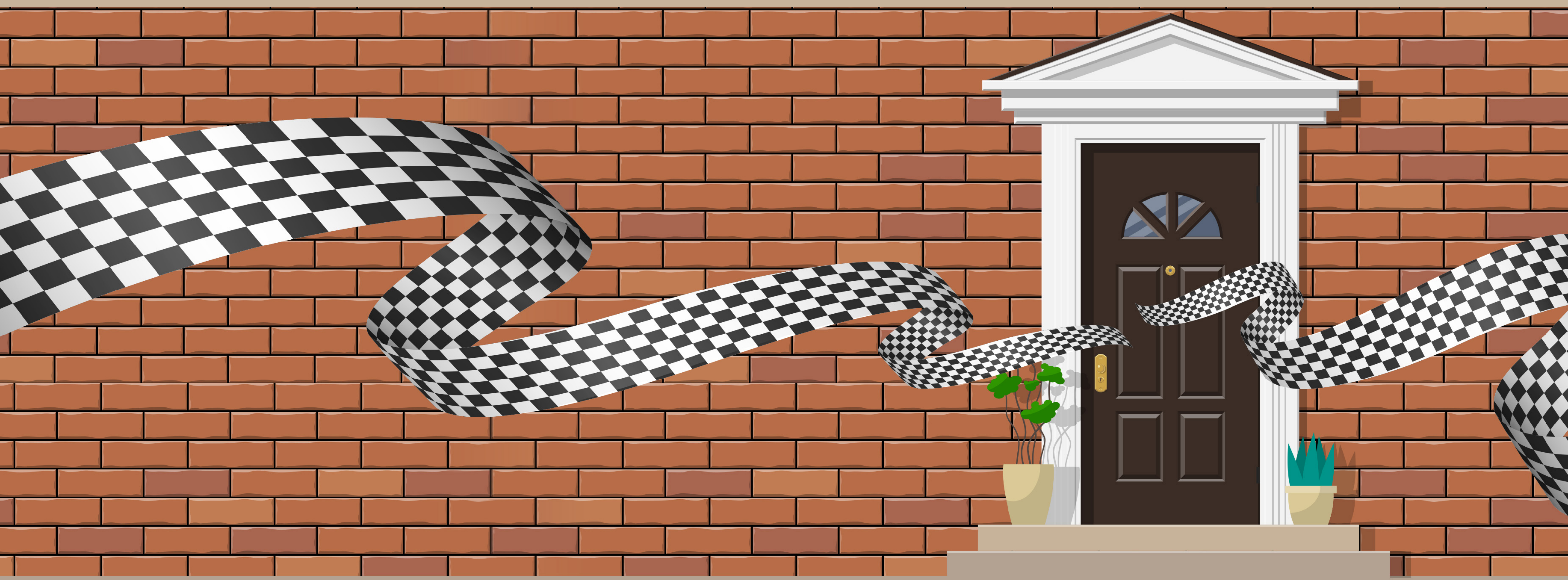
Equipping you with the mortgage knowledge to guide your clients across the finish line. This is the stuff real estate school doesn't teach. You only learn this from experience, a lot of BAD ones. Well skip the failed mortgage experiences and become the real estate agent that can expertly navigate the mortgage mine field!

MORTGAGES FOR REALTORS

GETTING YOUR CLIENTS ACROSS THE FINISH LINE



JASON JOHN SHARON

Mortgages for Realtors

What you NEED to know to help your clients.

HOME LOANS INC

Making Mortgage Easy

Tools to help you grow & live a balanced life

www.HomeLoansInc.com

Company NMLS 1728740

1527 Sam Rittenburg Blvd Suite 202

Charleston, SC 29407

843.364.2656 Fax 843.872.0620

What do you need to be successful?

No one actually tells you this. Why?

Two reason:

1. Most people do not know

Or

2. Those that do know are your competition

But guess what?

I know. And I am not your competition. I compliment your business. As you grow, I grow. Therefore I have your best interest in mind, because it is my best interest too!

So after hundreds and hundreds of loans, and many hours reading, studying, and being coached by the best, here are some things to help you and I grow together:

First, you need a mentor or a coach. I don't care how long you have been in business. Lebron James and Tom Cruise have coaches. You only get better by putting good things in your brain.

Second, you need a teammate you can depend on. You will not be able to do everything that you need to. So, either you pair up with another agent or you hire an assistant. Eventually you will hire an assistant anyway, but that is not until you have a steady stream of closings.

Third, you need a mortgage partner that you can depend on. The relationship with your mortgage partner is the most important relationship you will develop in your professional life. ***Think about it, you are trusting me with your paycheck when you send me a lead or a contract***. You expect to feed your family and keep a roof over your head with that commission check.

Fourth, you need processes, systems, and checklists in place to keep your business running properly and your life in balance.

I will help you with the third and fourth items.

Why Jason at Home Loans Inc?

What value do I add to your business? - I Follow Up, I Communicate, and I Close

1. I am an extension of your team. Therefore my tools and time and experience are yours!

2. I have great systems that help you. First is an air tight lead management system with checklist from lead to pq to application to closing to follow up for 3 years. Therefore I can be on the phone with you and your client making sure it gets done.

3. I have a great coaching system with all the tools you can imagine for any difficulty you can face.

4. At the time of this publishing, I have closed 145 loans year to date. 31 of them were declined elsewhere before they came to me.

What should a realtor expect from your loan officer when you send a referral?

