS – Government Underwriting System**
- **FICO – Fair Isaac Company (Loan Scoring Model Used By a Majority of Lenders / Investors)**
- **DPA – Down Payment Assistance**
- **MI – Mortgage Insurance**
 - **UFMIP - Up-Front Mortgage Insurance (FHA Loans)**
 - **MMI – Monthly Mortgage Insurance (FHA Loans)**
 - **PMI – Private Mortgage Insurance (Conventional Loans) - LPMI – Lender Paid Mortgage Insurance**
- **OO - Owner Occupied Borrower / Co-Borrower**
- **NOO – Non-Owner-Occupied Borrower / Co-Borrower**
- **FTHB – First Time Home Buyer**
- **CalHFA – California Housing Finance Agency**
- **GSFA – Golden State Finance Authority (Platinum)**
- **Flipping – Selling within 3 months, with large value increase, may trigger Lender RED Flags**
- **Calculations**
 - **DTI – Debt to Income LTV – Loan to Value and Combined Loan to Value (CLTV)**
 - **PITIA w/MI – Principal, Interest, Taxes, (Hazard) Insurance, Association Fees, and Mortgage Insurance**

Basic Credit Requirements

- **CREDIT SCORES MATTER!**
- Credit is Dynamic
 - Score Changes Possible with Proper Planning
 - Tradelines (or Credit Depth) is an important characteristic to be aware of
 - Possible Removal of Derogatory Credit (if done in advance)
- Credit Hardships & Life Events Can Change the Rules
- Non-Traditional Credit May Help When Lack of History
 - Rental history
 - Insurance payment history
 - Cell phone payment history
 - Child Care payment history

REALTOR® Resource:

Tips for Credit-Challenged Buyers

Help your credit-challenged buyers with the **Stop-Start-Fix** credit improvement system

Stop adding new derogatory credit by bringing past-due balances on open accounts current, avoiding new late payments, and reducing revolving credit card balances.

Start building positive credit by having two to three credit accounts using secured credit cards if necessary, keep the balances low and maintain an on-time payment history.

Fix prior derogatory credit by selectively paying off or settling collection and charged-off account, judgements, and liens *as required by the underwriter*.

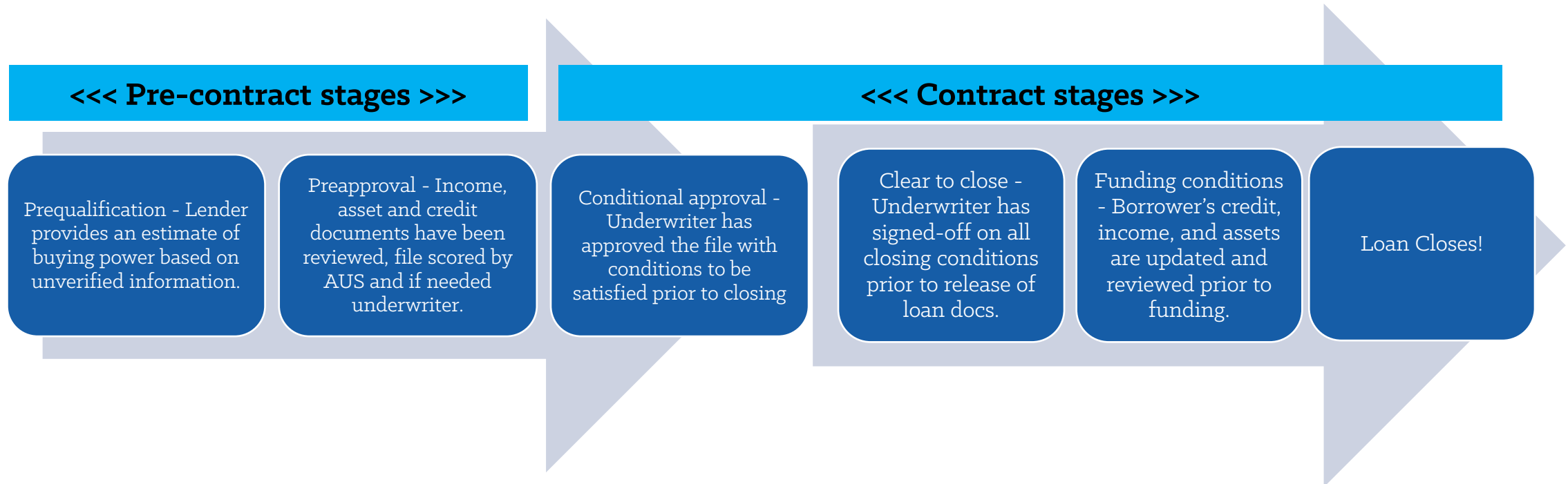
Helpful referral resource: Credit.org is a non-profit organization that offers a wide range of free credit counseling and financial management services

