

Homebuyer Education
Section 4
Mortgage Lending
Sources of Money and
Types of Loans

Who is Involved in the Mortgage Market

- Lenders
- Mortgage Brokers
- Government Agencies
- Secondary Market Investors
- A note on Mortgaging Manufactured Housing
- Mortgage Loans Categories
- Sources of Affordable Home Loans or Assistance



Who is Involved in the Mortgage Market

Lenders

- Banks
- Savings and Loans
- Mortgage

Companies or

Mortgage Bankers

- Credit Unions

Loan Officers at all of the above lenders are usually paid a commission



Who is Involved in the Mortgage Market

Mortgage Brokers

- Mortgage brokers do not have money to lend, they find lenders
- They shop for the best deal
- They can save you time and money
- They are paid a fee by the loaner
- Ask for the brokerage license number and call agency that issued it



Who is Involved in the Mortgage Market

Government Agencies

- HUD-U.S. Department of Housing and Urban development
- VA-Veterans Administration
- USDA- Rural Development (RD)
- Ginnie Mae- Government National Mortgage Association
- Federal Housing Finance Agency



Who is Involved in the Mortgage Market

Secondary Market Investors

- Investors that buy mortgages from banks and mortgage companies
- They keep banks and mortgage companies from running out of money
- They affect what types of loans are made, and interest charged
- Best known secondary market investors are Fannie Mae, Freddie Mac
- Federal Home Loan Bank system is also federally chartered

Who is Involved in the Mortgage Market

Note on Mortgaging Manufactured Housing

- Manufactured housing is often financed through the dealer as chattel property
- Fannie Mae and others may purchase mortgages on manufactured housing if...
 - ✓ The house is put on a permanent foundation
 - ✓ The wheels and tongue are completely removed
 - ✓ The property on which the house is placed is owned by the homebuyer.

Who is Involved in the Mortgage Market

Mortgage Loan Categories

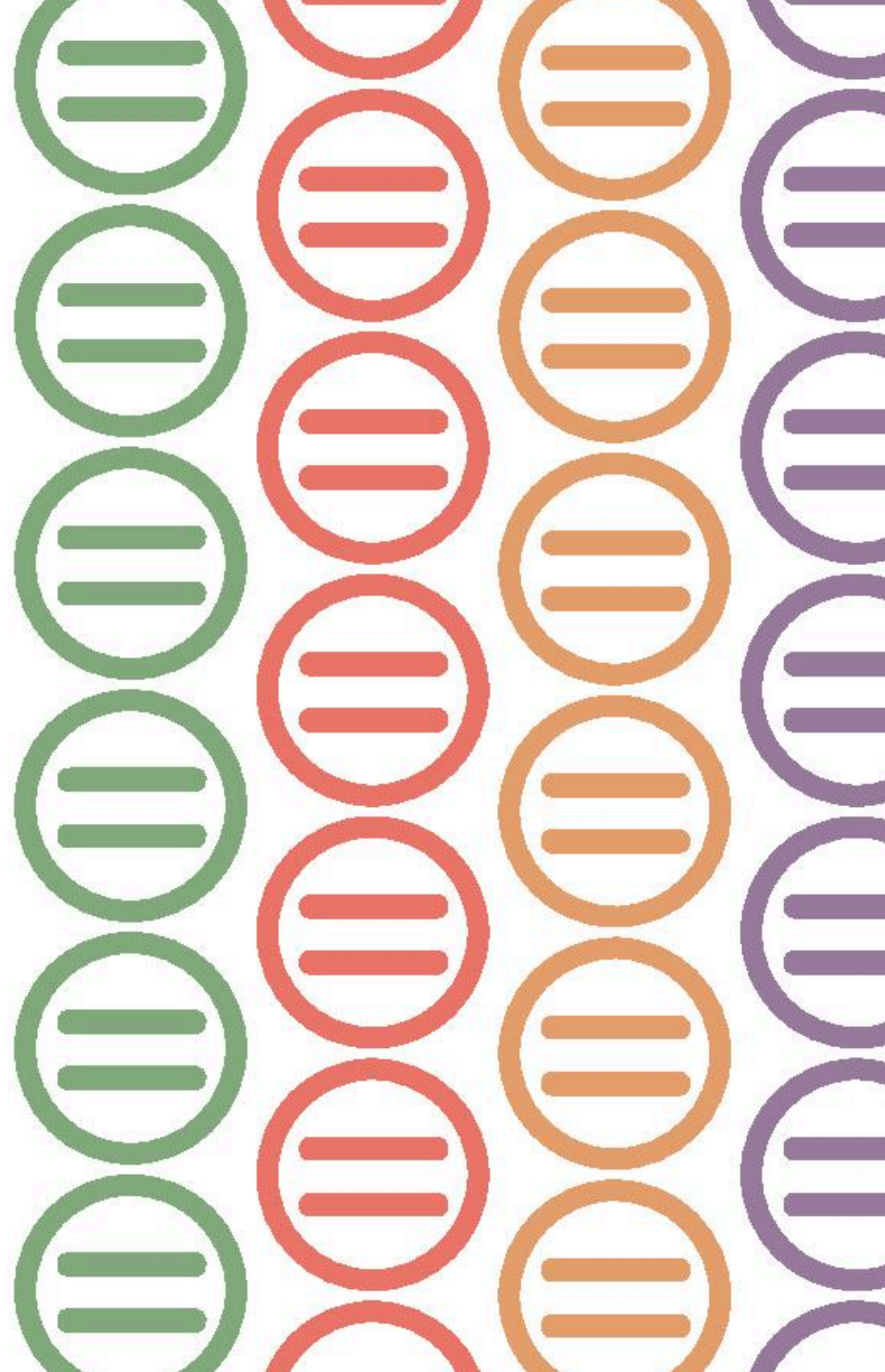
- Conventional Loans through a bank
- Government-Insured Loans
- Conventional: Private Mortgage Insurance
- Secondary Market
- Government: Funds provided through HUD



