National MI

The Home Front

WINTER 2019 | ISSUE NO. 5

HomeBuzz

Welcome to **The Home Front**, your source for homebuyer market information, data on how mortgage insurance can help borrowers with low down payments get into homes, and resources to help you grow your business.

In this **Winter 2019** edition of The Home Front, we report on home price increases, current mortgage rates and the benefits of mortgage insurance in the current economic climate.

Just like in every issue, you will also find current market data and trends, mortgage insurance basics and Mortgage 101 resources that you can use to help educate your clients.

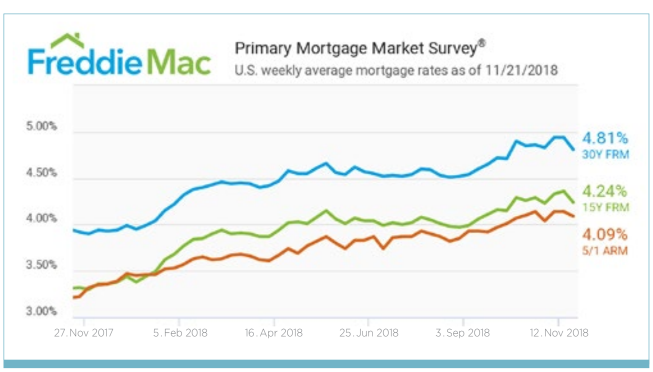
Homebuyers: Demand is High Even As Home Prices Rise

The latest **CoreLogic Home Price Index (HPI™) Forecast**, designed to provide an early indication of home price trends, shows home prices nationwide, including distressed sales, increased year over year by 5.6 percent in September 2018 compared to September 2017. Prices increased month over month by 0.4 percent in September 2018 compared to August 2018. National home prices will increase by 4.7 percent on a year-over-year basis from September 2018 to September 2019.

Search for your local **Realtor®**

Mortgage Data

According to the Freddie Mac Primary Mortgage Market Survey, despite recent market volatility, mortgage rates remained steady. The stability in mortgage rates reflects the moderation in inflationary pressures in the economy due to lower oil prices and subdued wage growth.



Did You Know?

MILLENNIALS BUY HOMES DESPITE RISING INTEREST RATES

According to the latest ELLIE MAE MILLENNIAL TRACKER™

Millennials continued to buy homes in September 2018, despite interest rates rising to the highest point in the year. 89 percent of loan volume was for home purchases, three percentage points higher than a year ago. 88 percent of closed purchase loans were conventional mortgages, compared to 81 percent in September 2017. Purchase loans continued to outpace refinance loans among millennial borrowers.

Most first time homebuyers believe they need 20 percent for a down payment. This is not true for buyers who take advantage of private mortgage insurance (MI). MI is a smart option for millennial borrowers because it helps them qualify for a loan with a lower down payment so they can buy a home sooner, and allows them to use that extra savings to pay other expenses like student loans or home upgrades.

To learn more about how to reach millennial borrowers, visit **DiscoverM3.com**

M3: Millennial. Multicultural. Media.

This newly launched resource is a collaboration between National MI and Cultural Outreach. You can view a vast library of useful articles, videos, interviews, event info, and infographics relevant to mortgage professionals.

Homeowner Tax Breaks

Achieving the American Dream has some benefits beyond painting, plumbing, and yardwork. We are talking about tax breaks. Homeowners may deduct both mortgage interest and property tax payments, as well as certain other expenses from their federal income tax[1]. This means itemizing, but for many homeowners, it's worth it to get the tax advantages, some of which can put money back in their pockets.

[1] Consult a tax advisor for more information

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

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Signs of Strength

IN PARTNERSHIP WITH JOHN BURNS REAL ESTATE CONSULTING

- **THE REALTOR CONFIDENCE INDEX** declined after hitting recent spring/summer peaks, consistent with historical seasonality. Real estate specialists are still optimistic about current conditions and the near-term outlook.
- **THE UNEMPLOYMENT RATE DECLINED** and is now at the lowest level since 2000 at **3.7%**.
- **ECONOMIC CONDITIONS ARE STRONG** and economic performance is expected to remain high and initial jobless claims are expected to remain low through 2019.
- **43% OF HOMEBUYERS** age 37 and younger are putting down 5% or less for a down payment. National MI believes there is a significant opportunity to educate 57% of potential homebuyers on low down payment options versus waiting to save 20% for a down payment.

Leveraging MI: Private MI in the Marketplace

Considering 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.

- **Home price affordability remains one of the biggest challenges for new homebuyers, as home prices recently have been climbing faster than incomes.** Also, as mortgage rates now approach 5 percent, more borrowers worry about managing their monthly mortgage expenses, even though guidelines have slightly expanded to support higher DTI ratios. As of 1Q18, the median credit score at loan origination was 761, so we continue to see many strong credit quality borrowers participate in the market. Unlike FHA, private MI premiums are canceled automatically when the principal balance drops to 78% of the original property value, which can save borrowers money.

  When evaluating a borrower, don't assume FHA is the best option. Private MI can be a better choice for many borrowers.

- **Existing home sales are currently running at a 5.3 million annual rate, a slight dip from 2017.** Rising interest rates and affordability are two contributing factors that contribute to a declining forecast in existing home sales volume through 2021.

  Are you effectively using MI for low down payment borrowers?

- **43 percent of consumers age 37 and younger are providing 5 percent or less for a down payment.** This decreases to 21 percent of consumers 63-71 years old with down payments of 5 percent or less.

  Are you adapting your strategies to generate leads and reach a younger audience?

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

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 sooner and more affordably. The low down payment options available, including the ability to purchase a home with as little as 3 percent down, is quite a drop from the typical 20 percent down payment required for a conventional loan. FHA requires 3.5 percent 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 future loan payments 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 higher FICO score will garner the best rates on most types of loans, 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.

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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 prequalification for a mortgage.

Getting Started

USING A HOME AFFORDABILITY CALCULATOR

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 calculators a try and share with 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 two 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 two most recent years' history of bonuses or commissions if applicable, via paystubs or employer written verification
- Written explanation for any gaps in employment

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 Officers' Resources**

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