REALTOR® Resource: A field guide to identifying “Mortgage-Ready” buyers

Get answers to these questions from your buyers:		Yes	No
1	Do you have income sources that can be documented with current pay checks, bank statements, W2s and tax returns?		
3	Has it been at least two years since you discharged debts in bankruptcy or three years since a home you owned was foreclosed?		
4	Do you have access to down payment money from sources that can be verified and documented?		
5	Do you have at least two or three open credit accounts in good standing?		
6	Are you a US citizen, permanent resident or do you have a current work authorization card?		

If the response to these question is “yes”, send your buyer to your lender partner for pre-approval. If the answer is “no”, send them to a trusted housing or credit counselor referral partner and stay in touch with them as they resolve their issues.

Loan Approval and Closing Steps



Remember, loan approval is a dynamic, ongoing process that takes place up to and including the closing date! Help your buyer stay mortgage-ready through the entire process!

What Constitutes a Valid Loan Application?

1. Name
2. Income
3. Social Security Number
4. Property Address or (TBD)
5. Estimated Value of Property
6. Mortgage Loan Amount Sought
 - Once these 6 items of information are submitted, Lender MUST supply a Loan Estimate (LE) within 3 business days.

Calculating a Temporary Buydown

The most common question in Lending was asking about How the 2/1 buy down works.

Here is how a 2/1 temporary buy down work. 3/1 is also available.

Example: 2/1 buy down

Purchase	\$650,000
3% down	<u>\$ 19,500</u>
Loan Amount	\$630,500
Interest rate	6.25%

P & I \$3,882

Buy down 4.25%

P & I \$3,101 - \$3,882 = \$781 x 12 = \$9,372

2nd yr. 5.25%

P & I \$3,481 - \$3,882 = \$401 x 12 = \$4,812

Total seller concession is \$14,184, which is = to 2.18 points in this example.

The \$14,184 goes into an escrow account and that pays for the reduction in payments for year one & two.

QUESTIONS?

Key Elements Changing on New RPA Lender Limits Relating to Seller Credits

FHLMC:

Maximum Interested Party Financing Concessions Updated – 10-28-21

Financing Concessions: Financing concessions are funds that originate from an interested party to the transaction that are used to:–Reduce permanently the interest rate on the Mortgage–Fund a buydown plan to temporarily subsidize the Borrower’s monthly payment on the Mortgage–Make contributions in any way related to the Borrower’s Closing Costs, including up to twelve (12) months of HOA dues

Fannie Mae (FNMA)

Occupancy	LTV/TLTV > 90%	LTV/TLTV 75.01 – 90%	LTV/TLTV ≤ 75%
Primary Residences & Second Homes	3%	6%	9%
Investment Properties	2%	2%	2%

FHA:

Interested Party Contributions
<ul style="list-style-type: none"> ➤ Interested parties refer to Sellers, Real Estate Agents, Builders, Developers or other parties with an interest in the transaction. ➤ Interested Party Contribution refers to a payment by an Interest Party, or combination of parties, toward the Borrower’s origination fees, other closing costs and discount points. ➤ Interested Parties may contribute up to 6% of the lesser of the property’s sales price or appraised value towards the buyer’s closing costs, prepaid expenses, discount points and other financing concessions. ➤ The 6% limit also includes; <ul style="list-style-type: none"> » Interested Party payment for permanent or temporary interest rate buydowns and other payment supplements, » Payments of mortgage interest for fixed rate mortgages, » Mortgage payment protection insurance; and, » Payment of UFMIP. ➤ Interested Party Contributions that exceed actual origination fees, other closing costs and discount points are considered an inducement to purchase. ➤ Interested Party Contributions exceeding six (6%) percent are considered an inducement to purchase. ➤ Interested Party Contributions may not be used for the Borrower’s MRI. ➤ Payment of real estate commissions or fees, typically paid by the seller under local or state law or local custom, is not considered an Interested Party Contribution. ➤ HBFS must document the total Interested Party Contributions on Form HUD-92900-LT, Settlement Statement or similar legal documentation, and the sales contract.

