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ORIGINATE FHA LOANS & REGULATORY UPDATE

The New FHA...without DPA!

Dave Hershman
OriginationPro

Dave Hershman Top Industry Author and Speaker



- Produced almost 600 transactions in his first 18 months in the industry—including closing 60 in his 12th month;
- Run sales forces for large production organizations;
- Directed the sales force for the largest mortgage technology organization;
- Written seven books in the areas of finance, management, sales & marketing—including two best-sellers published by the MBA;
- Helped found a Federal Bank, serving as a board of director;
- Been a keynote speaker at hundreds of industry events

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OUR GOALS TODAY

- History of FHA
- Legislative Update
- Benefits of FHA
- FHA eligibility
- Types of transactions-Focus Streamline
- Types of properties financed under FHA
- Types of mortgages offered under FHA
- Costs to obtain an FHA mortgage
- FHA qualification requirements
- FHA forms
- FHA approval requirements
- FHA Marketing

**And
Coaching
—Q&A
on any
topic**

LATEST NEWS ON THE HOUSING FRONT

- FHA is in the news...
 - Dave Stevens is nominated for FHA Commissioner
 - HUD Secretary Donovan testifies before Congress—
 - Admits FHA default rates are up. Is FHA the next pillar to fall? Could portend new tightening of FHA requirements or higher MIP fees.
 - Default rates higher for DPA program
 - Announces SWAT Teams will be swooping in on problem lenders.
- NAMB withdraws its challenge to the new appraisal program
- Freddie Mac tightens condo requirements for FL: attached new units must be approved by Fannie Mae.
- Fed to continue purchase of Treasuries this week as well as putting pressure on banks to sell toxic assets despite change in accounting rules
- Congress is considering regulating YSPs. NAMB is supporting so far. Latest news, mark-up on this bill has been postponed and hearing may be held. Key issues..
 - Will bankers also be required to disclose?
 - What will the restrictions be? Does not look to be a total ban but limiting putting someone into a higher cost program because YSPs. How do they do this? It will be hard! Great example: Margins on Option ARMs.
- National licensing is coming for loan officers—including minimum credit score and net worth

NEW FHA LOAN LIMITS— CONFORMING JUST RELEASED

FHA Base Limits

One-Unit \$271,050

Two-Unit \$347,000

Three-Unit \$419,400

Four-Unit \$521,250

Units	Contiguous States, District of Columbia, and Puerto Rico			Alaska, Guam, Hawaii, and the U.S. Virgin Islands		
	General	High-Balance Loans		General	High-Balance Loans	
		Permanent High-Cost	Temporary High-Cost		Permanent High-Cost	Temporary High-Cost*
One	\$417,000	\$625,500	\$729,750	\$625,500	\$938,250	NA
Two	\$533,850	\$800,775	\$934,200	\$800,775	\$1,201,150	
Three	\$645,300	\$967,950	\$1,129,250	\$967,950	\$1,451,925	
Four	\$801,950	\$1,202,925	\$1,403,400	\$1,202,925	\$1,804,375	

STIMULUS PACKAGE

Tax Credit-Note Details Still Being Released.

- From \$7500 to \$8,000 (or 10% of home's value, whichever is less)
- Purchase from January 1, 2009 to November 30, 2009
- It is "refundable" which means they get it even if they did not pay taxes
- Must be a first-time homebuyer (cannot have owned a home for three years)
- Must make less than \$75,000 as a single, less than \$150,000 if joint filer (phases out above that to \$95K for single and \$170K for joint)
- Some summaries say that you can actually go back and amend returns and file against your 2008 taxes. Implications for down payments? One state has already...
- It is now a credit, instead of a loan. Must remain in home for three years, or entire amount is recaptured upon sale.
- Must be a principal residence
- If you use a revenue bond program to purchase you can still use the credit

OBAMA PLAN—HOME AFFORDABLE REFI

- Present loan must be a conforming loan (see “look-up” systems)
- Effective with loans delivered April 1, 2009 until notes dated June 10, 2010.
- Maximum LTV is 105% of value.
- Includes high-cost conforming loans (729K).
- Existing seconds can be subordinated above that (no new seconds allowed)
- Relaxed MI requirements...existing MI company must “play along” providing same coverage as original loan. If originally did not need MI—will not now.
- Must be a lower mortgage payment or a more stable product.
- Subject to LLPA but not adverse market delivery fees.
- No cash-out allowed nor can money be used to pay off junior liens.
- No short-term adjustables or conversion from fixed to adjustable.
- Any types of properties approved by agencies.
- Any types of transactions: owner-occupied, second homes, or investors.

OBAMA PLAN—HOME AFFORDABLE REFI

- *For Freddie Mac:* Must be originated by the servicer or an “Affiliate” of the servicer. Must have the mortgage file of the loan being refinanced. Must be 3 months seasoned with no 30–day lates in past 12 months (or for the term of the mortgage if less than 12 months). Must be manually underwritten. Seller to warrant value using a new appraisal or AVM or statement that value has not dropped from original value. Freddie Mac “look-up” link: <https://ww3.freddie.mac.com/corporate/> At least one wholesaler allowing brokers—if serviced by them.
- *For Fannie Mae:*
 - DU Refi Plus: can be done by any Fannie Mae approved lender using DU (does not have to be the servicer of the loan). Enhancements to DU will be available by May 2, 2009. Ineligible recommendation allowed for LTV or minimum representative credit score. Follow appraisal requirements required by DU. Full income documentation.
 - Refi Plus: loans can be manually underwritten but must be originated by the servicer. Servicer can represent value has not dropped or if not, full appraiser for estimated LTVs over 95% and full appraisal or exterior only for LTVs under 95%. Can use verbal VOE and no debt-to-income ratios calculated, but lender must determine borrower has ability to repay.
 - No subprime, Alt-A, reverse, second or government loans
 - No seasoning required and no minimum credit score requirements
 - Fannie Mae “look-up” web link <http://www.fanniemae.com/homepath/homeaffordable.jhtml>

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- **New: Webinar registrations, slides and audio all on home page of newsletter system.**

