

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 Winter edition of The Home Front, we report on home price increases, mortgage rates, impacts of the tax legislation on current and future homebuyers, 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: Time to Buy

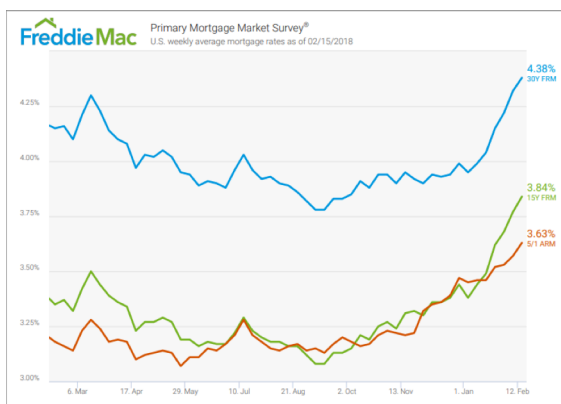
The **CoreLogic Home Price Index (HPI™) Forecast** for December 2017 shows home prices are up both year over year and month over month. Home prices nationwide increased 6.6% year-over-year in December, but the HPI report predicts some monthly slips in the early part of 2018. Over the past three years, home price growth in the CoreLogic national index has ranged between 5% and 7% per year, and home prices are expected to increase about 5% in the next 12 months.



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Mortgage Data

According to the Freddie Mac Primary Mortgage Market Survey[®] the 30-year fixed mortgage rate jumped 10 basis points to 4.38%, its highest level since April of 2014, following news of higher than expected inflation levels. With rates continuing to move higher, anyone looking to buy or refinance a home should take action sooner rather than later.



Did You Know?

CHANGES TO TAX LEGISLATION

WHAT IT CAN MEAN FOR CURRENT AND FUTURE HOMEOWNERS*

The Bipartisan Budget Act signed February 9, 2018 contains changes that impact current and future homeowners including:

- 1. A decrease in the mortgage interest deduction**
New homebuyers will be able to deduct interest on the first \$750,000 of mortgage debt on a newly purchased home.
- 2. A deduction for mortgage insurance for 2017 tax returns**
Households, subject to an income cap of \$100,000 or less are able to deduct 100% of their mortgage insurance premiums.
- 3. A near doubling of the standard deduction**
With the higher standard deduction, more people are likely to take the standard deduction rather than itemize.
- 4. Taxpayers will be able to partially deduct state and local property taxes**
Individuals will be allowed to deduct up to \$10,000 in state and local taxes.
- 5. Home sellers still get a tax break**
When selling their primary home, taxpayers will be able to exclude up to \$500,000 (or \$250,000 for single filers) from capital gains as long as they've lived there for two of the past five years.

*Consult a tax advisor.

Is It Time to Consider a Refi?

With current mortgage interest rates climbing in 2018, it may be a good time to consider a refinance.

A homeowner that can take advantage of lowering their interest rate by just 1% (say from 5.25% to 4.25%) can put 10% of their mortgage payment back in their pocket each month. For example, they can reduce their monthly payment by \$100 for every \$1,000 they currently pay. That's a \$12,000 savings over the next 10 years, simply by doing a refinance.

Analysts are predicting higher rates in 2018 and your clients could benefit from a refinance to lock in a low interest rate.

Why not consider mortgage insurance as a vehicle to refinance your clients out of their second mortgages and into an MI loan with a fixed rate.

See page 8 for National MI's Refinance Calculator.



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

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 DECLINED**
to 4.1% in December, reflecting near the lowest level since 2000.
- **STRONG GROWTH**
a strong economic upswing this winter continues to fuel growth across the U.S.
- **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 current issue of the **National MI Economic Market Snapshot**, there are advantages to leveraging private mortgage insurance (MI) with borrowers.

- High LTV lending is at an all-time high with 57% of primary purchase loans originated > 90% LTV
Are you effectively utilizing MI for low down payment borrowers?
- Given high credit scores nationally (average is 700) and for mortgage originations, MI can be a better choice
When evaluating a borrower, don't automatically assume FHA is the best option. Private MI can be a better choice for high credit quality borrowers. Which of your past FHA borrowers would benefit from a refinance into a conventional loan?
- Millennials are moving into the market, with 41% of Millennial homebuyers 36 years old or younger putting ≤ 5% down
Are you adapting your strategies to generate leads and reach this important market segment?

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 FICO score for all loans is 721, with FHA loans averaging 680, and conventional non-FHA loans averaging a 751 score.

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.

Getting Started

Planning a Refi? Use our Refinance Calculator

A refinance calculator can help a borrower decide if they should refinance their mortgage. When a homeowner refinances at a lower interest rate, they usually pay refinancing costs including points, fees, and closing costs. By entering the details of a current home loan, along with details of a new home loan, a homeowner can estimate their savings to see if refinancing would help them meet their financial goals.



Give our refinance 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