Freddie Mac (FHLMC)

Occupancy	LTV/TLTV > 90%	LTV/TLTV 75.01 – 90%	LTV/TLTV ≤ 75%
Primary Residences & Second Homes	3%	6%	9%
Investment Properties	2%	2%	2%

VA: (note that VA is the only one that allows seller to payoff borrowers credit balances)

Seller Contributions
<ul style="list-style-type: none"> » For the purpose of this topic, a seller concession is anything of value added to the transaction by the builder or seller for which the buyer pays nothing additional and which the seller is not customarily expected or required to pay or provide. » Seller concession include; but are not limited to, the following; <ul style="list-style-type: none"> – Payment of buyer’s VA funding fee, – Prepayment of the buyer’s property taxes and insurance, – Gifts such as a television set or microwave oven, – Payment of extra points to provide permanent interest rate buydowns, – Provision of escrowed funds to provide temporary interest rate buydowns; and, – Payoff of credit balances or judgments on behalf of the buyer. » Seller concessions do not include payment of the buyer’s closing costs or payment of points as appropriate to the market. Example: If the market dictates an interest rate of 7¼% with 2 discount points, the seller’s payment of 2 discount points would not be a seller concession. If the seller paid 5 discount points, 3 of these would be considered as a seller concession. » The problem – In some localities, builders or sellers offer concessions as a competitive tool. In extreme cases, the concessions may entice unwary and unqualified veterans into home mortgages they cannot afford. The concessions may disguise the Veteran’s inability to qualify for the loan. » Four Percent (4%) Limit <ul style="list-style-type: none"> – Any seller concession in combination of concessions which exceeds four percent (4%) or the established reasonable value of the property is considered excessive and unacceptable for VA-guaranteed loans. – Do not include normal discount points and payment of the buyer’s closing costs in total concession for determining whether concession exceed the four percent (4%) limit.



Programs

Qualified Mortgage (QM) Loans

- Government Loans
 - FHA – 3.5% down
 - VA – 0% down
 - USDA – 0% down
- Conventional Loans
 - Conforming Loans (Fannie Mae & Freddie Mac)
 - Low Down Payment Loans (3% & 5% Down)
 - Fannie Mae Home Ready
 - **Freddie Mac Home Possible & Home One**
 - Down Payment Assistance 1st TD Loans – Backed by State & Local Housing Finance Groups (w/CalHFA & GSFA 2nd TD's)
- High Balance & Jumbo Loans

Qualified Mortgage (QM) Loans – Guidelines Freddie Mac Home Possible

- Freddie Mac's Home Possible mortgage offer outstanding flexibility and options to meet variety of borrower's needs in low- and moderate-income borrowers looking for low down payments and flexible source of funds
- Primary Residence only
- 1 unit 97% LTV and 2 -4 units 95% LTV with reduced coverage on Mortgage Insurance
- Purchase and no cash out refinance transactions
- Super conforming Max LTV 1 unit 95% LTV, 2 unit 85% LTV, 3-4-unit 80%LTV
- Non-occupying co-borrowers are permitted at 95% LTV
- The borrower(s) must meet income limits. Loan Product Advisor (LPA) will determine the income eligibility of the Mortgage and will indicate the eligibility in its findings.
 - To determine whether the Borrower's income exceeds the income limits, HBFS must rely on the income used to qualify the borrower and submitted to LPA.
 - There is no income limit if the Mortgaged Premises is located in an underserved area or properties located in federally declared disaster areas.