HISTORY OF FHA

- Federal Housing Administration authorized by National Housing Act of 1934, a depression-era program
- Depression was the most significant housing crisis in history and caused significant regulation of banks restricting their scope (Glass-Steagall Act)
- Most programs required 20% down
- Grew to one-third of loans in the United States
- Other dominant entity was Savings and Loans (ended during the S&L crisis in late 1980s)
- With Fannie and Freddie and Ginnie Mae—start of the secondary market
- Only “less than 5% down program” even through the 1980s
- Sub-prime boom of last decade caused market share to fall to 2.0%
- FHA is under the Department of Housing and Urban Development (HUD)
- FHA does not make mortgages, but insures mortgages (100% coverage)
- Lenders approve the mortgages—Direct Endorsement—under FHA guidelines

HOPE FOR HOMEOWNERS—TEMPORARY

- Voluntary program—lenders don't have to participate—and why they won't?
- Lenders must take “hair-cut” to bring loan being refinanced down to @90% to 94% of current value.
- All second mortgages must be eliminated through negotiation—this has changed slightly—but HUD will buy these at pennies on the dollar.
- Program begins October 1, 2008, ends September 30, 2011.
- Must be above 31% Debt income ratio presently (payment is hardship)
- 30 year fixed at 90% of the value of the home, or maximum family can repay, whichever is less (qualification is required). **Now can offer 40 year mortgages**
- Why a bad deal for homeowners vs direct lender modification--
 - Maximum loan amount 132% of conforming (can't use for jumbos over \$550,000)
 - 3.0% up-front MIP, 1.5% monthly
 - Closing costs of new loan
 - Never below market interest rates
 - No seconds allowed for the first five years of the new mortgage
 - Any future appreciation or gained equity shared with FHA—50% to 100%. That could be hundreds of thousands of dollars!

FHA MODERNIZATION ACT OF 2008

- Increase the FHA loan limit in high cost areas to 150% of conforming (115% of area home limits capped at \$625,500). **\$729,750 per ESA**
- Moving base limits from 95% to 110% of median home prices. (271K)
- Requiring “down payments” of at least 3.5%. Allows loans from family members.
- Restructuring FHA insurance for manufactured homes
- Enhancing counseling requirements
- Improving FHA loss mitigation process
- Enhancing fraud protection—including more screening and more penalties
- Five year test program for alternative credit histories
- Moratorium on risk-based premiums from October 1 for 12 months
- Prohibition of seller assisted DPA—October 1, 2008.
- Single national reverse mortgage limit of \$417,000. Moved to \$625,000 per ESA

REGULATORY UPDATE

➤ Newest Mortgagee Letters

- ML 2009-11 HECM Purchase program clarifications—one property rule;
- ML 2009-10 Clarification of Counseling for HECMs
- ML 2009-08 Cash out Refis to 85% (can re-subordinate Seconds)
- ML 2009-07 Revised high costs limits
- ML 2008-41 Elimination of FHA Secure Program
- ML 2008-40—Refinance LTVs—97.75%. 2nd appraisal for cash-out over 85%
- ML 2008-28—Prohibition of HECM Counseling For Fee
- ML 2008-25---Borrowers must qualify with mortgages of both properties—to discourage “abandonment.” Exceptions relocation and 25% equity in other property (keep in mind one FHA property rule)
- ML 2008-23. Downpayment requirements. New standard is 3.5% down (not invested in property) . Giving us until January 1, 2009 to get loans in pipeline closed.
- ML 2008-15 New Transmittal Form and application addendum
- ML 2008-11 Non-traditional credit

REGULATORY UPDATE—CONT'D

- Policy on non-approved brokers—advisory services only, must be on HUD-1 and be paid from applicant's own money (from origination fee on HECMs) and have a separate contract
- Addition of “Streamline K”—up to 35K in discretionary repairs
- Borrowers can pay lender fees
- FHA accepts conventional appraisals
- Up-front MIP required on 203K and Condos for first time
- Eliminates refunds of up-front MIP (except Streamlines)
- Allows cancellation of monthly MIP
- Eliminated PUD approval list
- Added Hybrid ARMs and Libor Index

DPA ALTERNATIVES FOR DP

- State and local housing agencies can still give DPA assistance. You need to become familiar with them. Program was expanded by National Housing Act.
www.LendersWhoCare.org
- Tax credit—you can't get it until you purchase a home. But I have heard that you can go back and amend previous year's return. You can borrow secured against an asset. Will some will lend against a tax refund?
- Borrow secured—IRA, Car, 401K. However, you must qualify for extra payment. Roth IRA may let you do a withdrawal for a home purchase.
- Gifts from Relatives and family type relationships. FHA allows 100% gift. This person can also co-sign if qualification is an issue. They can also lend unsecured.
- Seller can still give 6.0% and you can use premium pricing—that means paying all closing costs AND prepaids and just having to worry about the downpayment.
- This means they can pay closing costs and a temporary buydown. The buydown essentially gives them the cash over a two year period!
- Rent with an option to buy—only can credit “over fair-market value.”
- How about an employer? You can't use a one-time bonus for income, but you can use for the downpayment!
- Remember VA and Rural Housing are still 100% programs.
- Purchase HUD owned property—some lenders have \$500 down or less offered by HUD

FHA BENEFIT #1—LESS CASH

- Downpayment less than 5% (3.5%).
 - Most 100% programs are gone (VA and Rural Housing are exceptions)
- 6.0% seller contribution with minimum down
 - Conventional 3.0% minimum down
 - Very important in buyers market (can fund rate buydowns)
- No cash reserves requirement
 - Does not mean that reserves are not a good thing (suitability)
 - Most conventional: Two months reserves
- FHA allows 100% gifts
 - Gift money is considered borrowers own money
- FHA allows borrowing unsecured from relatives (gift is better).
- Funds can be provided by non-owner occupant co-borrower
- Funds can be provided by government assistance program
- Can add up to \$35,000 in rehab costs without plans and specs

TRANSLATION

- Cash is number one obstacle to home ownership
- FHA best first time buyer program out there.
- Move up buyers with cash will not benefit because there will be mortgage insurance even if they put 20% or more down.
- Creative ways for the seller to sell home
 - 203K rehab program—perfect for abandoned foreclosures.
 - 2-1 buydown (2.5%-3.5%-4.5%). Must qualify at the note rate.
 - Permanent buydown: How about a 4.0% permanent rate?
 - Chances are seller can pay the cost of the buydown AND closing costs

Note: rates are “fictitious”

FHA BENEFIT #2—ASSUME

- FHA (and VA) are the only true assumable loans out there.
- It is the ultimate insurance policy for bad times.
- Imagine a 4.5% rate on a mortgage
- The market moves to 7.0%
- Homes stop selling
- You can offer your home with a 4.5% assumable mortgage
- Think it will sell faster?

