Fill Your TOOLBOX With The RIGHT LOANS

Originators must be flexible, nimble and up to date with new offerings

Achieving the dream of homeownership has never been more attainable and more attractive for all income levels, thanks to historically low interest rates over the past decade. Although rates are rising, mortgage originators have had — and continue to have — the luxury of many different types of lending tools at their disposal to fit the varied needs of borrowers.

Originators need to be aware that there are many great programs for the growing purchase-mortgage market. In this business climate, it's very important for originators to be up to date on all the various programs available, especially the large selection of government-backed loans. › › ›

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Photo illustration by
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Housing inventory is tight, and the market in many communities around the country is hyper-competitive. That means mortgage originators need to know a range of ways to qualify their borrowers to ensure they are putting their clients in the best position to submit their offer.

Originators can't just take the easy route. They can't simply rely on the program they've been selling for the last five years, because that's not necessarily going to ensure their borrower's offer rises to the top in a bidding war for a home.

The most important thing is to present the cleanest, best loan program available. And then wrap it in an offer that best positions a client's bid to be accepted over any competitive offer.

The right fit

First-time homebuyers comprise nearly half of all housing purchases. Qualifying them is not always easy. The key is meeting their needs with an option that eases challenges around available savings for downpayment and closing costs.

Right now, in the purchase market, the government agencies are offering numerous low-downpayment loan programs. Originators need to educate themselves on all these options, so they can provide the right program to their borrowers based precisely on their specific financial needs.

Government programs offer a wide variety of loans, especially for first-time homebuyers and borrowers who may have limited funds available for a downpayment. A Federal Housing Administration (FHA) loan, for example, requires a 3.5 percent downpayment, but that can be offset with downpayment-assistant programs, seller concessions or other gifts.

Veterans, through Veterans Affairs loan programs, or those eligible for U.S. Department of Agriculture loans can borrow as much as 100 percent of the purchase price of a home. In today's market, borrowers also should also consider renovation loans, which allow them to buy that ideal location and then upgrade the home. In such cases, they are able to borrow against the "as improved," or future worth, of the home — thereby multiplying their purchasing power.

Government programs allow originators flexible options that can carry over through the life of a borrower. A client purchasing a home may start with a government loan such as an FHA, but then as the rate environment changes, an FHA streamline refinance might be a great option. Or, perhaps a borrower's situation has changed, they've built additional equity in their existing home, and they need a cash-out refinance. In these cases, they will need a knowledgeable partner to guide them on selecting the right loan program.

Navigating tight inventory

Housing inventory is extremely tight now, with far more buyers than properties. There are a lot places in the country where builders can't keep up with the number of orders they are receiving. They just can't build fast enough.

In almost all parts of the country, more buyers are moving toward manufactured homes as an option. Manufactured homes are quick to deliver and relatively easy to set up. They present a viable alternative to traditionally built homes.

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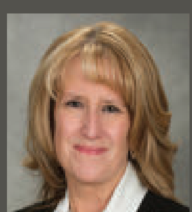

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> **"To be a successful originator takes more than simply being knowledgeable about current programs. It also means polishing that crystal ball to see into the future."**

Manufactured homes are not necessarily products that all originators have had a tremendous amount of experience dealing with. In this tight-inventory market, however, mortgage originators who are able to guide buyers and help them qualify for all different types of loans will be the most successful, and also the individuals that real estate agents and other referral partners will rely on again and again.

Originators should not be intimidated if they lack a high level of experience with all the different government-loan options available, such as renovation and the construction-to-permanent loans. Still, originators should make the effort to become familiar with all the different programs and products that are out there.

That includes loan programs offered by government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac — such as Fannie's HomeStyle Renovation and Freddie's Home Possible loan offerings. It's not just about choosing Fannie or Freddie. It's also about the downpayment and other costs. Is it 3 percent down or 5 percent down, and what are the mortgage insurance terms?

Originators must be confident about the preapproval presented to the real estate agent. They need to know that they are utilizing the best loan program available for their borrowers — with the least number of conditions. And, because home sellers are flooded with offers, originators need to be able to run through all the different program guidelines, confident in the knowledge that the Smith family, for example, qualifies for a 3 percent down Fannie Mae loan, or a 3.5 percent FHA loan, or a 5 percent down Fannie Mae or Freddie Mac loan, with the best possible mortgage insurance option.

The future is now

To be a successful originator takes more than simply being knowledgeable about current programs. It also means polishing that crystal ball to see into the future.

Everybody talks about how the non-qualified mortgage (non-QM) market, which includes nonprime loans, is going to expand over the next few years. It's still far from being a household name like FHA, Fannie Mae, or Freddie Mac, but expect the non-QM loan, which still must meet ability-to-repay requirements, to eventually be as familiar in the mortgage world as jumbo, conforming and conventional loans.

The non-QM market is certainly something that originators should continue to watch and learn about. Although the market is smaller at this time, it will definitely expand over time, and will be something that will grow into a more commonly requested and utilized loan option.

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At the end of the day, the originators primed for success are knowledgeable, versatile, nimble and prepared. They see the future but excel at navigating the present. And they are prepared to help any borrower — no matter their needs or situation — find and get into their dream home. ■