Your prospect (lead) should be treated like family. I COMPLETELY understand that If your prospect is not handled properly, you just lost a paycheck. So, I directly affect your family (good or bad). Here is what should happen. That lead is called within 2 hours (usually an hour, but I could be in a meeting). That lead is entered into an air tight CRM. You are notified by your loan officer the lead was called and entered into a tracking system. That lead is called EVERY DAY for 2 weeks or until they answer the phone. After 2 weeks (10 calls) and no answer, they are emailed monthly as a follow up for a year.

When the prospect answers the phone, they are treated like family. Their goals, thoughts, and concerns are listened to first. Then the mortgage plan is developed and implemented. If their credit is not good enough, your loan officer should have a system to get them credit worthy. If their credit is good enough, then they are prequalified, and you are sent their prequal letter. We start the PQ checklist. The client is sent the initial list of documents needed and the big picture game plan for an easy mortgage transaction.

When you ratify the contract, your loan officer should have airtight procedures and checklists established so nothing is dropped and everything is handled smoothly. We start the application checklist. You, your client, and the listing agent receive a weekly phone update and a call after each milestone (checklists for each: conditional approval, appraisal, final approval). The loan package is submitted to processing for initial disclosures within 4 business hours (this happens because we already have all their documents from PQ time frame). Disclosures are sent to borrower within 24 hours. Borrower has 48 hours to return the disclosures. Next business day: Appraisal is ordered (you and listing agent get automatic notifications of that), title is ordered, IRS and Social Security forms are ordered, and file is submitted to UW. UW approval happens within 48 hours (you and listing agent get automatic notifications of approval and a phone call). Then final approval has same notifications. All this happens because have the tools to manage from contract to closing.

At closing, me or a member of my team attend, and provide a gift from you and me. Handwritten thank you cards are sent the next day and the client gets useful follow ups for the next 5 years. Any referrals from that client go back to you! Leverage me and my resources to grow your business!

Table of Contents

Why a mortgage Broker

Getting a mortgage is needlessly confusing and stressful. Your choices: online lenders, depository institutions (bank or credit union), correspondent lenders (a retail location that only originates mortgages), or a mortgage broker. Only a broker represents YOUR best interests. All other loan originator roles are w-2 employees hired to improve their company's bottom line. Let's examine.

Why not an online lender? They have no customer service motivation. That loan officer is all about getting you committed to him, no matter what. Many of them do not close. If you do not close, no loss to him, you and your realtor were never going to refer him anyway.

Why not depository? They have little skill and they are limited to their own loan products. They are typically entry level order taker positions. Usually a base salary plus a small commission at closing.

Why not retail lending? The most expensive and again, limited to only the loan products their one lending source has to offer. Usually better customer service and slightly more loan products.

What are brokers bound to? I am ***REQUIRED*** by the SC department of Consumer Affairs to work in your best interest ***EXACTLY*** like your realtor. Bank and retail employees are not bound by that regulatory requirement. They are simply w-2 employees with managers to please. Of course, there is a level of ethics to uphold, but don't forget they work for their company's bottom line.

How does a broker save me money? When I represent your loan, the lenders compete to earn your business. They know I have over 4 dozen places to submit your loan. Lender comparison and loan analysis drive competition in the wholesale market place therefore getting you a smarter loan. The maximum a broker can earn on a loan is 275 basis points (2.75% of the loan amount). The average retail earned 379 basis points in 2017 (Mortgage Banker Association report April 16, 2018). That is 37% more expensive than a broker.

How does a broker help the realtor? The closing is just a big sum of a lot of smaller fees. Since a brokered loan has less fees and the probability of higher lender credits, the transaction has less financial risk therefore safer for the agents and the seller.

How does a broker save the lender money? The origination and processing tasks are completed by the broker, the underwriting and funding tasks are completed by the lender. The broker just cut the lender's compliance and staffing bill in half! Therefore, wholesale rates are lower than retail. I see that when I check the wholesale rate sheets compared to the retail sheet.

How does a broker make money? Typically, from the lender based on a highly regulated compensation agreement, or directly by the borrower via an origination fee. That fee can be covered by the lender in the form of a slightly higher interest rate. I am required to have you sign a form showing exactly what he I earn on your loan. Go ask the bank to show you their gross profit!

Can't you steer me to the loan that pays you the most and I won't even know? Nope, federal law requires a broker to set lender paid compensation exactly the same with each lender source.

Co-Signing on a Mortgage

Adding additional borrowers to a loan to bring *additional income* to the file.

Below are few main things to keep in consideration:

- VA is the only loan type that limits who can co-sign. (Spouse only, unless the veteran wants a 12.5% down payment)
- Adding a borrower to a loan will NOT overcome insufficient credit for the main borrower. The lender will require the lowest middle score of all parties on the loan to be sufficient
- A co-borrower will not be able to be taken off the loan unless the main borrower refinances and can re-qualify for the loan by themselves.
- Adding a co-borrower will NOT have any impact on rate unless they have a lower credit score than the primary borrower.
- The full mortgage payment will be counted against the co-signer if they were to try to acquire additional financing
- A gift for down payment or closing costs is allowed without having to put the donor on the loan
- A co-borrower will be required to provide all the same documentation as the primary borrower

Examples:

- Student in college with minimal monthly pay - parents can co-sign to overcome the lack of income
- New position that is primarily commission based with less than a 2 year history - Co-signer will make up for lost income
- Business owner with lots of “write offs”- spouse can co-sign to overcome deductions

I firmly believe the most difficult portion of the mortgage process is sourcing funds. This includes earnest money, down payment, odd bank deposits, gifts, and appraisal payments.

