

A Menu of Mortgages



Learn about the mortgage choices available.

by

Natalie Danielson

PROFESSIONAL *Direction* INC

13148 Holmes Pt Dr NE, Kirkland, WA 98034

(425) 821-8585 clockhours@aol.com

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A Menu of Mortgages

This class is an introduction to different types of loan programs available to the consumer. There is an almost endless variety of mortgage products available to home buyers but they need to be matched to their individual needs and wants.

Course Objectives

As a result of taking this class the agent shall be able to:

- Help prospective buyers wade through the hype when it comes to loans and lenders.
- Identify different types of mortgage products available.
- Know some of the advantages and disadvantages to the various products
- Understand the different costs and fees associated with mortgages loans.

A Menu of Mortgages

Section 1 1/2 hour	Learn differences between lenders. Pre-requisites to obtaining financing including down payments
Section 2 2 hours	List the different loan products available Contrast the variations
Section 3 1/2 hour	Understand the costs involved to obtain loans Know what disclosures to watch for

Choosing the Chef



- **The most important decision a prospective borrower makes is the choice of a Loan Officer and the Lender.**
- **The loan officer has the choice of products.**
- **The loan officer also has to evaluate the needs and wants of the buyer and match those with the products.**

Variety of Restaurants



The Lenders vary depending on the source of money, location, and structure.

- **Commercial Banks**
- **Credit Unions**
- **Mortgage Bankers**
- **Mortgage Brokers**
- **Private Funding Sources**

Salads



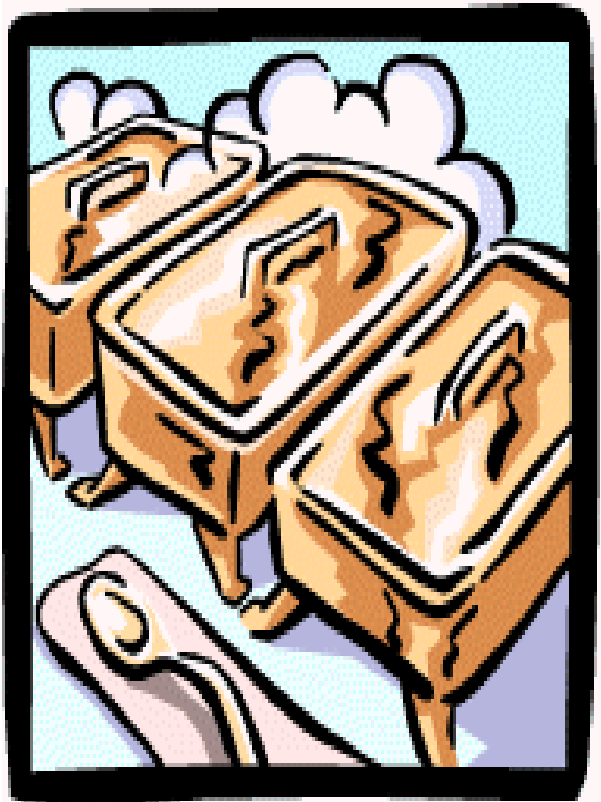
- **A home Equity Loan is often a second mortgage that is in addition to the primary mortgage. It is a lien on the property that is used for one purchase or even as a line of credit.**

Main Course

Each loan product comes with a variety of ingredients.

The bottom line is to get a loan that will help the buyer get into the property.

The ingredients will affect how the loan is paid including the terms.



Only the Freshest Ingredients



**These are the most common loan
products available today.**

Not Available Today

- **Bait and Switch**
- **Sometimes the lender can “sell” a borrower on a type of loan that they cannot qualify for... then switch the program when the borrower has no time to change lenders.**



Prix Fixe

(fixed price)



**These are your basic
amortized mortgage loans.**

- **They include:**
- **30 year fixed**
- **15 year fixed**
- **40 year fixed**

A Little Bit of Both



- There are several loan packages in the market that may include more than one “loan.”
- 80-20 loans
- 80-10-10 loans
- misc

All You Can Eat Buffet



- **These adjustable rate mortgages change and can be designed to meet borrower needs.**

The Pasta Plate



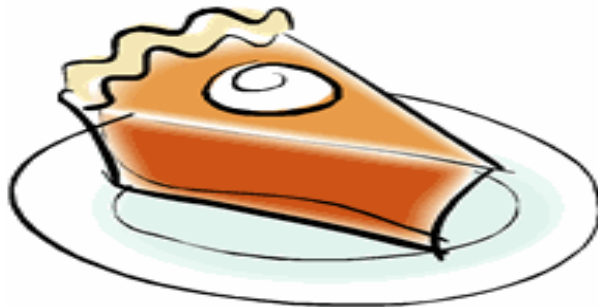
- **There are loans where the borrower pays only the interest and does not pay off the principal. At the end of the term, the borrower still owes the principal amount.**