Note on FHA assumptions:

Must credit qualify and be owner-occupied

FHA BENEFIT #3: INCOME

- FHA ratios are 31/43: conventional ratios are 28/36
- Ratios can be stretched to 33/45 for energy efficient homes
Even though automated underwriting will stretch ratios—credit issues reverts back to “manual”
- FHA allows non-owner occupant borrowers to help qualify
 - No minimum ratio of person who occupies
 - However, “kiddie condos” not allowed.

TRANSLATION

- 7% debt ratio advantage
- \$5,000 monthly income
- \$350 higher debt service
 - Could avoid paying off a car loan
 - Could be \$60,000 in home price (at 5.0%)

Math: 350 divided by 5.37 payment factor

Reduced slightly because of taxes and insurance

FHA BENEFIT #4: CREDIT

- FHA does not have a minimum credit score
- FHA does not have pricing adjustments for credit, LTV, number of units or cash out.
- Warning: Many lenders (including Fannie Mae) have minimum: 580 or above
- Warning: Lenders can have their own pricing adjustments
- However, generally, credit underwriting is more lenient for FHA vs. Conventional

FHA BENEFIT #5: CONDOS

- Fannie Mae won't approve if 15% of HOA is delinquent
- More stringent in Florida
- FHA has an approved list—as long as 51% owner-occupied, there are no other requirements.
- My story in North Carolina and Virginia
- Remember, lenders can be more stringent

FHA BENEFIT #6: REFIS

- FHA Streamline
 - FHA to FHA no cash out
 - No income, no asset, no appraisal
 - Can even do for investors (watch lender acceptance)
- FHA cash out
 - 85% cash out with no bump in pricing
 - 2nd appraisal required over \$417,000
- Regular refis at 97.75% LTV
- Bonus benefit—can re-subordinate existing second on all refis—even cash-out
- Unbelievable benefit for those “underwater”
- Also FHA Reverse mortgage program: HECM

FHA STREAMLINE REFI

- Lower rates now—with FHA volume up—FHA streamlines will be an important business line.
- Streamline refis—are FHA to FHA refis with no cash out-max \$500 to borrower
- Documentation Requirements--
 - Loan application (abbreviated version)
 - Previous 12-month mortgage payment history;
 - An appraisal of the property if the new mortgage amount finances the closing costs over and above the existing loan balance;
 - The applicant can keep secondary financing in place without a new appraisal (must be subordinated).
 - Cash to close documentation is not required
- If the property is no longer occupied by the applicant, FHA will allow a streamline refinance
 - Existing balance can be refinanced only (appraisal can't be used).
 - If the mortgage payment history shows delinquencies during the previous 12 months, full documentation processing.
 - No adjustables can be used for Investor Streamlines
 - No adjustment in Mortgage Insurance or rate (lender can charge more, though).

STREAMLINE ISSUES

- Lenders can increase requirements for FHA Streamline mortgages—including requiring full credit qualifying or an appraisal.
- The applicant should be aware of the fact that the present lender may collect interest until the end of the month when an FHA mortgage is paid off
- If refinancing from a fixed rate on an owner occupied property to an FHA 1-year ARM, the new interest rate must be at least 2% lower than the rate on the existing mortgage.
- If refinancing from an FHA ARM to a fixed rate, the new rate can increase by 2% over the current rate.
- If refinancing to a shorter term a 20.0% increase in payment is allowed.
- From a hybrid ARM to a fixed rate, a 20.0% increase in payment is allowed.
- If the borrower obtained an FHA loan through the FHA Secure program for delinquent mortgages, they are not eligible for a streamline refinance (they can do a full documentation refinance).
- Maximum term is remaining term plus 12 years or 30 years, whichever is less.
- Delinquent loans must be brought current—however, lender can refinance two delinquent payments into the loan amount.
- Individuals can be added to title at the time of refinances, deletions have restrictions
- Only “credit-qualifying “ refinances are available for streamline K program.

STREAMLINE MIP

- Upfront MIP is 1.5% for all Streamline Refinances
- 20/30 Year: .55% monthly over 95.0% LTV; .50% for 95% and under
- 15 year: .25% monthly over 90% LTV; none for 90% and under
- Can use new appraisal to determine new LTV (or original value)
- Refunds are subtracted from new MIP
- Example:
 - \$90,000 Mortgage
 - \$3,000 Closing costs to be financed
 - \$1,350 New MIP (1.50% of base mortgage amount)
 - (\$ 950) MIP refund from old mortgage
 - \$93,000 Base mortgage amount
 - \$93,400 Mortgage amount including new MIP (\$1,350 - \$950)

REFUNDS OF MIP

Upfront Mortgage Insurance Premium Refund Percentages

Month of Year

Year	1	2	3	4	5	6	7	8	9	10	11	12
1	80	78	76	74	72	70	68	66	64	62	60	58
2	56	54	52	50	48	46	44	42	40	38	36	34
3	32	30	28	26	24	22	20	18	16	14	12	10

BONUS BENEFIT

- FHA Adjustable
- 5.0% life cap
- 1.0% adjustment cap for 1 year or 3/1
- Is also assumable
- Or can be refinanced into fixed rate under the streamline program.
- Many use Treasury (TCM) as index

DISADVANTAGES OF FHA

- Owner-occupied only (except Streamline Refis)
- Mortgage insurance even with 20% down.
- Can't use seconds to get over maximum loan amount or eliminate insurance
- Brokers must get FHA approved—\$65,000 net worth
- Lower loan amounts than conforming in low-cost areas

FHA ELIGIBILITY

- The Myth---low-to-moderate income only
- The requirement is really set by the loan amount
 - Base 65% of conforming: \$271,050
 - High-cost 150% of conforming \$625,500
 - \$625K is not low-to-moderate income!
 - Temporarily higher limits as well
- Can have only one-loan at one time
- Must have legal status and social security number
- All loans (except Streamline Refis) are full doc (tax returns)
- Insurance always required so not for low LTV
- No seconds to eliminate insurance or go over maximum limits
 - Exception—affordable seconds from a governmental agency
- No declining markets policy