Remember the mortgage meltdown? One of the corrective actions established by the government is that all funds must be sourced. The premise is that we have to prove that the listing agent, the selling agent, the seller, and the mortgage partner did not give any inducements to purchase. Yes, people can contribute, but there are interested party contribution limits, based on loan type. Cash transactions can not be sourced, therefore are not allowed.

How this complicates things: if there is an unsourceable deposit, that dollar amount must be ignored and the available balance in the account must be artificially lowered. The available funds may now be below what is required. Same with EMD.

If it is not sourceable: cash, walmart cashier's check, money from Mom, etc, those funds can not be used in the transaction. If the client was already tight on funds, we just created a tremendous stress in their lives, and in the UW process.

Wheel Estate

Manufactured homes are tough to finance. Like really tough. Most lenders choose not to do them. The ones that do, tend to add extra requirements to make the loan harder to qualify for. The basis for this, manufactured homes depreciate over time, therefore are a much higher risk for the lender.

What is the difference between a manufactured home and a modular home? A modular home is built in pieces then assembled on the premise. A modular home is treated exactly like a traditionally built home. A manufactured home is built entirely in a factory, on a frame and chassis and wheels, then relocated to the home site.

It is tougher for the borrower:

- They need a higher credit score than a traditional home loan
- The interest rate will be a good bit higher for the same credit score on a traditional home loan
- The costs associated with the loan will be higher. There will be an additional inspection, by a licensed engineer (about $500) and the appraisal costs more (usually $75 more)

The home has to qualify:

- The home must be newer than 1976. Most lenders will not lend on one older than 15 years

- The home must be on a permanent foundation with proper tie downs with permanent skirting

- The home must have the tongue and wheels must be removed

- The home must be detitled from the DMV and registered as real property with the county

- The home must still have the hud labels and plates. The metal plates are on the back near the tail light location. The label will be interior near the breaker box, in a closet, or under the sink

- The home must be a double wide or larger. Single wides need not apply

- The manufactured home can not have been moved from its original location

Let’s teach ya how to do some quick easy math to look like the real estate hero you are!

This is the 5/6/7 rule

- For a conventional loan with 20% down payment, the mortgage will be about $5/month for every $1000 in purchase price. That means $150k purchase $30k down they will be about $750/month.

- For a VA and USDA loan, the thumbrule is about $6/month for every $1000 contract price. So $300k VA loan will be about $1800/month.

- For FHA, every $1000 purchase price, use $7/month. Therefore for a $200k contract price, you are looking at about $1400/month.

- Use this in negotiations as well, you are off by $1000 on a VA loan, does your buyer really want to walk away over $6/month? Just one less starbucks closes the deal!

*Closing Costs – buyer controls this

These bad boys average 2.25%. That is for a loan from $150k-$250k. As you know, many costs are not tied to the loan amount, just the transaction. For example, the atty is going to charge the same amount no matter what. Therefore, for a loan amount lower than $150k, it will be a higher %, for a loan amount higher than $250k, it will be a lower amount. Here is the perfect script for closing costs. I have developed this over hundreds of closings, it always disarms the cautious client.

"*Closing costs average 3%. You are in COMPLETE CONTROL of closing costs. They are al a carte. You pick the atty, you pick the title company, you pick the home owners insurance, well, the county sets the taxes. But you get the idea. Closing costs are the total sum of all the good people that are going to work hard for you for the entire month we are making this home happen for you. Make sense?* "

Typical Closing costs guide

$100k -$4200

$200k -$5000

$300k -$6000

$400k -$7000

Down payment – let's get some skin in the game!

Down payment what the borrower is REQUIRED to bring to the table based on the loan type.

- USDA and VA are easy: 0%. Nothing nada, $0

- FHA is the next one: 3.5%. Remember 2 numbers: $150k Is $5250 and $200k is $7000.
- Conventional. Minimum is 5%. Special program for 3% down. If you put less than 20% down, the buyer will have PMI. That is 0.4-1.2% depending on credit score and LTV,

Don’t write an invalid contract: Closing costs limits

It is unfortunate that real estate school does not teach this important subject: Closing cost limits. The government limits closing cost concessions from the seller to protect the buyer from an inflated contract price. Generally, in the tri-county area, closing costs average about <u>2.5% of the purchase</u> price. That thumb rule works well for properties between $150,000 to $300,000. The reason for those boundaries is that some of the costs are fixed dollar amounts, not a function of sales price. For example, the title search and atty fees are set dollar amounts whether it is a $100k home or a $800k home.

Government Loans limits		**Conventional Loans limits**	
VA	4%	95% LTV	3%
90% LTV	6%		
FHA	6%	2nd home	3%
USDA	6%	Investment	2%

Where is this going to bite you in the rear?

Here are 2 real stories from my personal experience

1-Client financing a condo for $110,000 with 5% down. Agent negotiates “all the closing costs” on the contract. Yes really ratifies like that. Closing costs on this loan are approximately $4400. Maximum allowed seller concession is $3300. Well now the client is looking to the agent to meet the requirements of “all the closing costs” from his commission. Not fun.

2-Buyer’s agent represents a savvy investor financing a $400,000 investment property. Max seller concessions are $8000. Closing costs on this transaction are very high, think about 6% tax rate? Both parties agree $12,000, but that is $4000 higher than allowed. The client looks to the agent to fill the gap that he created. Again, not fun.