NOTE: First time homebuyers requires at least one qualifying borrower must participate in homeownership education program

Qualified Mortgage (QM) Loans – Guidelines Freddie Mac – Home One

- Home-One offers low down payment options with no specific income or geographic restrictions unlike those needed for Home Possible
- 1-unit Primary Residences Only (MFC Home & non-occupying co-borrowers not allowed)
- Up to 97% LTV/CLTV (CLTV can go up to 105% with affordable second)
- Purchase and no cash out refinances available
- MI standard rates LTV > 95% requires 35% coverage (LPMI is acceptable)
- Fixed rate only
- LPA accept only not manual UW allowed

Qualified Mortgage (QM) Loans - Guidelines

Freddie Mac with GSFA DPA

- Purchase or Refinance GSE's Government Sponsored Enterprises Provide a Secondary Market in Home Mortgage, The GSEs Purchase Mortgages from the Lender that Originates them.
- Max LTV 97% Value
- FICO – Minimum 680
- DTI – Maximum 45%
- Income: W-2 or Self-Employed, No Less than 2 Years (Full Documentation, Pay Stubs, etc.)
- Down Payment Sources: Savings, Gifts from Family Member, Non-Profit or Employer
- Max Loan Limit: \$647,200 max
- Property Condition: C₄ Appraiser Condition Rating or Better (C₁-C₄)
- Occupancy can be as Primary Residence, 2nd Home, and Investment Property
- General Notes
 - Fannie Mae (FNMA) & Freddie Mac (FHLMC) are the GSE's that make up our (Conforming & High Balance) Secondary Market.
 - Follow-up with Lender for More Specific Details

Qualified Mortgage (QM) Loans – Guidelines High Balance GSE

- Purchase or Refinance GSE's Government Sponsored Enterprises Provide a Secondary Market in Home Mortgage, The GSEs Purchase Mortgages from the Lender that Originates Them with Balances Over the Conforming Loan Limits
- Max LTV 95% Value
- FICO – Minimum 620 or per AUS
- DTI – Maximum 50% or per AUS / DU or LPA Findings
- Income: W-2 or Self-Employed, No Less than 2 Years (Full Documentation, Pay Stubs, etc.)
- Down Payment Sources: Savings, Gifts from Family Member, Non-Profit or Employer
- 2022 Max Loan Limit: Conforming \$647,200 & High Balance \$970,800, Varies by Each County Limit
- Property Condition: C₄ Appraiser Condition Rating or Better (C₁-C₄)
- Occupancy can be as Primary Residence, 2nd Home, and Investment Property
- General Notes
 - Fannie Mae (FNMA) & Freddie Mac (FHLMC) are the GSE's that make up our (Conforming & High Balance) Secondary Market.
 - Follow-up with Lender for More Specific Details

Renovation Loan Options



Renovation Loan Programs

FREDDIE MAC CHOICE

- Owner occupied, 2nd/vacation home and investor options
- Single family and 2-4 unit
- ADU can only be financed with a single-family home
- ADU can be attached or detached, site built, modular or manufactured homes
- Convert garage or existing space to an ADU
- Add bedrooms, bathrooms and full home remodel

All renovation programs use the “After-Renovated” value to calculate the loan to value. Be sure to run comps to see what the value might be with the renovation/ADU being completed

When Looking for a Lender



California Association of REALTORS® - What to Look for in a Lender

Pre-Review Lender

- Reputation in Area
- Experience with similar working partners
- Knowledge of a Multitude of lending and DPA Programs in Area

Lending Entity

- Loan Product Alternatives
- Work with DPA Sources
- Either Direct Endorsed or Evidence of Performance.
- Pre-Approval with TBD Capability
- Loan Officer Access to Underwriter Pre-Approval
- Good Appraisal Network from Within the Area or Knowledgeable on the Area Appraisers

Partnership with C.A.R on Escalations or Sources

When Buyer Brings Their Own Lender – A How to Get Comfortable Checklist

- Start Early before House Selection
- Ensure They Will Provide a Conditional Approval Subject to TBD
- Direct Endorsed or Experienced
- Escalation Channels
- Timelines & Expectations Clearly Defined
- Turn-Around Times Clear
- You the REALTOR® are Included Throughout the Process
- The Only Fees They Charge Upfront, Appraisal & Credit (if any?)