FHA TRANSACTIONS

- Owner-occupied purchase—no-investors
 - Includes 203K Rehabilitation Mortgages (no refis)
- Second homes by hardship exception only
- Refinances
 - Rate and term
 - 85% cash out
 - FHA Secure—focused on reset adjustables---just eliminated. HOPE for Homeowners replaces this program.
 - Streamline refinances (can be an investor!)—no doc (no appraisal, employment, deposit, mortgage payment history)—FHA to FHA only
 - Reverse mortgages
- FHA Vet Program –any advantage any more?
- Assumptions—along with VA, only real assumable loan left
 - Must qualify, owner occupied, fee is \$500

TYPES OF PROPERTIES FINANCED

- Single family (fee simple and PUDs). No longer a PUD approval list
- Condos—
 - Approval list
 - 51% owner-occupants for the project
 - Attorney opinion letter
 - Fannie and Freddie now allows FHA approval for their condos
- Manufactured homes
 - Not mobile homes
- 2-4 family at higher loan amounts
 - Does not require higher down payments
 - Higher limits-

➤ Two-Unit	\$347,000-\$800K
➤ Three-Unit	\$419,400-\$968K
➤ Four-Unit	\$521,250-\$1.2M

TYPES OF FHA MORTGAGES

- Traditional Fixed Rate
- Temporary Buy-downs—
 - Maximum 2.0%,
 - Qualify at the note rate
 - May be secondary market premium
- Adjustables—
 - One year with 1/5 caps (qualify at start rate +1% over 95% LTV)
 - 3/1 with 1/5 caps
 - 5/1 with 2% annual caps
- 203K Rehab program—great for Realtors—Fixer-uppers
- Reverse mortgage programs—HECM
 - Receive cash or monthly payment, or combination of both

COSTS OF AN FHA MORTGAGE

- Mortgage insurance---always! MIP (mortgage insurance premium)
 - Monthly cancellable after five years and 78% LTV (no new appraisal)
 - Up-front refundable only if streamline refinance (3 year schedule)
 - Previously: 1.5% up front/.50% with payment (.25% for 15 year)
 - After July 14, 2008—Risked Based Pricing—ML released
 - After October 1, 2008—RBP Moratorium
 - Upfront after October 1, 2008 is
 - 1.75 for Purchase and full refinances (can be added to loan)
 - Streamline Refis 1.50
 - FHA Secure with delinquencies—3.00 (Now FHA HOPE)
 - Monthly after October 1, 2008 is:
 - 20/30 year.55% over 95% LTV. 50% below
 - 15 year 25% over 95% LTV. 0% below
 - FHA Secure same as 20/30 year

RISK-BASED MIP

FHA Single Family Mortgage Insurance Upfront and Annual Mortgage Insurance Premiums (Loan Terms > 15 years) Effective as of July 14, 2008							
All premiums are specified in basis points (0.01%)							
Decision Credit Score (FICO)							
LTV	850-680	679-640	639-600	599-560	559-500	499-300	NON-TRADITIONAL
≤ 90.00	125/50	125/50	125/50	150/50	175/50	175/50	150/50
90.01-95.00	125/50	125/50	150/50	175/50	200/50	n/a	175/50
> 95	125/55	150/55	175/55	200/55	225 ^a /55	n/a	200/55

a. A first-time homebuyer, with HUD-approved counseling, will pay only 200 basis points for the upfront mortgage insurance premiums.

FHA Single Family Mortgage Insurance Upfront Mortgage and Annual Mortgage Insurance Premiums Loan Terms of 15 Years or Fewer Effective as of July 14, 2008							
All premiums are specified in basis points (0.01%)							
Decision Credit Score (FICO)							
LTV	850-680	679-640	639-600	599-560	559-500	499-300	NON-TRADITIONAL
≤ 90.00	100/0	100/0	125/0	150/0	175/0	175/0	150/0
90.01-95.00	100/25	125/25	150/25	175/25	200/25	n/a	175/25
> 95	125/25	150/25	175/25	200/25	200/25	n/a	200/25

QUALIFICATION REQUIREMENTS

- FHA sets “minimum” standards—lenders can be tighter
- Income
 - Ratios—31/43 (33/45 for energy efficient homes)
 - Can use non-owner-occupied co-borrowers—related or family type relationship (not for non-traditional credit)
- Credit
 - No minimum credit score (500 over 90% LTV)-lenders can be tighter
 - Accepts non-traditional credit (no credit score)
- Cash—3.5% of “own” money for downpayment
 - Cannot use 2nds to eliminate MIP or lower cash needed (except from government)
 - No cash reserves (except for non-traditional credit and 2-4 family)
 - 100% gifts allowed
 - 6.0% seller contributions with minimum down!
 - Down-payment assistance from government or “non-profit”
 - IRS changed definition.
 - Seller-Assisted eliminated—Congress involvement—will they reverse decision?

FHA FORMS

- New Form: Underwriting and Transmittal Summary HUD-92900-LT
 - Replaces Mortgage Credit Analysis Worksheet (MCAW) effective October 1, 2008
- Updated Form: Addendum to URLA HUD-92900-A (minor revisions)
- Assumption Disclosure
- Consumer Choice Disclosure—compares to conventional loan, plus insurance disclosure
- Home Inspection Rights Disclosure (\$200 can be financed)
- Important Notice to Homebuyer—rates and points, mortgage insurance, prepayment, fraud, property condition
- Lead Paint Notice-before 1978
- Request for Certificate of Vet Status
- Statement of Value—HUD does not warrant condition of the property
- HUD-1 Addendum

FHA APPROVAL REQUIREMENTS

- You must be approved to do FHA loans and cannot be paid to accomplish any origination activities if not approved.
- Those who are paid must be W-2 and not have any other employment or self-employment in real estate related activities
- Net branches—corporate must pay for all expenses.
- Approval types—supervised (banks), non-supervised (mortgage companies) and non-supervised loan correspondents (brokers sponsored by approved entities that also underwrite and fund brokers sponsored)
- Direct Endorsement approval (DE) allows supervised or non-supervised entities to underwrite and submit for insurance without FHA underwriting the files.
- Entity must be a corporation or partnership---no sole-proprietors
- Net worth requirements: 250K for lenders; 65K and 25k for each branch for brokers
- Audited financial statements are presently required
- Obviously FHA is presently swamped with applications!