Credit scores and credit repair

My favorite subject! This is what makes a good loan officer great! Figuring out how to get that 579 to a 640. Figuring out how to get around that big bill from 5 years ago when our client had that car accident and couldn't work for 6 months. Life happens. You understand that, I understand that, FICO does not care. So what is a credit score? It is an algorithm that shows the likelihood that a borrower will repay the debt. Scores range from 300 up to 850. Generally, having a score over 620 makes a client credit worthy.

- **But Credit Karma** says I am a 645! The 3 bureaus charge for a credit score. Each and every time. Credit karma is free. So do you think credit karma is spending $25 each Friday for each member? Of course not! They have their own algorithms that guestimate a score. They tend to be ***<u>20 points optimistic</u>***. Though I have seen a handful of people higher than what credit karma proclaims.

- **Revolving debt behavior** contributes up to 30% of your score. That means up to 200 out of the 850 points are affected by credit cards. So if you have no credit card, those points are never going to populate, and you are never going to get a good score. I took a person out of credit repair last year (different company, not mine), directed him to pay $2000 on a credit card, raised his score by 120 points, and put him in a house in 60 days. Keep credit card balances below 30% of the limit. That will boost the score.

- **Credit modeling**. Depending on the type of credit you are applying for, credit behaviors are weighted differently in the calculation. Modeling for a credit card is different than for a car, which is different than a mortgage. So when someone says "my discover card says I am 645", chances are, they are a 630 in the mortgage world.

- **Credit repair is the act** of disputing inaccuracies on a credit report. Most of Americans have inaccuracies. In accordance with the Fair Lending Credit Act, a person has the right to dispute any inaccurate information on their report. The bureau and the creditor have 30 days to complete the investigation to that dispute.

- **Credit repair effectiveness** is affected by 2 things: how good the dispute letters are and how good the client is with checking their mail then communicating with the credit repair company. Unfortunately, the lifelong behaviors of not opening mail or paying bills do not change overnight. So when a person starts the credit repair process, they usually hinder the efforts after the 2nd and 3rd months.

Let's examine the cost of waiting on a better credit score:

1. You will save money with a lower rate. Today (4/22/19) a $200,000 FHA loan 650 FICO rate is 4.125% (apr 4.289%). Same loan with a 750 FICO is 3.875 (apr 3.977%). You save $30/month which is $10,800 over the life of the loan.

2. You will spend thousands on additional rent. Let's assume $1350 for 1 year additional rent which calculates to $16,200.

3. Homes are growing by about 5% per year in the Charleston area. That $200,000 home today will costs you $210,000 next year. $10,000 extra.

4. That $10,000 just raised your payment by $42/mo, which is $15,120 over the life of the loan.

Add those up: It costs you $41,320 to save $10,800. And that is also assuming rates do not go up over the next year. Guess what rates are doing? Yup, going up.

<u>Conventional Mortgages 101</u>

Conventional mortgages are the most basic loan program. It may be utilized for primary residences, second homes, and investment properties.

Down Payment - Minimum of 3%.

Limit - The tri-county area limit is $484,350. Above that is considered a jumbo loan.

Credit - To qualify for the loan, the borrower must have a satisfactory score and credit history. Fannie Mae and Freddie Mac require a 620 score.

Appraisal - The home must pass an appraisal. Cost is currently $535. There are very minimal property conditions. However, significant repairs may reduce the appraised value.

Funding fee - No funding fee.

Mortgage Insurance - If the down payment is less than 20%, PMI is required. It ranges from 0.45 to 1.1% based on credit score and loan to value. PMI will cancel at 80% LTV

Condos - Condo regimes must be 51% owner occupied.

Student Loans - Student loans, no matter what the current status, must be included in the DTI calculation as either a fully amortized payment or 1% of the loan balance. There is a small exception for this.

VA Mortgages 101 – Updated 2020

Eligibility

- The eligibility requirements are a page long, based on when you joined. Generally:
- During war time 90 consecutive days
- During peacetime 180 consecutive days
- National guard or reserves 6 years
- Non-remarried spouse of a vet who died or a service related illness or injury

Limit: There is no loan limit set by the VA. There is an eligibility limit. With just one loan, there is no eligibility limit. If the vet has an existing VA loan, or have a VA foreclosure, that eligibility will be limited and therefore limit the loan amount. That new limit may be exceeded if the veteran brings a down payment. What the VA actually does is issue an insurance policy, on that loan, of 25% of the loan amount. So if the vet wants to borrower more than the eligibility limit, he/she will have a down payment of 25% of the amount above the limit.

Credit: While the VA does not have a minimum credit score, the lenders usually do. To qualify for the loan, the veteran must have a satisfactory score and credit history. I can originate with a 500 score. Usually, below 580 the program is for vets with a lack of credit, not bad credit. No late payments at all in the last 24 months.

Appraisal: The home must pass a VA appraisal. Cost is currently $425 in SC. The things to keep in mind when you are showing the home before you write the offer: safe, sanitary, no broken windows, no damaged drywall, no active roof leaks, no unfinished plumbing, no exposed electrical, all installed appliances are working.

Funding fee: The VA charges the veteran a funding fee on the loan. First time use is 2.3%. The vet may (and usually does) add that to the loan amount. If the veteran as a disability rating of 10% or higher, that fee is waived.

Condos: There are 50 approved condos in the tricounty area. https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch.

