National MI

The Home Front

FALL 2017 | ISSUE NO. 2

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 Fall edition of The Home Front, we report on home price increases, mortgage rates, rent vs. buy considerations, and the benefits of mortgage insurance in the current economic climate.

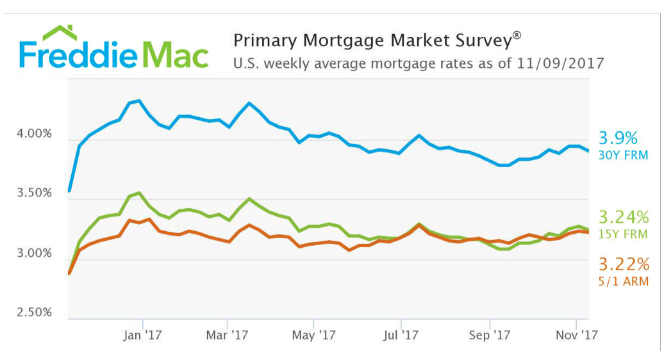
In each issue, we'll report on current market data and trends, and provide information and resources on MI and Mortgage 101 topics that you can use to help educate clients.

Homebuyers should take action

The **CoreLogic Home Price Index (HPI™) Forecast** for August 2017 shows home prices are up strongly both year over year and month over month. Home prices nationwide were up 6.9% year-over-year in August according to the HPI, with a lack of inventory helping to stabilize growth. 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.

Mortgage Data

Mortgage rates slipped after recently rising and holding steady at their highest point in three months to 3.9% for the week ending November 9, 2017. This is up from 3.57% a year ago.



Did You Know?

HIGHER RATES DON'T DETER MILLENNIALS
ACCORDING TO LATEST ELLIE MAE MILLENNIAL TRACKER

Conventional loans remained steady at 64% of all closed loans by this Millennial generation, with an average loan amount in August 2017 of $185,919, a slight increase despite the average 30-year note rate having increased to 4.2 percent from 3.7 percent last year. Overall, Millennials were most likely to close loans for the purpose of purchasing a home (87 percent) with refinances accounting for 12 percent of loans closed by Millennials.*

Given tight inventories, a seller's market has emerged with average loan amounts slighter higher than last year despite higher interest rates, but for Millennials committed to buying a home, increased competition and slight increases in prices or interest rates are not going to deter them.

* Ellie Mae, "Ellie Mae Millennial Tracker™ Shows Higher Rates Didn't Deter Millennials," October 4, 2017 (August 2017 data). Ellie Mae defines Millennials as born between the years 1980 and 1999.

5 Considerations for Renting vs Buying

Renting vs. buying is a very individual decision, with arguments for both buying and continuing to rent based on a potential homeowner's circumstances.

If a borrower is in a financial position to buy a home with good credit, stable income, and minimal debt, here are some questions they need to answer for themselves:

1. How long are you planning to stay put?
2. How would your finances be impacted if your house's value increased slowly or not at all?
3. Are you ready to become a homeowner and budget for property taxes, insurance, maintenance and unforeseen expenses?
4. Does it make sense for you tax-wise?
5. Which option would have a greater positive impact on your overall wealth?

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**
  indicates that most real estate professionals are optimistic about current conditions and the six month outlook for the housing market.
- **THE UNEMPLOYMENT RATE DECLINED**
  to 4.2% in September, still reflecting near the lowest level since 2001.
- **ABOVE AVERAGE**
  economic growth with a positive trend is predicted.
- **35% OF ALL HOMEBUYERS**
  who use a mortgage are putting 5% or less down, with 41% of those 36 years old and 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, and 41% of those 36 and younger are 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 average FICO score for homebuyers who finance FHA loans is 682, and for conventional, non-FHA loans it is 752.

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.

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Getting Started

USE A MORTGAGE CALCULATOR

Use a Mortgage Calculator to test scenarios: should I rent or buy, how much home can I afford, what kind of payment can I expect? There are 4 variables in any mortgage calculator: (1) Loan Term; (2) Loan Amount; (3) Monthly Payment; (4) Mortgage Interest Rate. If you know any of these three variables, you can figure out the fourth.

Give National MI's mortgage calculators a try:
http://www.nationalmi.com/rent-vs-buy-calculator

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.

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

- 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 www.nationalmi.com

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