MARKETING FHA MORTGAGES

- The programs are the key—pick your niche!
- Niche rule—don't pick the “best” niche—which niche will best serve your sphere?
 - Those in trouble—FHA secure refinances (now FHA HOPE)
 - The easy refinance—FHA streamline (more FHA loans means more streamlines)
 - Those who need cash—85% refinances
 - Jumbos—temporary higher limits
 - Less than 5.0% down—first time homebuyers
 - Historically FHA's strong-point
 - Reverse Mortgages: Seniors
 - 203K—rehab mortgages ---fixer uppers—Realtor involvement
 - Streamline K

EXAMPLE OF NICHE

- First time buyers
 - First-Time Homebuyer Seminars
 - Alternative title: How to Buy a Home with Someone Else's Money or How to Overcome The Three Challenges to Home Ownership
 - With synergy partners
 - Government involvement
 - Apartment complexes
 - Property managers
 - Financial planners/CPAs
 - Bridal fairs instead of home buyer fairs
 - Your sphere---the children of your previous customers---parents can help with FHA!

THE MARKETING PLAN

- Identify Your Sphere
 - ❑ Commonality
 - ❑ Relationship
 - ❑ 1,000 to 10,000
- Grow Your Sphere
- Prioritize Your Sphere
- Deliver Value To Your Sphere

SPHERE OF INFLUENCE

Categories

- Personal Sphere- Friends, Family & Neighbors
- Present & Previous Customers
 - Back to streamline refinances
- Previous Prospects
- Associations
- Vendors
- Coworkers
- Professionals



DELIVERING VALUE TO SPHERE..

- First-time buyers—how are you helping put them in position?
- Did you know the average buyer takes up to two years to move ahead? How are you going to stay with them for that time?
- Answer: Long-term value

FINANCIAL DESTINATION

FDI—A Comprehensive Solution to Risk-Based Premiums And getting transactions to happen

- Professional credit restoration improvement—not a bandaid
- Debt reduction plan
- Unlimited budgeting and other financial advice (such as the tax benefits of owning) from CFPs and CPAs
- ✘ Cost? Less than most charge just for credit services. \$59 monthly. \$15 to join. No long-term obligation.
- ✘ Even better—you can chose—just refer deals in without joining. Or when you join as a rep—you get \$20 monthly for each client that participates! (rep cost a one time fee in addition to joining as a member)
- ✘ More information: www.hershmanfinancialgroup.com
- ✘ 24/7 Webinar: <http://fdi.OriginationPro.com/>
- ✘ Live Webinar tomorrow (Thursday). www.OriginationPro.com

NEWSLETTERS

Ultimate Value Delivery

- Expertise. Portray you as an expert—no handy homeowner hints—
Test—Realtor Sales Meeting
- Understandable—no complex bond language
- Relevant up-to-date news they can use today
- Easy—it can't take your time to write, personalize or send
- Flexible—different pieces for different segment of your sphere—some targets are more important than others.

NEWSLETTERS

Ultimate sphere marketing—(Con't)

- Response. Designed to make the phone ring with more than one piece available. You are not Proctor and Gamble.
- Flexible (again)—different formats from HTML to PDF to Mail pieces (even 1 to 4 page)
- Leverage. Consumer pieces to give to Realtors to send to their consumers.

WHY NEWSLETTERPRO?

- Written by industry expert for over 20 years
- Unlimited use for one price
- Print and HTML pieces that are easy to personalize
- More than just a newsletter—
 - 4-pages and 1-page
 - Sales and real estate/finance article
 - Bonus flyers and letters
- Coaching and Training by Dave Hershman (CMA certification)
- The cost is \$39 monthly for both NewsletterPro & the CMA training program.
- You can cancel at any time
- Need mail or email fulfillment system? You can upgrade to MyMortgageCommunity and the VELMA personal marketing assistant—cost \$69 monthly

WHY NEWSLETTERPRO?

All these pieces and more...
for one low price!



FIRST

Log In

NEWSLETTERPRO™
MARKETING SYSTEM

Login to your NewsletterPro account

Username: (case sensitive)

Password: (case sensitive)

Remember me

[Lost your password?](#)

THEN...

Go to
Update
Profile

MARKETING SYSTEM

Dashboard Write View Newsletters Users User Guide

Dashboard

Welcome to the NewsletterPro Dashboard

Use these links to get started:

- [Update your profile or change your password](#)

NewsletterPro Marketing System documents:

- [Startup documents and Back Pages](#)
- [The Real Estate Trends™](#)
- [The Real Estate Pages™](#)
- [The Sales Update™](#)
- [The Real Estate Update™](#)
- [The Real Estate Report™](#)
- [Flyers and Letters™](#)

STEP ONE

Update Your

- Name
- Contact Info
- Personal Paragraph
- Address Block

The screenshot shows a user profile update form with two main sections: 'About yourself' and 'Contact Info'. The 'About yourself' section includes fields for Username (admin), First name (Dave), Last name (Hershman), and Display name on your newsletter (Dave Hershman). Below these is a text area for personal co-branded text, which contains two paragraphs of text about OriginationPro Mortgage Company. The 'Contact Info' section includes fields for E-mail (davehershman@verizon.net), 2nd E-mail (dave@hershmangroup.com), Phone 1 (111-222-3333), Phone 2 (222-333-4444), and Company (The Hershman Group). Below the 'Contact Info' section is another section titled 'Update Your Contact / Address block' which includes fields for Address 1 (PO Box 932), Address 2, City (Centreville), State (VA), and Zip (20122). Arrows from the text on the left point to the Name, Contact Info, Personal Paragraph, and Address Block sections of the form.

About yourself

Username: (no editing)
admin

First name:
Dave

Last name:
Hershman

Display name on your newsletter as:
Dave Hershman

Enter your personal co-branded text here to be displayed (in addition to your contact and address information) in your personalized section of each newsletter:

OriginationPro Mortgage Company is dedicated to bringing the American Dream of Home Ownership to our clients.

We provide a variety of competitively priced mortgage products and services that are designed to help you achieve your financial goals.