There is a big myth that I hear about once a week, that a vet can only have one VA loan at a time. That is false. I think it is because people believe that requirement that VA loans are only for primary residence, is a limit. Let's say the vet purchase a home in Texas for $200k. Lived there for a few years and then was transferred to Charleston. That vet could purchase a home here up to the limit of the eligibility (follow's Freddie Mac's conforming loan limit), in 2020 that limit is $484,350. So $484,350 - $200,000 is $284,350. If the vet wants to exceed that remaining eligibility, there will be a down payment of 25% of the loan amount above the eligibility.

For more information on VA loans, see my book VA Mortgages – DECLASSIFIED.

FHA Mortgages 101

FHA is the typical home loan for first time home buyers. It has the lowest credit score requirement, the highest loan to value, and the lowest down payment. One is not required to be a first time home buyer to utilize it. It is only for primary residences, no investment properties.

Down Payment: minimum down payment is 3.5%.

Limit: The local tri county area limit is $388,700. Some major cities are higher, such as Washington DC.

Credit: To qualify for the loan, the borrower must have a satisfactory score and credit history. I can originate 3.5% down with a 580 score. Below 580 requires 10% down.

Appraisal: The home must pass an FHA appraisal. Cost is about $500. Keep in mind when you are showing the home: safe, sanitary, no broken windows, no damaged drywall, no active roof leaks, no unfinished plumbing, no exposed electrical, all installed appliances are working.

Funding fee: The FHA charges a 1.75% funding fee. The borrower usually add that to the loan amount. This may cause the loan amount to appear odd to the borrower.

Mortgage Insurance: FHA charges 0.85% of the original loan amount per year, for the duration of the loan.

Student Loans: Student loans, no matter what the current status, must be included in the DTI calculation as either a fully amortized payment or 1% of the loan balance.

See my book I Hate Renting for more info on FHA loans

<u>USDA Mortgages 101</u>

USDA mortgage program was designed to promote homeownership in rural areas. It has the highest credit score requirement, the lowest loan to value, and no down payment. It is only for primary residences, no investment properties.

Down Payment- $0.

Limit-There is no loan limit, but there are income caps and DTI limits.

Income cap-To qualify, all adults in the household may not make more than about $81,000 for a family of 4. Family size 5-8 has a limit of about $103,000.

Credit-To qualify for the loan, the borrower must have a 580 fico and clean credit history.

Appraisal-The home must pass an USDA appraisal. Cost is currently $535. The things to keep in mind when you are showing the home before you write the offer: safe, sanitary, no broken windows, no damaged drywall, no active roof leaks, no unfinished plumbing, no exposed electrical, all installed appliances are working.

Funding fee-The USDA charges a funding fee on the loan of 1%. The borrower may (and usually does) add that to the loan amount. This may cause the loan amount to appear odd to the borrower.

Mortgage Insurance- USDA charges 0.35% of the original loan amount per year. This is for the duration of the loan.

Condos-There are no approved condos in the tricounty area.

Student Loans-Student loans, no matter what the current status, must be included in the DTI calculation as either a fully amortized payment or 1% of the loan balance.

Appraisal Myths

I have seen many appraisals come in below list price in my experience.

Here are some common myths that realtors and clients have:

#1 MYTH It is all about cost per square foot

Cost per square foot is NOT a major factor used by appraisers in determining value.

Sales, ideally in the last 6 months and in the same sub-division, are where the appraiser will start.

Adjustments are made based on sqft differences, but these adjustments are much LESS than actual cost per sqft.

Land is large part of value and is not impacted by sqft.

$/sqft is unreliable if properties are very different in size.

#2 MYTH I can dispute the value of a property based on listings, pending sales, or the fact that multiple offers were made on a property.

Appraisers will make small adjustments based on market trends. However, closed sales are the primary determinant of value

Also see the links below for some helpful info on minimum requirements for VA and FHA properties:

http://www.military.com/money/va-loans/easy-to-understand-va-minimum-property-requirements.html

http://www.fhahandbook.com/appraisal-guidelines.php

INTEREST RATE: what is it and what makes it change?

The banking industry buys and sells money. The dollar is a commodity just like oil, gold, and wheat. As you know, the price of a commodity is driven by supply and demand.

Same supply with more demand makes prices rise.

More supply with same demand makes prices drop.

Interest rate is just the price of the dollar.

So let us look at the supply and demand of the dollar. Where do the dollars for a mortgage come from?

They come from investors that want a steady low risk investment. Those investors can choose to invest in the US Treasury 10 year bond (T-Bill) or a mortgage backed security. Since the T-Bill has ZERO risk, mortgage rates must have a higher rate to attract those dollars. The T-Bill rate is set by the government based on the health of the economy. As the economy gets better the T-Bill rate goes up, so the mortgage rates must rise to keep investors interested in mortgages.

So if you look at the health of the economy, you will understand what will happen with the T-Bill, then you will understand what mortgage rates will do.

Go take an aspirin!

WINNING YOUR MULTIPLE OFFER SITUATIONS FOR YOUR BUYERS

I WILL HELP YOU WIN THE DEAL

FACT:

We are in one of the hottest markets *ever* with less than 6 months of housing inventory.

FACT: Multiple offers are becoming more commonplace.

FACT: The problem will only get worse as more buyers come into the market.

This means that more and more, you ***WILL*** have to fight for your clients, your transactions and ultimately your paycheck

-The recipe that will give you the edge to win the deal?

-Use the "$1000 over the highest and best" multiple offer strategy…….It works!!!

-Inform me that we are in a multiple offer situation.-Send my specially designed multiple offer preapproval letter.

-I will call the listing agent to discuss how strong of a borrower we have

-You have the client write a letter from the heart to the seller.