Who is Involved in the Mortgage Market

Sources of Affordable Home Loans or Assistance

- Fannie Mae/Freddie mac
- Federal Home Loan Bank
- Public Housing Authority Programs
- Not-for-profit Agencies



Types of Mortgages

- Fixed Rate
- Buy-downs
- Adjustable Rate
- Energy Efficient Mortgage
- Balloon Payment
- Forgivable Second Mortgage
- Predatory Lending
- Predatory Lending Targets
- Predatory Lending Tactics



Types of Mortgages

Fixed Rate

Interest rate is set at the beginning and never changes.

The Borrower pays the same amount in each payment for principal and interest. There is a fixed term. This is the most common type of loan



Types of Mortgages

Buy Downs

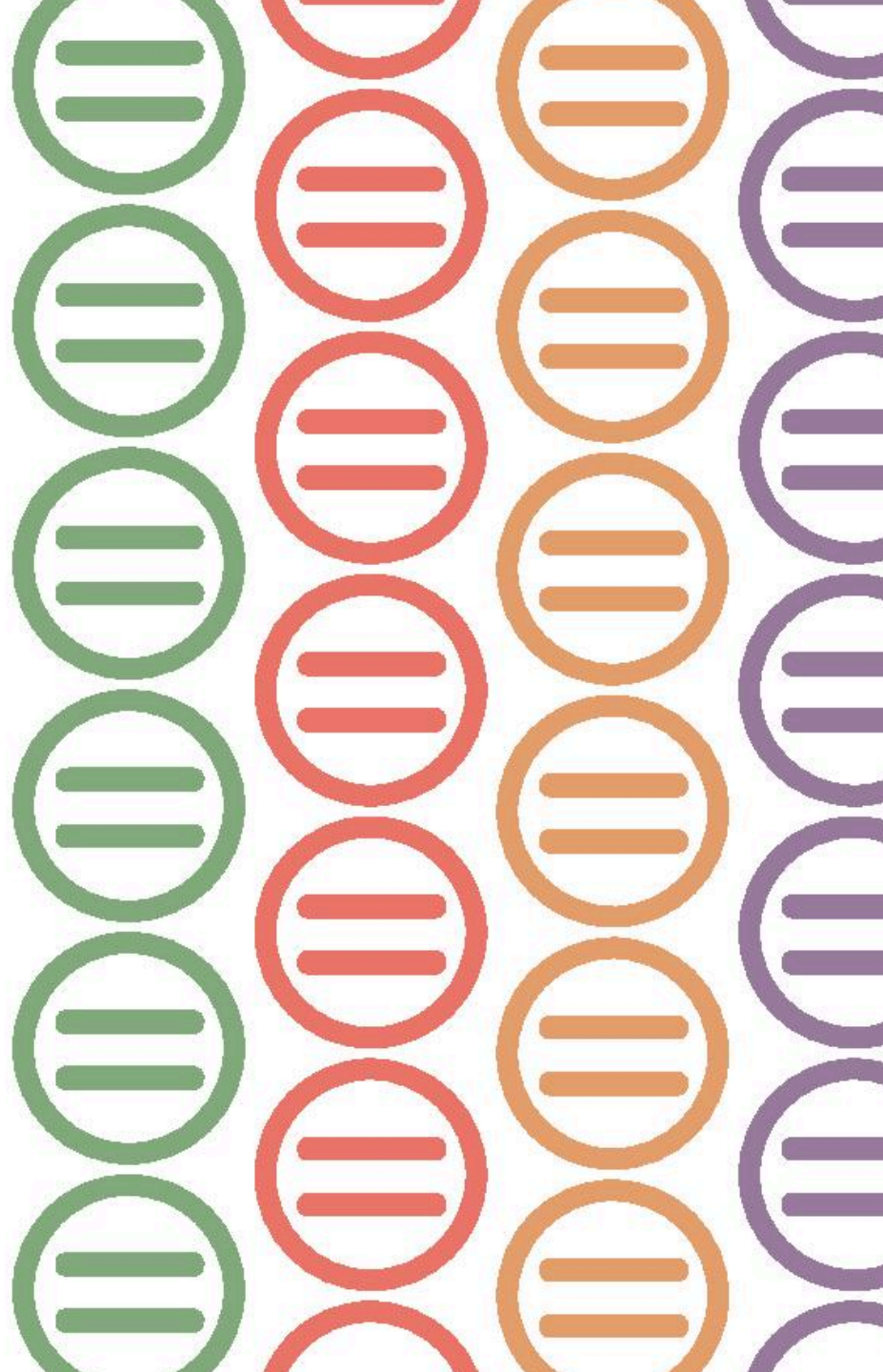
Mortgages with significantly reduced monthly payments in early years. Payments gradually increase, so borrower must expect increased future income.



Types of Mortgages

Adjustable Rates

Adjusted every so often to reflect current interest rates. Adjustment period varies with the loan and may go up or down, but most have caps.



Types of Mortgages

Energy-Efficient

Allows for larger loan amounts or monthly payment because of energy savings . Must be verified by home energy rating systems (HERS) or certified consultant.



Types of Mortgages

Balloon Payment

Regular monthly payments are charged for a short term (5-10 years). The remaining balance is required to be paid in full.

The owner can sell before balloon is due or refinance when balloon is due.