As the experts in the world of real estate

Contact Info

E-mail: (required)
davehershman@verizon.net

2nd E-mail: (can be the same as above; this is the "reply-to" email for unsubscribing)
dave@hershmangroup.com

Phone 1: (111) 222 - 3333

Phone 2: (222) 333 - 4444

Company:
The Hershman Group

Update Your Contact / Address block

This information is mandatory for CAN-SPAM email laws:

Address 1: PO Box 932

Address 2:

City: Centreville

State: VA

Zip: 20122

STEP ONE—PART TWO

On same page you can update your:

- Disclosure
- Choose calculator links
- Change your password

Don't Forget To Hit
"Update Profile" Button

The screenshot shows a user profile update interface with three main sections:

- Disclosure:** A text area with the instruction "Enter any disclosures that your state and/or licensing status may require. If you require no special disclosures, then leave this field blank." The text area contains "Licensed mortgage company in the states of MD, DC and VA".
- Mortgage Calculator Links:** A section with the instruction "Pick the display order and number of calculators that you want displayed in your right-hand navigation bar." It contains three dropdown menus:
 - Link 1: Calculate a mortgage payment
 - Link 2: Compare the cost of owning versus renting
 - Link 3: Lower your payments through debt consolidation
- Update Your Password:** A section with the instruction "If you would like to change your password type a new one twice below. Otherwise leave this blank." It contains two password input fields labeled "New Password:" and "Type it one more time:".

At the bottom right of the form is a button labeled "Update Profile »".

STEP TWO

After you update your profile, you can then download your company logo—

- Click on “Company Logo” on profile page
- Locate your logo on your hard drive to upload
- Click “Upload File”
- Make sure your logo is no larger than size specified



You can upload your company logo with the extension of .jpg, or .jpeg
 pixels in width.

***Need help sizing your logos and photos? For a nominal fee, Colorwork
 system. Please contact Joy Reiher at jreiher@colorworkspromotions.com f

File:

STEP THREE

Back to the Profile Page you can now download your picture

- Click on “Personal Photo”
- Locate the photo on your hard drive
- Click on “Upload File”
- Make sure the photo is no larger than size specified




You can upload your personal photo with the extension of **.jpg**, or **.jpeg** as 1 pixels in width.

***Need help sizing your logos and photos? For a nominal fee, Colorworks Pro system. Please contact Joy Reiher at jreiher@colorworkspromotions.com for a

File->


AS EASY AS 1-2-3: YOU ARE SET UP



**REAL ESTATE
REPORT**

February 5, 2008

ECONOMIC COMMENTARY




Super Tuesday

This economic commentary is being published of all days on Super Tuesday. By the end of the day we may know who one or both of the Presidential candidates will be. This is the same day that either New York or Boston will be hosting Super Bowl parades—making it a real "Super Tuesday." We will boldly make a prediction. Whatever two candidates arise from the fray, they will claim that they have the plan to rescue the economy and the real estate foreclosure issue. But is this reality? Of course, not. The Federal Reserve Board has moved rates down 1.25% in less than two weeks. Finally they are acknowledging the severity of the problem. As we have said all along, this move will do more to help the markets than anything else. Adjustables will not adjust upward as much and rates are more affordable to finance real estate in general.

ORIGINATIONPRO™
Power Tools for Mortgage Professionals

Dave Hershman
The Hershman Group
PO Box 932
Centreville, VA. 20122
davehershman@verizon.net
(111) 222 - 3333
(222) 333 - 4444



OriginationPro Mortgage Company is dedicated to bringing the American Dream of Home Ownership to our clients.

BUT THAT IS NOT ALL...

- The main page/dashboard also gives you access to all print materials, including archives
- Each document has a version in Microsoft Publisher. If you have that program (part of Office Professional)—you can edit in any way. These then can be turned into PDFs or included in an email.
- Each document also has a “PDF” version which allows you to add your name in the box. The PDF version can be mailed or emailed as an attachment.
- **VELMA will help you automatically personalize the 4-page newsletter**

Dashboard

Welcome to the NewsletterPro Dashboard

Use these links to get started:

- [Update your profile or change your password](#)

NewsletterPro Marketing System documents:

- [Startup documents and Back Pages](#)
- [The Real Estate Trends™](#)
- [The Real Estate Pages™](#)
- [The Sales Update™](#)
- [The Real Estate Update™](#)
- [The Real Estate Report™](#)
- [Flyers and Letters™](#)

START-UP DOCUMENTS

The start-up documents include—

- A sample welcome letter to your newsletter prospects;
- Instructions to add a banner to your Outlook Signature so that those you email can sign up;
- Back Pages. These help turn the one-page documents into self-mailers.

Start-up documents:

[Welcome Letter For Real Estate Newsletter](#)

[Letter To Prospect](#)

[Outlook Signature File and Installation Instructions](#)

(These documents allow you to configure your email signature in Outlook and encourage additional opt-ins to your program)

Back Pages:

[Back Page #1 for Letter Size Newsletters](#)

[Back Page #1 for Letter Size Newsletters - Publisher Version](#)

[Back Page #2 for Letter Size Newsletters](#)

[Back Page #2 for Letter Size Newsletter Publisher Version](#)

[Back Page #1 for Legal Size Newsletters](#)

[Back Page #1 for Legal Size Newsletters Publisher Version](#)

THE REAL ESTATE UPDATE

- ✘ Four page document
- ✘ Traditional self-mailer newsletter
- ✘ For all parts of your sphere
- ✘ Industry news, economic commentary, charts
- ✘ Includes finance article

REAL ESTATE UPDATE
Volume 2 Issue 9 September 2008

THIS NEWSLETTER IS BROUGHT TO YOU BY:
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Senior Loan Officer
Ajax Mortgage
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Mortgagetown, MD,
11111
(301) 555-1212
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Specializing in

- Residential Purchases
- Residential Refinances
- Commercial Properties
- Home Equity Loans

Three Trends Worth Watching

There is no doubt the direction of interest rates has a significant bearing upon how quickly the real estate market will rebound. Lower rates provide refinancing opportunities for loans that are reaching maturity. Low rates also help first-time homebuyers get into homes. So the quest for the actual direction, are rates going? Many analysts feel that rates are going up because of the pressure of inflation. One thing we are not going to do is speculate or predict what will happen in the future. However, we do watch the trends and these trends are important... Oil prices. The mercuro rise in oil prices has been the ultimate spark that has ignited inflation. It starts to reason that the recent dip-in-oil prices will help ease inflationary pressures. We speculated!