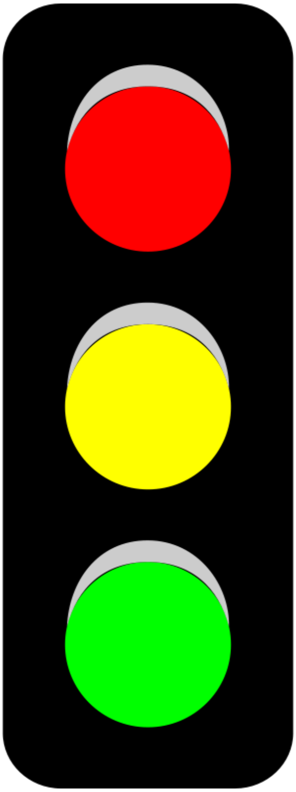
-This will set you apart from the competition…almost nobody is doing this

-I know how to talk to listing agents and build confidence

-I have just as much incentive to win the deal as you do

Green light – Yellow light – Red light

When I speak to someone, I make a note about their status. I try to use red light, green light, and yellow light



Red:
don't bother with them. bad credit, no chance to get money for down payment, or they can't afford.

Green:
go sell them a house today!

Yellow:
is a bit tougher. It's a judgement call. Believe me, I want to get everyone under contract as soon as possible. But if I cannot issue a good strong prequal, I will say yellow light. Reasons for yellow:

- they don't have the down payment, but it is reasonable that they will eventually have it
- score is a tad low, and it seems reasonable that we can get it there in next month or 2
- they are self-employed and I need to see their tax returns

Example: client is a 610 on credit karma. Their old outdated scoring system averages 20 points higher than a true FICO pull. When I hear something like that (being close to 620), I ask 2 things: do you have recent lates and do you have a credit card. If they have lates, I know I need to get them above 620 to have a shot. If they have a credit card, I ask about the balance and limit, then advise them to get it down as soon as possible to $5. If they have no card, I assign them homework to be completed by tomorrow to get a card. Then use it for a tank of gas, then pay it off. That will usually get them a quick 20-30 points.

For a yellow light, I do not suggest showing property. It may be a good idea to do it to build a relationship if you think they will go with another agent, but let's not write an offer yet.

Derogatory Credit

We understand life happens. We won't hold it against your clients. But there are some federal guidelines that we have to adhere to. Significant events must season before the borrower may be considered creditworthy. In addition to the waiting period, they must show positive borrowing behavior to be deemed creditworthy.

Ch7 Bk: all debts are wiped out.

Ch13 Bk: debts are paid back over a time period. Discharged means the borrower completed the payments, dismissal means they failed to complete the payments.

Foreclosure/Shortsale: collateral was sold for less than the previous lending institution's unpaid balance.

Loan mod: the original loan terms are changed to help the borrower.

Event	VA	FHA	USDA	Conventional
Foreclosure	2 yrs	3 yrs	3 yrs	7 yrs
Ch7 or 11 Bk	2 yrs	2 yrs	3 yrs	4 yrs
Ch13 Bk dismissed	2 yrs	2 yrs	3 yrs	4 yrs
Ch13 Bk discharged	0 yrs	2 yrs	1 yrs	2 yrs
Loan Modified	3 yrs	1 yrs	3 yrs	3 yrs

How do you use this? If someone mentions one of these events, don't go show them properties yet. Send them to me so I can determine their exact scenario.

The loan process

So let's talk a little about what the buyer is going to experience

1: We get prequalified. All I need for that is 10 minutes on the phone to break the ice, then get name, dob, ssn, current address, and employment info. After that I pull credit, run numbers, then call everyone to congratulate them.

2: My system automatically sends an email to them with a list of all the initial docs we will need. Once I get those, I review them, and issue a pre-approval.

3: Once we get the contract, we issue the initial loan disclosures for esign. It is 80 pages of electronic signatures, along with 2 pages for wet signature.

4: Once we get those from the borrower, we submit into UW. That normally takes about 24-48 hours depending on the time of year. At this point we order the appraisal, title, and insurance binder.

5: The UW will issue a conditional approval. We will reach out to the borrower for those conditions. Usually they are things like cleared EMD check, source a bank deposit, better copy of driver's license.

6: Once we get conditions, appraisal, title, and insurance, we "go all in" for the last review.

7: Once final approval is received, we start the closing disclosure collaboration with the atty.

8: Once the final CD is approved, the closing package is sent to the atty.

9: The borrower brings certified funds to the closing, and signs their life away.

10: Yall get paid!

You down with LLC? Yea you know me!

I'm not a CPA or atty, so do not take this as advice. I am sharing my experience and limited knowledge so you have an idea if you should incorporate or not: liability and taxes.

A Limited Liability Corporation is a legal entity in the eyes of government. It may bear legal responsibility and file tax returns. It owes no taxes, so the profit flows to the company owners. Typically, personal tax rates are lower than S and C corporation rates, so this usually saves the owners taxes. A tax professional can explain a lot better than me, but I claim a lot more expenses via an LLC than without.

Also, if you are an agent as an LLC, you minimize the risk of your personal assets, in the event of a legal battle in your business. In theory, the complainant could only claim damages against the LLC, not against your own home, personal bank accounts, and other personal assets.

Find a CPA, get them to help you, then call him/her once a month to develop a referral relationship with them.

10 Year plan and beyond?

Realtor retirement accounts

What other mortgage partner is talking about this with you? Are they just calling you looking for referrals?