Support Materials - Lending & Down Payment Assistance

Pillars of Qualifying – 4 C's

- **Credit**
 - Score, Tradelines, Depth
 - Derogatory Items (collections, charge offs, judgements, BK, Foreclosure)
- **Capital**
 - Checking, Savings, Retirement, Gifts
- **Capacity**
 - Wages, Self Employment, Rental Income
 - Social Security, Disability, Pension
 - Asset Depletion
- **Collateral**
 - Value/Price, Property Condition, Occupancy



Quick Tips / Credit / DTI / LTV



California Association of REALTORS®

- Credit Break-Out Factors

1 - Payment History – 35%

- **How recent** is the most recent delinquency, collection or public record item?
- **How severe** was the worst delinquency—30 days, 90 days?
- **How many** credit obligations have been delinquent?

2 – Debt – 30%

- How much does the consumer owe creditors?
- What percentage of available credit card limits is the consumer using?
- What percentage is outstanding on open installment loans?

3 - Credit History – 15%

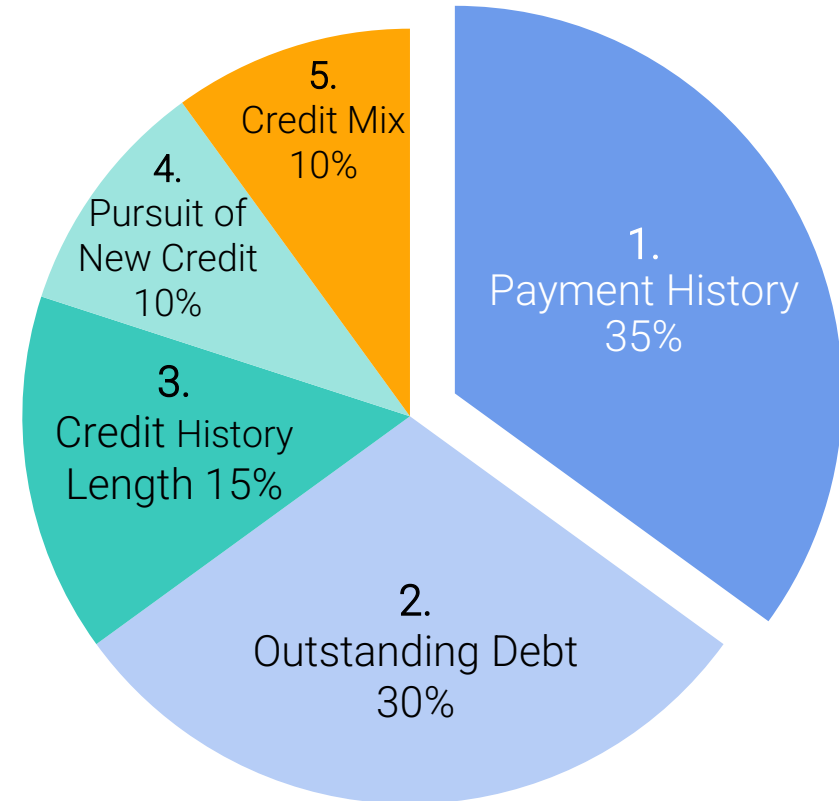
- How long have accounts been established—**average** number of months accounts have been open
- New accounts—number of months since most recent account opening

4 - Pursuit of New Credit – 10%

- Inquiries: Number of recent credit inquiries (12 months)
- New accounts—number of trade lines opened in last year

5 - Credit Mix – 10%

- What is the mix of credit product types?
- Revolving credit—number of bankcard trade lines
- Installment credit—percent of trade lines that are installment loans



Credit Do's & Don'ts

Top 10 Credit **Do's** and more importantly **Don'ts** during the loan process

1. **DON'T** apply for new credit
2. **DON'T** pay off collections or “Charge Offs”
3. **DON'T** close credit card accounts
4. **DON'T** max out or over charge credit card accounts
5. **DON'T** consolidate your debt
6. **DON'T** do anything that will cause a red flag to be raised by the scoring system
7. **DO** join a credit watch program
8. **DO** stay current on existing accounts
9. **DO** continue to use your credit as normal
10. **DO** call your Mortgage Loan Originator. A knowledgeable, professional Mortgage Loan Originator should be able to provide you with world-class service you need to choose the loan that's right for your client