Did You Know...

• Existing home sales rose from the first quarter in 13 states (up); from buyers responding to discounted home prices according to the latest quarterly survey by the National Association of Realtors; (Nearly one-quarter of metropolitan areas showed rising home prices in the second quarter from a year ago. In the second quarter, 35 out of 150 metropolitan statistical areas showed gains in median existing single-family home prices from the second quarter of last year, while 118 had price declines. "The biggest home-sales gains over the previous quarter have been in some of the markets with the steepest and fastest price drops," NAP Chief Economist Lawrence Yun said. ||

Selected Interest Rates
August 14, 2008

30 Year Mortgages	6.52%
2008 High (July 23)	6.52%
2008 Low (Jan 26)	5.46%
15 Year Mortgages	6.07%
5/1 Hybrid ARMs	6.03%
1 Year Adjustable	5.18%
10 Year Treasuries	3.85%

Source: First Reserve, Freddie Mac.

Note: Average rates do not include fees and points. Information is provided for tracking trends only and should not be used for comparison purposes.

In This Issue
P2 Update Housing Legislation || P2 Sell Your Home In Any Market
P3 A Year of Job Pain || P4 Unmarried Couple as Force

THE SALES UPDATE

- ✘ It is not enough to distribute news, you must teach your B-to-B targets how to sell which is the ultimate value
- ✘ Realtors, financial planners, CPAs, title companies, insurance agents
- ✘ Designed as great sales meeting material for presentations

THE SALES UPDATE

FOR TODAY'S SALES PROFESSIONAL AND ENTREPRENEUR April 2008

Make Your Business Cycle Proof—Part Two IMPLEMENTING THE 100% MODEL

Last month we discussed the advantages of having a greater portion of your equity guaranteed if you are a professional related to the real estate industry, only 10% of the population is considering a transaction at any one time. However, if you are that 10%, it may be a much greater percentage of the population, you have the ability to make your business cycle proof. In this case we meet a professional from the real estate or real estate related industry who is making a business transaction related to a five year or greater term first home in the next five years.

Certainly, financial leaders have changed the rules during the recent credit crisis. The largest growing segment of your equity is one third of those who aren't qualified to purchase or even refinance if they already own. We estimate that approximately 20 and 40 percent of the population falls into this category because of a variety of reasons that are listed below:

- ⇒ Credit scores are too low;
- ⇒ Debt-to-income too high;
- ⇒ Income levels are too low.

The next question is—how do we solve these people? We typically look at the best way we can to secure a transaction in the next month and trying to apply "band-aids" to get them approved if needed, we need to take a longer term view of that situation. What we typically do is find those who want to purchase and help them determine that credit score pay off additional even obtain a raise. Of course, three years later when they want to purchase again or refinance they are back in the same situation. Actually, many are in reverse steps if lenders have a big headache or home values have gone down during the last five years. Research has shown that an investment of purchasing a home for 3 years or more. This is not a statistic that comes over-night. Getting their finances in shape should be a long-term endeavor—

One's success should be proportional to the long-term. It usually means more work at that credit report when they are going to make a purchase on a home or car. By that time, the damage may be too severe. Today not only do mortgage lenders—charging more for low credit scores, but are more strict on employment and credit. Dealers are starting to run reports before they accept a loan. A few credit scores and a person has declined the number of offers on the market over a lifetime. And usually, it is the person who can't afford to pay this extra thing.

What someone needs to do is get with someone who will help them optimize their credit in the long run. Usually, we need to make sure every financial institution found upon what affect the decision will have on our credit score. This might mean opening or closing credit on a credit card or closing a line of credit which is not in use. It may mean challenging something on the report which is false or perhaps not placed on the report in accordance with applicable laws.

We are not saying that if you solve the real estate industry, we are saying you should become a credit monitoring service. But there are services that exist that not only report credit, but help keep that credit optimized in the long run.

Don't take a long-term view. Paying off a debt to get someone's finances in line to qualify for a loan is one thing. Helping a person who is struggling to get someone completely debt free is a much bigger and more rewarding proposition. The average person isn't financing it debt as we are for digital, cell, credit offers and even cars and our homes are paying back over the past five years.

"You may have to fight a battle more than once to win it!"
—Margaret Thatcher

What someone needs to do is get with someone who will help them optimize their credit in the long run. Usually, we need to make sure every financial institution found upon what affect the decision will have on our credit score. This might mean opening or closing credit on a credit card or closing a line of credit which is not in use. It may mean challenging something on the report which is false or perhaps not placed on the report in accordance with applicable laws.

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THE REAL ESTATE PAGE

- ✘ Consumer articles on finance and real estate topics
- ✘ Can be used for prospect conversions when topic is right (archives become important)
- ✘ Can give to Realtors and Financial Planners to send to their clients—leverage.
- ✘ Can use as response mechanisms



SHOULD I BUY THIS HOUSE?

In the past two months we have talked about the issues of qualification and affordability while we try to answer the question—should I buy this home. This month we will talk about the issue of affordability in regard to a prospective home purchase. Before this point, all of our analysis has focused upon the area of finances. Certainly there are financial aspects of suitability, but there are also other “non-financial” questions with regard to suitability. For example,

❑ Is this home in the right location? Location may be important with regard to commuting to jobs and activities. With higher energy costs and increased traffic in urban areas, commuting takes on a higher level of significance.

❑ Is the home large enough for my present and future family and is this where I want to raise them? This issue requires not only the analysis of family size and school districts, but also the proximity to activities and other services.

❑ Is this the home I would like to retire in? For those whose children are older, the question of retirement comes into play. For example, does the home require major maintenance that you don't have the ability to take on during retirement?

❑ How do the home have the amenities my family desires? For example, do I want a big yard for children to play in or for other enjoyment? Do I want a big kitchen and dining room in order to entertain?

❑ I want to leave quickly, how marketable or rentable is this home? The best “buy” which is most affordable because it is in the middle of the country may not be the best choice for those who need to be mobile.

We could go on and on regarding the choice of the home and location. However, as you may guess there are also financial aspects of suitability. These include—assessing the home with regard to meeting your financial needs in the future.