I truly want you to be successful and live a long and prosperous life with your family. Most self employed individuals do not know that they can start a Uni-K. Sometimes called a solo 401k.

If you have just you and your spouse as employees, you can start a very inexpensive company retirement account. Usually this is after you have maxed out your IRA. The wonderful thing here is it is pretax dollars saving you a ton of money!

Just do it!

If you don't have an investment partner, call me. I have the best!

Hurricane "Whats-her-name" is coming! What does that mean?

It means closings are delayed and additional money will be spent.

If a named storm is predicted to make landfall, lenders will pause lending and insurance companies will pause issuing policies. No way around, that's part of financial risk management.

What's next?

If the governor or president (via FEMA) designates the state or part of the state a natural disaster (this nearly always happens since it opens the door for federal relief funding and national guard preparations) then the loan is not closing soon. The disaster declaration will be updated as either individual assistance or public assistance. Individual assistance means that things were really really bad.

Ok, the storm passed, what's next?

Once the incident end date is declared, the home will need to be reinspected by an appraiser to ensure it was not damaged. The borrower will pay about $175 for this 1004D report.

This inspection MUST occur after the declared end date, or it will not be accepted.

We as professionals need to assure our clients that the closing will happen as soon as possible, but every single closing is going to be delayed, and now every appraiser just had his workload doubled. Plan a week delay. Keep in mind that appraisers, attys, paralegals, and others probably evacuated for safety, so that may cause additional delays.

This is applicable to wildfires, flash flooding, earthquakes, and other natural disasters.

FHA Flip Rules – For FHA buyers only, if the house was purchased by the current owner less than 90 days ago, you can not write a contract until day 91. No if's, ands's or but's about it. If less than 180 days, but more than 90 days, you will need a 2nd appraisal and the new price is double the price the seller paid for the house. If the 2nd appraisal comes in at 95% or less than 1st appraisal, the sales price must be adjusted to the 2nd appraised value. This does not apply to VA, conventional, or USDA buyers. There are allowed exceptions for an inherited property or a foreclosed property or a house being sold by FHA.

Gifting Commission – Yes, you can gift part of your commission to a client in a legal and ethical way while minimizing your tax consequences. It is limited to the max interested party contributions, which varies by loan type. Give me a call to discuss.

PITI Schedule – JUST AN ESTIMATE

	FHA	VA/USDA	Conv 20%
$100k	$700	$600	$500
$125k	$875	$750	$625
$150k	$1050	$900	$750
$175k	$1225	$1050	$875
$200k	$1400	$1200	$1000
$225k	$1575	$1350	$1125
$250k	$1750	$1500	$1250
$275k	$1925	$1650	$1375
$300k	$2100	$1800	$1500
$325k	$2275	$1950	$1625
$350k	$2450	$2100	$1750
$375k	n/a	$2250	$1875
$400k	n/a	$2400	$2000

Down Payment Schedule

	FHA	Conv 5%	Conv 20%
$100k	**$3500**	**$5000**	**$20,000**
$150k	**$5250**	**$7500**	**$30,000**
$200k	**$7000**	**$10,000**	**$40,000**
$250k	**$8750**	**$12,500**	**$50,000**
$300k	**$11,500**	**$15,000**	**$60,000**
$350k	**$12,250**	**$17,500**	**$70,000**
$400k	**n/a**	**$20,000**	**$80,000**

Do’s and Don’ts

PLEASE PLEASE PLEASE read this. About 15% of my clients make their process harder than it needs to be because they do not follow this. I will probably send this to you again in a week or so to remind you! hehe

Congrats on your next step in the loan process! Here are a few do's and don'ts for the rest of the process. It is possible to negatively affect the transaction if you're not careful:

Don'ts:

-quit your job, switch to a new job, or chase your dream of self employment.
-buy a new car or furniture.
-max out any of your credit cards - keep as low of a balance as possible.
-spend any money you've set aside for covering closing costs, cosign a loan or open up new lines of credit.
-make large deposits, transfer large sums of money, or change bank accounts or banks.
-apply for any new credit.

call if you need to do any of these so we can make sure it has as low of an impact on the loan process as possible!

Do's:

-include any/all liabilities and debts with your loan application.
-include all documentation (don't leave anything out) with your application. ALL pages, no black outs of data.
-call if you have any questions during this process. If you are wondering "should I call about…?" YES, CALL US!!!
-rest assured knowing we're on your side and have all our experience working for you. We look for reasons to say "yes", not reasons to say "no".

HOW TO MAKE LIFE EASIER

Time blocking – I hate that word. It is not indicative of the intent. It means you block your time for an action. That is easy. What you really need is the discipline to work only on the scheduled task for the appointed period of time. You need to close email and do not answer any calls during your block. The only exception is an incoming call from a person that would normally be included in that task list. For example, if your block is for calling past clients, you can answer an income past client call. If you are cold calling and you get an unknown number, you may answer that.

Time management for realtors - This is the biggest struggle in the industry. It is the nature of the beast. You want to give great service right? I mean, that's what realtors do, they advise their clients during the largest financial transaction they will ever make. In order to stand out, you make yourself available. So you are going to get pulled in every which direction. That means your normal simple tasks are constantly interrupted, as is family time. The mistake I see most realtors make is not prioritizing. Here is the really super simple easy way to fix all that. Define your MIT-most important task. What is it that task that if you accomplish it well, you will be closer to your goal? Then make that the 1st thing you do in the morning. The 1st. Not 2nd. Not 3rd. 1st. Let's change your thoughts on your to do list. We are not going to call it a to do list any more. It is now your priority list. And we are going to change how you add priorities to your priority list. Now when you add your priority, you are going to assign it a letter: A, B, or C. "A" priorities are items that directly contribute to your goals. These are items which if go unfinished, your goals will not be met. "B" items are tasks that if go unfinished, someone is going to be inconvenienced. "C" items are things that you can delegate. Eventually we are going to get you an assistant to handle the "C" items. Now here is the magic: You never ever work on a B item while you have incomplete A priorities. This next thing is a hard pill to swallow: checking email is NEVER an A priority. Define and conquer your Most Important Task then pound away at your A priorities. After that, work your B tasks.