REALTOR® Resource: A checklist of serious buyer financing challenges (Red/Green Flags)

Buyers with one or more of these issues will find it very difficult to qualify for a conventional or government-insured loan. Green Alternative Lending may be available. Realtors should proceed with caution before submitting purchase offers for buyers with these issues:

- ✓ The buyer has one or more years of unfiled tax returns
- ✓ The buyer is married but the non-buying spouse is not available or unwilling to cooperate with the purchase
- ✓ All of the buyer's income sources are cash and have not been reported for income tax purposes
- ✓ The buyer is self-employed with minimal net business income reported in recent tax years
- ✓ One or more of the buyers will not occupy the property as their principal residence
- ✓ The buyer's assets are all cash and can't be sourced
- ✓ The buyer discharged bankruptcy within the last 24 months or had a foreclosure less than three years ago
- ✓ The buyer's Social Security number is not valid
- ✓ Buyer is a non-citizen and is not a permanent resident (green card holder) and they do not have a valid work authorization card
- ✓ The property the buyer wants to purchase has serious health and safety problems, sub-standard non-permitted improvements and can not be immediately occupied by the buyers



STEPPIN' Toward Down Payment Assistance (DPA)



REALTOR® Resource: Down Payment Workbook

Use this worksheet with your clients to help them find sources of money for their down payment

ACCEPTABLE DOWN PAYMENT SOURCES	AMOUNT	WHEN AVAILABLE
Funds currently held in their checking, savings and investment accounts	\$	
Properly documented gift funds from family members	\$	
Verified proceeds from the sale of a buyer asset	\$	
Withdrawal or loan from retirement savings accounts	\$	
Income tax refund	\$	
Rental deposit refund	\$	
Down payment assistance grant from non-profit organization or qualified loan from public agency	\$	
TOTAL	\$	

REMEMBER:
Cash-on-hand (“mattress money”) is generally not an eligible source of down payment funds

FindDownPayment.car.org

Down Payment Resource Directory

HOME > MARKETING > CLIENTS > DOWNPAYMENTRESOURCE

[PRINT](#) | [EMAIL](#) | [SAVE](#)

[SHARE](#)

Fill out the following 3-step pre-screening form, in order to find out if you are eligible for any of the 400+ down payment assistance programs available in California. If you are still not sure how to begin, feel free to [watch this video](#).

If you need further assistance with the Down Payment Resource Directory tool, please contact your REALTOR® or [find a local REALTOR® here](#), if you do not have one already.

Property Information | Household Information | Special Circumstances

Enter the Street Address and Zip Code of a specific property
– OR –
Start typing in the General Search field and pick a neighborhood, city or county from the menu.

Street Address (e.g. 123 Main Street) Zip Code

General Search (start typing for a menu of options)

Estimated sales price

Is this a Multi-Family Home? Single-Family Multi-Family
Is the home in foreclosure? Yes No

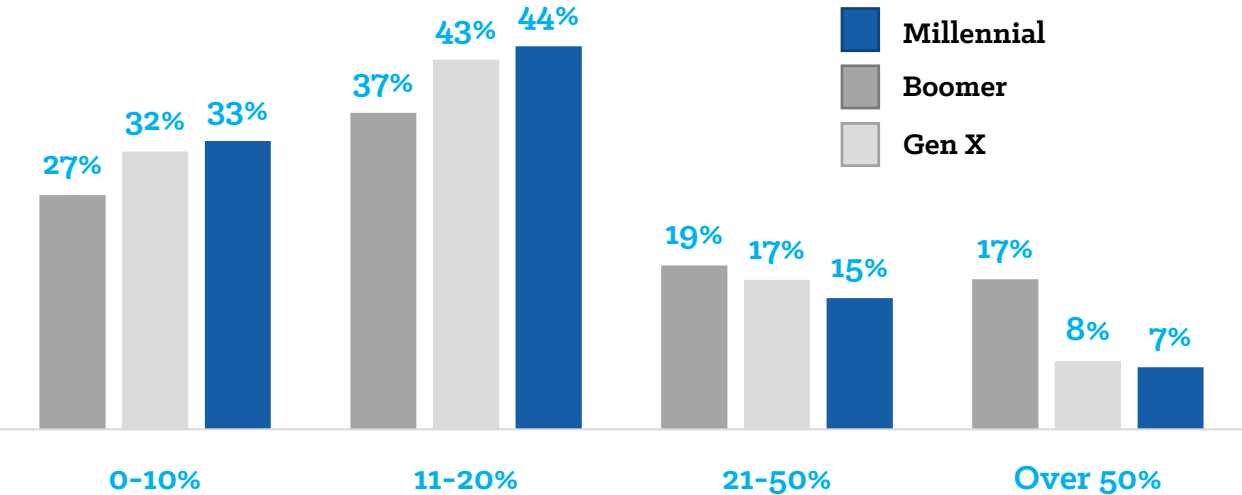
Matched Programs
53
[View Programs](#)

