



Foundations

CUsource, LLC Real Estate Newsletter May 2010

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CMG Complimentary Webinars

The Webinars offered by CMG Mortgage Insurance Company (CMG MI) are some of the most popular in the mortgage industry. They're "More than MI" - professional skills training that can't be beat! Especially since they're **complimentary** to Credit Unions. The convenient educational 1-hour sessions require only a computer and a phone.

- **Appraisal Review Basics** - Learn the keys to reviewing the single-family appraisal (Form 1004) and discover how appraisers determine value and the guidelines they should follow. It's the best primer for the *Appraisal Review Challenges* session.
- **Appraisal Review Challenges** - Learn the Sales Comparison approach to value, understand how to review the Market Conditions Addendum, and find out what is required in a distressed and declining market.
- **Underwriting: Guidelines** - Learn key guidelines in the areas of employment, assets and credit, and understand the "C's" of underwriting. A good lead-in to the *Underwriting: It's About Risk* session.
- **Underwriting: It's About Risk** - Learn how to define and assess the various risks in the mortgage loan, discover 6 challenges to effectively assessing risk, and understand how behavioral economics and misrepresentation can add risk to your loan
- **Reviewing Personal Tax Returns** - Discover where to find the income in personal tax returns that can be used to qualify your member, find out about Sole Proprietors, Rental Income, Capital Gains and more, and learn how to use a worksheet to reconcile the figures from the tax returns
- **Reviewing Business Tax Returns** - Find out about Partnerships, S-Corporations and Corporations, and learn how to use a worksheet to reconcile the figures from the tax returns.

Webinar schedules through August, course materials and more information are posted online at www.cmqmi.com/webinars.

Did You know.....

The upfront PMI factor for FHA loans is now 2.25%! If the GFE does reflect that factor, it will be rejected from our investors!

A borrower cannot have more than one FHA loan. So, if they are not selling their current residence (insured by FHA) they cannot apply for another FHA loan.

Chandra has paid the Spring taxes.

Russell Country FCU is now using Mortgagebot

Prepaid Interest / GFE

Per FHA, you must disclose at least 15 days worth of prepaid interest on the initial Good Faith Estimate.

4155.1 5.A.2.b Types of Prepaid Items (Including Per Diem Interest)

Prepaid items are collected at closing to cover:

- accrued and unaccrued hazard insurance
- mortgage insurance premiums
- taxes
- per diem interest, and
- other similar fees and charges.

Per Diem Interest

The lender must use a minimum of 15 days of per diem interest when estimating prepaid items. To reduce the burden on borrowers whose loans were scheduled to close at the end of the month, but did not due to unforeseen circumstances, lenders and borrowers may agree to credit the per diem interest to the borrower and have the mortgage payments begin the first of the succeeding month.

THERE'S A NEW
SHERIFF
IN TOWN.



CU MEMBERS MORTGAGE 14th NATIONAL
MORTGAGE LENDING CONFERENCE
SEPTEMBER 27-28, 2010
HILTON * FORT WORTH, TEXAS

Conference Sponsors:

CUNA Mutual Group
Mortgagebot
Radian

The 14th National CU Members Mortgage Lending Conference is saddled up for Fort Worth, Texas where we'll kick up our boots at some of the hottest and historic venues for a hoot hollarin' good time!

Save \$100

You are invited to take advantage of our EARLY BIRD SPECIAL by registering by June 1, 2010 and receive \$100 off. Sign-up an additional attendee and receive an additional \$25 off the second registration. Hurry, June will be here before you know it! **Offer Expires: June 1, 2010**

The announcement below applies to an ARM loan your member might request whereas their qualification will be the Note rate *plus* 2.000 % rather than the beginning rate itself. Mortgagebot and our processing system is set at the Note rate so be caution in indicating your members' Debt to Income ratio is acceptable.

Assuming the member's loan is \$150,000.00 at 4.00 % though the qualifying rate will be 6.0 %, 360 months, will increase the payment by \$183.00 in their DTI ratio. If you have any questions, please call or write.

FYI Number: 10-161

Issue Date: 05/19/10

Applicable to Tiers: All

Important Conventional Conforming Product Updates

Several updates are being made to the conventional conforming products in response to a recent Fannie Mae announcement (FNMA SEL 2010-06). Each of these updates will be effective for new registrations on **Friday, May 21, 2010**. Pipeline loans that are not closed (tier 3) or funded (tier 6/7) by **Friday, July 16, 2010** will be required to meet the new eligibility guidelines.

Eligibility Changes for the Interest Only Fixed and ARM Products

The changes listed below will impact conventional conforming interest only fixed and ARM products.

No longer permitted with Interest Only Products

- 2-4 unit properties
- Cashout refinances
- Investment properties

New Interest Only Eligibility Requirements

- Maximum 70%/70% LTV/CLTV (previously 80% for purchase and rate/term, 75% for cash out)
- Minimum credit score 720 (previously 620)
- Reserves – 24 months using the fully amortizing PITI (previously as determine by DU)
 - This change will go into effect on June 4, 2010.

Qualifying Rate Update for 3 & 5 Year ARMs

To limit the impact of payment shock for ARM borrowers, a change is being made to the rate at which borrowers must be qualified. This update will require conventional conforming 3 and 5 year P&I and IO ARMs to be qualified at the greater of the Note Rate + 2%, or the fully indexed rate, based on a fully amortizing principal and interest payment. Previously, these loans were qualified at Note Rate, never less than the fully indexed rate at a fully amortizing principal and interest payment.

Additional Information

The systems and sales manual will be updated to account for the abovementioned changes on Friday, May 21, 2010 with the exception of the 24 month reserve requirement. The requirement to document 24 month reserves for interest only fixed and ARM products will go into effect on June 4, 2010.