NationalMI

The Home Front

SPRING • SUMMER 2018 | ISSUE NO. 4

HomeBuzz

Welcome to The Home Front, your source for homebuyer market data, information on the role mortgage insurance can play in helping low down payment borrowers get into homes, and resources that you can use to help your clients and secure more business.

In this **Spring/Summer edition of The Home Front**, we report on home price increases, mortgage rates, the opportunity in renovation loans, and the benefits of mortgage insurance in the current economic climate.

In each issue, we'll report on current market data and trends, and provide information and resources on MI and Mortgage 101 topics that you can use to help educate clients.

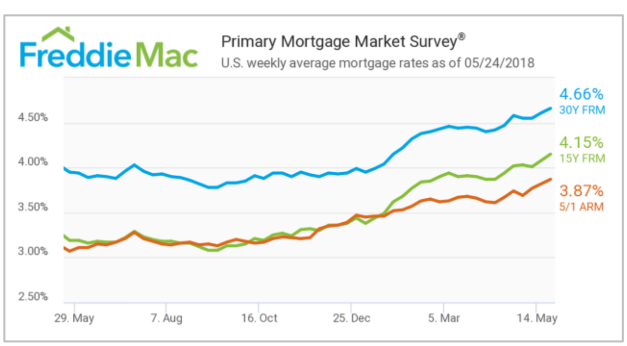
Homebuyers: Demand is High Even As Prices Rise

The **CoreLogic Home Price Index (HPI™) Forecast** for March 2018 shows home prices are up both year over year and month over month. Home prices nationwide increased 7% year-over-year from March 2017 to March 2018, while month-over-month, prices increased 1.4%. Home prices grew at a fast pace in the first quarter of 2018 and the national home price index is projected to continue to increase by 5.2% year-over-year from March 2018 to March 2019. A generally strong economy and favorable demographic trends as Millennials become homebuyers is helping to ensure that demand stays high, even as prices rise.

Search for your local Realtor®

Mortgage Data

According to the Freddie Mac Primary Mortgage Market Survey® the 30-year fixed mortgage increased to 4.66%, rising consistently so far in 2018, up from 3.07% from last year. Getting a mortgage remains affordable, but higher mortgage interest rates and a lag in income growth could begin to deter buyers.



Did You Know?

HOME IMPROVEMENT AND RENOVATION LOANS

WHICH LOAN IS RIGHT FOR YOU DEPENDS ON MANY FACTORS

There are home renovation loans for almost any project from remodeling a bathroom, to repairing a roof, updating for energy efficiency, or building a new addition. Many factors can come into play in determining the right type of loan for you:

1. **How much equity you have in your home**
   (Determined by how much your home's market value exceeds your mortgage balance).
2. **How much you need to borrow**
3. **What your credit score is**
4. **Whether you need money for things beyond the renovation**

With multiple loan options, both conventional and government-insured, you'll want to consult a loan officer to help you decide which loan fits best for your project.

Is It Time for Homeowners to Consider Renovation Loans?

As refinances are dropping due to increasing mortgage and interest rates, and with more than half of U.S. homes in need of updates, renovations or repairs, it may be a good time for homeowners to consider renovation loans. According to a new report from Land Gorilla, the U.S. housing stock is aging, and nearly 65% of homes are more than 25 years old.*

The tightening of the housing market makes it the right time for homebuyers to consider a home that may be promising but not in peak condition or to their tastes, and for homeowners who decide to stay put for a while, to complete needed updates.

Many people don't realize that there are renovation loans that can help pay for their housing upgrades, whether they need a new roof or their kitchen is outdated. It all comes down to credit and eligibility and working with a lender that is well versed in home renovation loans and programs.

* Is It Time to Think About CTP Lending? Land Gorilla, 2018

To keep abreast of trends and forecasts, please contact your National MI Sales Advisor.

National MI

The Home Front

SPRING • SUMMER 2018 | ISSUE NO. 4

Signs of Strength

IN PARTNERSHIP WITH JOHN BURNS REAL ESTATE CONSULTING

- THE REALTOR CONFIDENCE INDEX
  Indicates that most real estate professionals are optimistic about current conditions and the six month outlook for housing market.
- THE UNEMPLOYMENT RATE REMAINED STEADY
  At 4.1% in March, the lowest level since 2000.
- ABOVE AVERAGE
- While 2018 is predicted to be a great year for housing, there are rising risks on the horizon.
- 35% OF ALL HOMEBUYERS
  who use a mortgage are putting 5% or less down. It jumps to 41% among those buyers 36 years old or younger.

Please contact your Sales Advisor for "Economic Market Snapshot," the complete economic report from National MI.

Leveraging MI: Private MI in the Marketplace

Given the economic climate outlined in the Spring issue of the **National MI Economic Market Snapshot**, there are advantages to leveraging private mortgage insurance (MI) with borrowers.

