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## Consumer Affairs and Business Regulation

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### RE47R05: Residential Mortgage Loan Market and Credit Today

This course is designed to take the licensee through all of the dynamics of today's residential mortgage financing market including the important aspects of credit reports and credit scoring, the changing nature of the Primary mortgage loan market and the broad variety of lenders and products available to all.



1. Mortgagor vs. Mortgage
  - A. Note and Mortgage
    1. Essential terms of a mortgage loan
    2. Acceleration clause
    3. Due on sale Clause
    4. Defeasance Clause
    5. Prepayment Penalties – The law today
    6. Tax Relief Act of 1997
2. Secondary Mortgage Market
  - A. Primary lender sources of funds
  - B. Fannie Mae/ Freddie Mac
3. Primary Market –
  - A. Sources of Mortgage loans today
  - B. Competition of Mortgagees today
  - C. Mortgage Broker role
  - D. Pre-Qualify vs. Pre-approval
  - E. The role of the lender
  - F. Qualifying standards
  - G. Loan to Value Ratios available
  - H. First Time Home buyer programs
    1. Local lenders
    2. ACORN
    3. Credit Union Programs
    4. City/Town sponsored Programs
    5. NACA
    6. Other programs
  - I. Interest
    1. What is interest?
    2. Why do long-term interest rates change?
  - J. Points
    1. Definition?
    2. What roles do they serve?
  - K. Truth in Lending and Regulation Z
    1. APR
  - L. Predatory lending
    1. Sub-Prime lenders
4. Why is credit critical – what has changed?
  - A. Credit Reporting Agencies
    1. TransUnion
    2. Equifax
    3. Experian
  - B. Opt Out - Rights of the consumer to limit soft inquiries into their history
    1. Offers in the mail/telephone - i.e. "Based on information in your credit file you have been approved for" or "Final approval is subject to credit inquiry".
  - C. Rights of the Consumer
    1. Credit Report errors and Identity Theft
    2. One free copy per year or if denied credit
    3. Vendor when you dispute
    4. Right to add a statement to your report disputing charge off, late payment etc.
    5. Receive a new report after investigation by credit bureau
  - D. Consumer must give permission for an inquiry into their credit history.
    1. Apply for a credit card
    2. Apply for a car loan
    3. Apply for a home loan
    4. Application for an apartment
  - E. Review Sample Credit Report
    1. Look for Late payments, charge offs, total debt
  - F. Credit Scores
    1. FICO, Beacon, Empirica, and Fico Risk Model scores
    2. Tri-merged report
    3. Which score counts
    4. How is score determined
    5. Analysis of credit score range
  - G. What factors make up my score?
    1. Payment history 35 %
    2. Balanced Owed 30%
    3. Length of Credit History 15 %
    4. New Credit 10%
    5. Types of Credit 10%
  - H. Negative Information
    1. How long does the data stay on my report
  - I. The role of the Real Estate Agent
    1. Getting permission to pull an applicant for an apartment credit
    2. Reviewing the credit
    3. Sharing the information
    4. Can you show the report or provide it to the property owner.
5. Loan Products
  - A. Amortized loan vs. Straight Loan
    1. History
    2. Analysis of dynamics of Direct Reduction Loan
    3. How are long term interest rates determined

4. Repayment period
- B. Adjustable Rate Loan
  1. Loan caps
  2. Calculating savings
  3. 3/1 - 5/1 loans
- C. Negative Amortization Loan
  1. Principal Owned
  2. Equity
  3. What is market declines.
  4. Determine timeframe you plan to own property.
6. Conventional vs. Non-Conventional loans
  - A. FHA loans
    1. Requirements - Why a lender would place a loan with the FHA
  - B. VA Loans
    1. Who qualifies today?
    2. Fees involved
    3. Appraisal/CRV
    4. Termite Inspections
    5. Earnest money
    6. Assumability
7. Private Mortgage Insurance
  - A. History
  - B. Mechanics of PMI
    1. Who is insured
    2. Lender/Borrower benefits
  - C. Methods to eliminate PMI - Refinance
    1. Appraisal-show improvements
    2. Formula utilized for elimination
8. Soft Second Loan 80/20
  - A. Structure
  - B. Purpose
  - C. Analysis
9. No Documentation loans
  - A. Credit score
    1. What paperwork is needed.
    2. What verifications are provided
    3. IRS 4056
10. Other Loan Products
  - A. Construction Loans
  - B. Purchase Money mortgage
  - C. Bridge Loan
  - D. Equity Loans and Lines
    1. Options
    2. RAMS
    3. Other New current Products

**Handout:**

- Sample Credit Report