Sphere of influence – Many realtors are uncomfortable marketing to their friends and family. I get it, so am I. The answer is really simple, create a new sphere! It is so darn easy! Put 20 business cards in your pocket every morning and exchange them for 20 other cards from other professionals that typically receive referrals. Doctors, lawyers, accountants, wedding planners, hair dressers, barbers, car dealers, list is endless. Keep a list of 60 in a spread sheet and call 12 of them every week. Learn their bday, spouse, kids, hobbies, dreams. Then just be friends when you call once a month. Add them to your bday program.

Past clients – this is your biggest referral spouse after your first year of business. Make a list of your 60 favorites in a spread sheet and call 12 of them every week. Learn their bday, spouse, kids, hobbies, dreams. Then just be friends when you call once a month. Add them to your bday program.

Evidence of success – Every past client needs to get a letter that shows that you care every month. It will be something of value, a story of how you saved a deal, and something personal about your life.

Birthday campaign – Call everyone the day before their birthday. "Hey, I just want to be the first to wish you a happy birthday tomorrow. 10 days before their birthday, mail them a hand written birthday card. Buy a pack of 50 on Amazon for $30.

Wolf of Main Street – Own the Phone

Scripts are not the important thing, how you say it is important – Tonality. Jordan Belfort perfected this

Why was Oakmont (Wolf of Wall Street) so successful in getting people to buy junk bonds? Excellent scripts and perfect tonality. The art of speaking in a way to get the other person to think what you want.

You have 4 seconds to establish you are sharp as a tack, enthusiastic as hell, and an expert. That makes you ***the person worth listening to***. Imagine getting the call "Hey um Jason, I am um calling you because you signed up on a website because you um had some real estate questions." OR "Hey Jason (rising tone), this is Steve, you expressed interest in 123 Main street online, howyadointoday? (roll the words together and rising tone) Great! The purpose of this call (slow and low tone) is to answer your property questions and determine how I can help you." See the difference? Words on paper cannot do justice, watch his videos. It will change how you use the phone. If you want to learn EXACTLY how to say things, you need to watch his videos.

Scripts are important for 2 reasons: consistent client service and protect your butt! Imagine every time you make a particular call, you say the exact same thing, whether it is a listing, buyer, appraisal call, inspection results, time to close, follow up with an old lead, etc. Then it becomes automatic, and you know that later when they did not understand what you said, you can say, no, this is exactly what I said because I say it every time.

So for me, I have scripts for "initial call", "follow up", "congrats you are prequaled", "congrats on your ratified", "congrats on your conditional approval", "here are your appraisal results", "whoo hoo we are clear to close", and "here is what you need to do for credit repair". Then the phone calls are so easy and consistent, and I know I am providing graduate level service for your clients you send to me

Internet Lead Scripts

As previously discussed, you have 4 seconds to establish that you are sharp as a tack, enthusiastic as hell, and an expert.

4 SECONDS

Hey NAME! (rising tone) Jason from the real estate search site over in Charleston. Howyadointoday?

Great! Now if you recall (slow low tone), you signed up on our site looking for more information about homes here in the lowcountry. Does that ring a bell? (rising tone to infer agreement)

Ok, great! Well, the reason for the call is that there are only a few people that signed up, that haven't been contacted yet, if you have 60 seconds, I'll get you the info you want and figure out how to help you. Got a minute? (Rising)

Ok great! just a few quick questions so I don't waste your time

- what makes you want to move?
- what is your timeframe for buying a new home?
- what area do you want to live in?
- are you working with a realtor? Are you in agency agreement? What are they not doing for you?
- are you prequalified with a local knowledgeable lender?
- what is your price range?
- what is the most important thing for you in your next real estate transaction?

Ok great! Based on what you are telling me, we will be a perfect fit for you. 2 things: let's set a time for us to meet to go over the home buying process: Thursday or Friday? Afternoon or morning?

Ok, great! Would you be offended if I had my trusted mortgage lender, Jason, call you to explain your mortgage options? Great! Look out for his call, he is really good.

Who pays deed stamps?

This is important! This can cost your clients thousands of dollars and ruin a deal.

In SC, typically the seller is responsible to the county for paying deed stamps. HOWEVER, a contract can be modified to shift that responsibility to the buyer (typically new construction.) Additionally, if the seller is the government (think tax lien sale) or government loan foreclosure, the burden may automatically be shifted to the buyer. Get with your trusted real estate atty BEFORE you advise your client on any deal that is not a normal private seller. Read those new construction contracts very closely. Read those bank owned property contracts very closely.

Glossary of acronyms

-APR: Annual Percentage Rate

-TRID: Truth In Lending Real Estate Settlement Procedures Act Integrated Disclosure Act

-LE: Loan Estimate

-CD: Closing Disclosure

-HUD: Housing and Urban Development

-VA: Veterans Administration

-FHA: Federal Housing Administration

-USDA: US Dept of Agriculture