- The credit box is expanding at a rapid pace raising concerns for the longer term
  *Instead of searching for growth by going after high DTI business, why not seek out today's new homebuyers emerging in 2018 – women, those over age 55, and singles without children?**
- High LTV lending is at an all-time high with 56% of primary purchase loans originated > 90% LTV
  Are you effectively utilizing MI for low down payment borrowers who have less than a 20% down payment saved?
- First-Time Homebuyers are at a 10-year high and those 36 and younger are putting ≤ 5% down
  Are you adapting your strategies to generate leads and reach this important market segment?

* The Changing Face of Homebuyers in the U.S., Veritas Urbis Economics, 2018

Mortgage 101: Qualifying for a Mortgage

DOWN PAYMENTS

From loan officers to the general public, many people do not fully understand the benefits of mortgage insurance (MI), or how MI can be used to help borrowers get into a home.

The low down payment options available, including the ability to purchase a home with as little as 3% down, is quite a drop from the typical 20% down payment required for a conventional loan. FHA requires 3.5% down.

The time it takes for a borrower to save the additional funds could delay their getting into a home.

CREDIT SCORES

At its essence, a credit score indicates a consumer's likelihood to make his or her loan payments in the future based on their credit data and credit patterns over time.

It is a numerical expression based on an analysis of a person's credit files. Three quarters of U.S. mortgages are approved using the Fair Isaac Corporation (FICO®) score, which ranges from approximately 300 to 850 points.

A FICO SCORE OF 620 AND ABOVE QUALIFIES FOR AN MI LOAN

While a 760+ FICO score will garner the best rates on most types of loans, and this figure is considered a magic number by some, a FICO score of 620 and above qualifies for an MI loan. According to **Ellie Mae**, the overall average borrower FICO score for all loan types is 723.

MORTGAGE PROCESS

For the loan process to go smoothly, the initial application needs to be complete. The loan officer will obtain information and documentation pertinent for receiving loan approval. A borrower will need to obtain their credit report, gather documentation, consult with a lender to review their income, expenses, and financial goals, and consider obtaining a pre-approval letter or pre-qualification for a mortgage.

National MI

The Home Front

SPRING • SUMMER 2018 | ISSUE NO. 4

Getting Started

USING A HOME AFFORDABILITY CALCULATOR

Using a home affordability calculator can help a borrower determine how much home they can afford. Our home affordability calculator computes the most expensive house a borrower can purchase based on the highest payment they can afford.

Give our calculator a try for your clients:
National MI Calculators

TIPS FOR BORROWERS STARTING THE LOAN PROCESS

1. **Do NOT** change companies or end a job during the loan process.
2. **Do NOT** open or apply for any new credit cards, car loans, or any other type of debt.
3. **Do NOT** make big purchases during the loan process (TVs, Home Electronics, Furniture, etc.).
4. **Do NOT** make any large deposits into your bank accounts without documented proof from the source you received it from.
5. **ALWAYS** make your payments on time each month.
6. **DO** call your Realtor® and Loan Officer to help guide you through the process.

Mortgage Application Checklist

Salaried Borrowers and/or Co-Borrowers (Not Self-Employed)

- Signed Federal personal tax returns for the 2 most recent years filed including W-2s and all schedules (and current extension if applicable)
- Paystub(s) covering most recent 30-day period including year-to-date earnings
- Verification of the 2 most recent years' history of bonuses or commissions if applicable, via paystubs or employer written verification
- Written explanation for any gaps in employment exceeding one month during the past 2 years

All Applicants

- Bank and asset account statements for past 2-3 months for all checking, savings, investment, and retirement accounts
- Name and phone number of insurance agent
- Copy of one of the following identity verification documents: Driver's License, Government-Issued Photo ID, U.S. Military ID, or Passport
- If condominium or planned unit development, name and phone number of homeowner's association
- If title or property vesting will be held in trust or other entity, please contact your financial institution's Relationship Manager for a list of applicable documents.

Purchasing a Property

- Fully executed Purchase Agreement with all addendums
- Name and phone number of real estate agent

Refinancing a Property

- Copy of current evidence of homeowners' insurance

Self-Employed Borrowers and/or Co-Borrowers

- Signed Federal personal tax returns for the three most recent years filed with all schedules (and current extension if applicable)
- Signed Federal entity (ies) tax returns (1120, 1120S, 1065) for the three most recent years filed with schedules and K1 statements
- Signed and dated current Profit & Loss Statement and Balance Sheet for the entity (ies) on company letterhead
- Written explanation for any gaps in employment exceeding one month during the past two years

For the comprehensive checklist, please visit **Loan Officer's Resources**

The **HOME FRONT** is published quarterly by
NATIONAL MORTGAGE INSURANCE CORPORATION (National MI)
2100 Powell Street, 12th Floor
Emeryville, CA 94608

CONTACT INFORMATION
PHONE: 855.530.6642
EMAIL: marketing@nationalmi.com