Types of Mortgages

Forgivable Second Mortgage

Section 8 and other programs may offer a forgivable second mortgage.

You get granted for down payment assistance or other assistance.

Granting agency holds a second mortgage for a period of time. If you stay in the property long enough the second is forgiven.



How Borrowers Can Protect themselves

- Do not sign anything without getting a second opinion
- Make sure the loan is your idea
- Don't agree to loans you can't make payments to
- Look at the APR
- Contact ODCC



Loan Pricing

- In free-market economy prices are mutual agreements
- There's no law limiting
- Biggest factor affecting cost
- Second Major factor is loan-to-value
- Requires consumers receive TILA
- Requires a new statement disclosure
- Requires TILA statement better explain ARMs
- Increase penalties for violations



The Housing and Economic Recovery Act of 2008

- Housing Finance Reform
- Title V: S.A.F.E Mortgage Licensing Act
- Minimum standards for licensing and registration
- Mortgage Disclosure Improvement Act (Part of HERA)



Dodd- Frank Wall Street Reform and Consumer Protection Act

- Includes the Consumer Financial Protection Agency Act
- Amends the S.A.F.E to allow state regulators to make exceptions
- Contains the Mortgage Reform and Anti-Predatory Lending Act
- Creates the Office of Housing Counseling
- Functions of the Office
- Amends the Truth in Lending Act (TILA)
- Amends RESPA