For example, last month we spoke of the cost of the housing payment after taxes because this represents the real issue with regard to affordability. Part of the reason this home may be affordable is because of the tax deduction. However, if you are not paying taxes because

of other deductions, you may not receive most of the benefit of the home purchase. This is especially true for those who are self-employed and may use their status to “write-off” much of their income. The figure becomes an issue when the status of your income and deductions change. If income is to rise, then the home actually will become more affordable in the future.

If you are employed and will get the benefit of a tax deduction you can make the home more affordable on a monthly basis right now by increasing your withholding exemptions on your IRS Form W-4 which is filed with your employer. This will lower your tax withholding on a monthly basis and can make more income available each month to help you afford the payment.

Another financial issue with regard to affordability involves whether future changes may make the home more or less suitable. We already discussed this somewhat when talking about how adjustable rate mortgages may change in the future and how many purchased homes downgrading when a rate happens. When short-term rates rise, so do the payments on adjustable rate mortgages, especially if the start rate is very low. This

is called a “lower rate.” Basically, if your payments were to rise by \$200 to \$1,000 per month, depending upon the size of the loan, could you afford the increase? There are other issues with regard to the future. For example,

❑ Will the long-term appreciation of the home help you finance debts at a lower-monthly cost than you are paying now. Debt-consolidation loans using the equity in a home are very popular in a nation that seems to be very dependent upon the use of credit. Of course, the use of this equity means that it cannot be used for other purposes such as retirement.

❑ Will the home require major maintenance in the near- or long-term? The purchase of “fixer-upper” may be very suitable for those who are handy or have liquid assets for contractors. For others, having a home in need of maintenance can be a psychological and financial burden.

❑ Will my situation change in the future? Retirement, job changes, increases and decreases in income. All of these are relevant to suitability.

Qualification, affordability and suitability. All relevant questions to answer before you purchase your next home. ☐

IRA Advantage

- Low Debt Payments
- No Cash Reserves
- No Credit Score Necessary
- Co-Borrowers Don't Have To Sign The Property
- Fixed Rate Available Terms
- Adjustable With Low Caps
- Liberal SFR Policy

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THE REAL ESTATE TRENDS

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- ✘ Industry news, economic commentary, charts

REAL ESTATE TRENDS

FOR REALTORS, HOMEOWNERS AND PROFESSIONALS

October 2009



Government To The Rescue!

Just when you think things can't get any wilder they do. The last month has given a new definition to the term "wild and crazy." What has happened? The government took over the most important housing entities in the nation—Fannie Mae and Freddie Mac. The government also bailed out a major insurer, AIG to the tune of \$85 billion dollars. While they were doing that, the Feds chose to let a major financial company, Lehman Brothers, collapse. Meanwhile the stock market's Dow Jones Industrial Average has been going up and down (more down) hundreds of points from day-to-day. Now the government is formulating a plan to purchase distressed mortgages from financial institutions.

What is behind this financial madness? The housing crisis. As home prices go down and foreclosures soar, the mortgages that investors have purchased are becoming worthless. While housing is the major cause, it is also the solution. When home prices stop going down and people start buying again, the markets will stabilize. Actually the crisis will be part of the solution. Interest rates have fallen sharply over the past several weeks as the crisis intensifies. Lower rates translate into increased demand for homes because it makes owning a home more affordable. Coupled with lower home prices, lower rates will help hasten the end of the crisis.

The longer the crisis goes on, the more likely that the housing recovery will be



Come Get Your \$7,500!

News continues to be released regarding the tax credit authorized by the recent housing legislation. The government feels that providing an incentive to purchase homes at the present time will help hasten the housing recovery and we agree. Here are some facts regarding the credit.

- First-time homebuyers who purchase a principal residence between April 9, 2008 and July 1, 2009 qualify for the tax credit and it is retroactive for buyers who have already closed.

Tax Credit

- The maximum credit is \$7500 or 10% of the purchase price if lower than a \$75,000 sales price.
- If the home is purchased in 2009, homebuyers can elect to amend 2008 tax returns and claim a tax credit.
- The tax credit is "recaptured" by the IRS, and is an interest-free loan and

Population Projections

What are census data projections for the future? The Census Bureau's projections are based on the country's changing racial composition due to the mass exodus of the middle class. What's clear is that the latest numbers will inevitably give the real estate business a boost.

The Census Bureau is projecting an increase of 135 million people in the U.S. a 44 percent rise by 2050. That's equivalent to the entire populations of Mexico and Canada moving to the United States. The bureau estimates that this population boom, largely fueled by immigration, will require 52 million new housing units, along with more places for people to shop and work.

The recent housing slump has caused homebuilding to fall significantly below one million units annually, including multi-family units. This means that present home building activities will not be sufficient to meet the needs of future population growth. The longer the housing slump continues, the more acute the shortage in the future... □


Did you know...

- Activity is slowing in the commercial real estate market in response to tightening credit and weak economic growth, according to the National Association of Realtors. In its latest Commercial Real Estate Outlook, the NAR reports that financing problems stemming from the crisis on Wall Street, are a lack of demand, are causing real estate

BONUS FLYERS & LETTERS

- ✘ We can produce flyers and letters that are topical for every environment
- ✘ We integrate response mechanisms into the flyers so they can call for articles or special reports
- ✘ More than a Newsletter—we offer a complete marketing system

Have The New Lending Rules Locked You Out Of Obtaining A Mortgage?
Now there is a professional solution!



- Subprime mortgage solutions are disappearing.
- Fannie Mae and Freddie Mac are charging more for those with lower credit scores.
- A low credit score is correctable—with the right plan.
- For the average consumer*, we can increase your credit score in the short term and give you a plan to keep your credit score higher in the future.

*results will vary by individual

Did you know that a low credit score can increase your costs for insurance and even hinder your search for a job?

A low credit score will cost you thousands of dollars in extra borrowing costs over your lifetime. It can even

Contact Me for My Free Report...

WHAT WE COVERED TODAY...

- FHA History and Update
- FHA Guidelines
- FHA Programs
- Marketing FHA
- Delivering Value

Are you ready to take action?

MY GIFT TO YOU...

If you stay a member of the NewsletterPro and
after the 30 day trial period

—after six months you will be eligible for
Certified Mortgage Advisor Certification

Questions or **have not received password?**

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