Within the C.A.R Tool, you can find:

- Participating Lenders
- Program Guide/Flyer
- Filters/Guidelines:
 - Special Groups (Teachers, Protectors, etc.)
 - Eligible Properties
 - Maximum Sales Price
 - Eligible Borrowers
 - Maximum Household Income
 - Loan Terms
- Benefits
- Latest Updates

Consumer Survey – By Generation - Down Payment Needed?

Many renters, especially Millennials, overestimate how much down payment is required



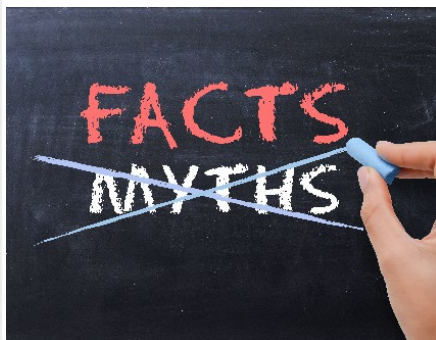
In your estimation, how much down payment is required to purchase a home?

(n=947)

Source: 2019 C.A.R. Consumer Survey

Down Payment Assistance – Common MYTHS

- Only in certain areas
- Only for first-time homebuyers
- Only for low-income homebuyers
- Only for those with zero savings
- Only for exceptional credit
- Accrues interest
- Only works with FHA
- Harder to qualify
- Takes longer to close
- Limited funding



70% of U.S.
adults are unaware of
down-payment
assistance programs*

Let's change this.