Day Old Bread



- **Sub Prime loans are designed for those borrowers that do not have the best credit rating.**
- **They have higher rates and less desirable terms due to the risk of the lender.**

Dessert



- **Oh so Sweet.. The Reverse Mortgages are for those that have had their full meal and are ready for dessert. They are designed to increase the mortgage over the term.**

Read the list of Ingredients Carefully

**Some lenders
do not
disclose the
true terms of
the loan
including the
prepayment
penalties and
the loan fees.**



Prepayment Penalties

- **Prepayment penalties can trap borrowers into remaining in loans for long periods of time.**
- **Typically prepayment penalties are 2-3 years.**
- **They assure the lender that the loan will stay put for that time.**



Fresh or Frozen?



Fraud occurs when a loan officer creates a loan package with a real estate agent and an appraiser that does not reflect the true terms to the bank.

A common fraudulent transaction involves stripping equity from a home with fraudulent sales price

- **The property is written up with an inflated sales.**
- **Appraiser is often inflating value to deceive lender.**
- **House is then not the collateral for the loan!**

The Check Please

Approving a loan with payments higher than the borrower can afford to pay.

Sometimes lenders “fudge” on the borrowers income.

Sometimes they quote payments that are interest-only to borrower until they see the HUD.



Borrowers rights

- **The borrower has rights when they apply and close on mortgage loans.**



Disclosures to Borrowers

- **Good Faith Estimate**
- **Truth in Lending Disclosure Statement**
- **Rate lock disclosure form**
- **Disclosure that moneys held for appraisal and credit will be in trust account.**
- **Disclosure that you have the right to transfer certain reports to another lender such as appraisal.**
- **ARM disclosure**

Rights of borrowers

- Right to know if lender is licensed and bonded
- Right to stop doing business with lender
- Right to know costs, rate, type of loan and loan amount within **THREE** days of application date
- Right to have a lender that is not misleading or deceiving
- Right to file a complaint

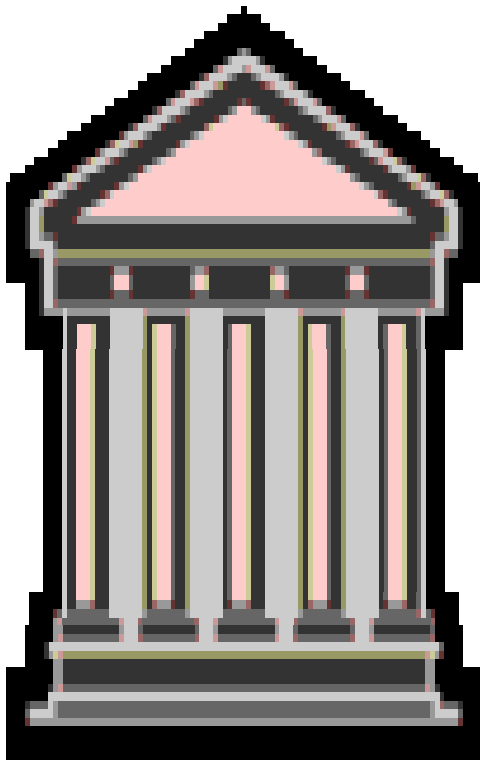
Choosing a lender

It is important when choosing a lender to look for the following:

- The lender is licensed and bonded**
- The lender provides a good faith estimate within 3 days and it is close to the actual rates and fees on the HUD statement.**
- The lender explains the terms of the loan.**
- The lender returns calls**

Regulation of Lenders

- **Mortgage brokers are under the Department of Financial Institutions in Washington State.**
- **Washington State has passed the Mortgage Broker Practices Act.**



**Department of Financial
Institutions**

www.dfi.wa.gov

Resources

- Don't borrow Trouble Hotline
 - www.ci.seattle.wa.us/housing/predatorylending
- Community Home Ownership Center
(206) 587-5641
- Mortgage Default Counseling Services
 - Fremont Public Association (206) 694-6766
 - The Urban League of Seattle (206) 461-3792
- Legal assistance
 - King County Neighborhood Legal Clinics (206) 624-9365
- Department of Financial Institutions (800) 372-8303
www.dfi.wa.gov
- U.S. Housing and Urban Development
(800) 877-0246