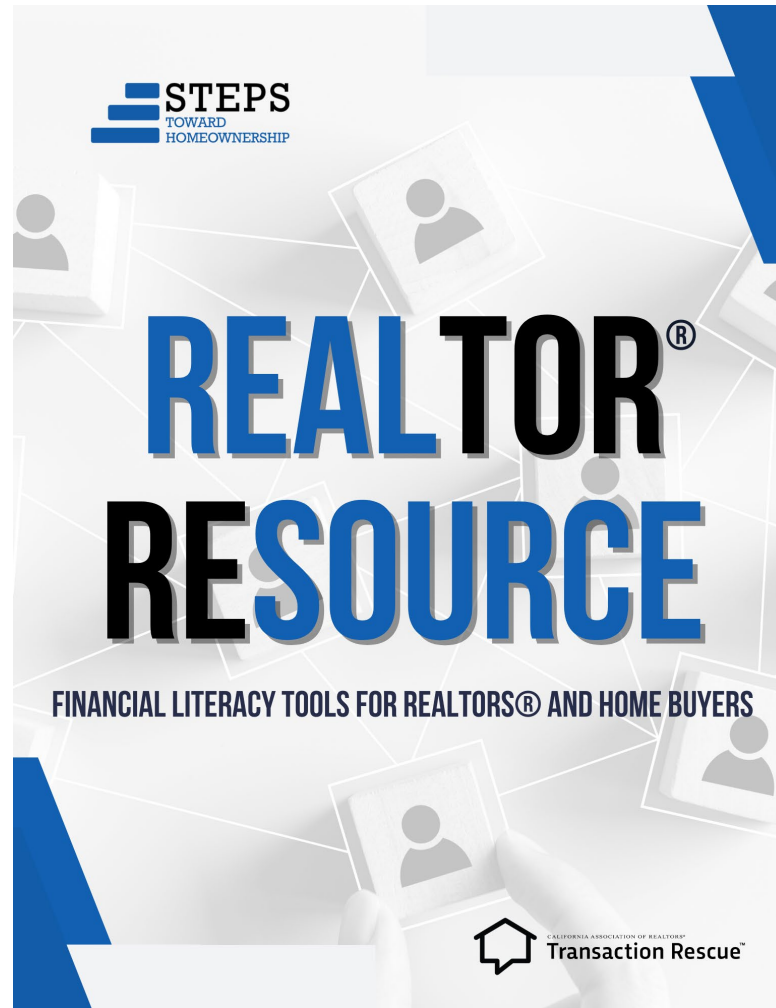




C.A.R. & Other Resources for Buyers



REALTOR® Resource: Financial Literacy Tool



[Resource Guide Link](#)



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Loan Education:

- FHLMC – Freddie Mac - <http://www.freddiemac.com/creditsmart/>
- FNMA - Fannie Mae - <https://www.frameworkhomeownership.org/get-started/homebuyer-education>

Down Payment Assistance (DPA) programs

- GSFA Materials:
 - https://wholesale.lhfs.com/download/GSFA_Gov_FHA_Select.pdf
 - <https://www.eprmg.net/guidelines/NHF-GSFA%20Platinum%20FHA.pdf>
- CalHFA
 - <https://www.calhfa.ca.gov/homeownership/bulletins/index.htm>
 - <https://www.calhfa.ca.gov/homeownership/materials/index.htm>
 - <https://www.calhfa.ca.gov/homeownership/programs/myhome.pdf>

HUD Counselor Selection Options

Loan Limits: Conventional Loan Limits FHA Loan Limits

<http://FindDownPayment.car.org>
TransactionRescue@car.org
<http://Mortgage.car.org>

California Association of REALTORS®

Free Member Benefit:

- **Transaction Rescue™** - Email TransactionRescue@car.org - Website <http://Mortgage.car.org>
 - Assist you with Communication & Escalations with Your Lender, & Insights to Down Payment Assistance, Valuations, Title, Vesting, and Loan Expectations.
 - **Hotline (213) 739-8383** - Webinars <http://car.org/FinWebinars>
<https://www.amortization-calc.com/> - amortization schedule for mortgages to show how much is going toward principal & interest.
<https://www.calculator.net/amortization-calculator.html> - another site that I use to show amortization schedule along with figuring out mortgage P&I

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Loan & DPA Information

Loan Education:

- FHLMC – Freddie Mac - <http://www.freddiemac.com/creditsmart/>
- FNMA - Fannie Mae - <https://www.frameworkhomeownership.org/get-started/homebuyer-education>

Down Payment Assistance (DPA) programs

- GSFA Materials:
 - https://wholesale.lhfs.com/download/GSFA_Gov_FHA_Select.pdf
 - <https://www.eprmg.net/guidelines/NHF-GSFA%20Platinum%20FHA.pdf>
- CalHFA
 - <https://www.calhfa.ca.gov/homeownership/bulletins/index.htm>
 - <https://www.calhfa.ca.gov/homeownership/materials/index.htm>
 - <https://www.calhfa.ca.gov/homeownership/programs/myhome.pdf>

HUD Counselor Selection Options

Loan Limits:

Conventional Loan Limits

FHA Loan Limits

Area Median Income



Other Resources for REALTORS® & Your Clients

Mortgage Relief:

- https://housing.ca.gov/homeowners/mortgage_relief_foreclosure_resources.html

Legal Webinars

- <https://www.car.org/riskmanagement/live>

STEPS Events 2023 Upcoming:

- September 7th, 2023 – 10 a.m. – 12:30 p.m. – [Virtual](#)
- September 21st 10:50 am @ REImagine –
 - Homebuyer Education – Obtaining & Educating Potential Clientele

Contact List



California Association of REALTORS® - Panelist Contact List

Name	Company	Email	Contact #
Monica LaCruce	Freddie Mac	<u>Monica La Cruce@freddiemac.com</u>	619-887-6909
Marc Farfel	C.A.R. Transaction Rescue	<u>TransactionRescue@car.org</u>	213-739-8383



Thank You!





Questions