



Fix Up New Lender Training

Welcome

May 11th, 2015

Agenda

- **Part One: The What**
 - Organization and Program
 - Fix Up Loan products
- **Part Two: The How**
 - Qualification
 - Underwriting
 - Closing
 - Post Closing
 - Quality Control
- **Part Three: The Who**
 - Marketing Opportunities
 - Our Team





Part 1: The What

Our Mission:

Minnesota Housing finances affordable housing for low- and moderate-income households while fostering strong communities.

About Minnesota Housing

- State's housing finance agency
- In 2014, invested **\$754 million** and served **59,000 households**
- Single family lending products and multifamily financing
- Total assets of **\$3.1 billion**



What is the Fix Up Loan Program?



- **Enables and Motivates**
- Self-supported
- Wide variety of lender partners
- Fills a lending gap

Types of Fix Up Loans



Secured by a Mortgage

- Fix Up Secured
- Energy Incentive Secured
- Accessibility Secured



Unsecured (no mortgage)

- Fix Up Unsecured
- Energy Incentive Unsecured

Key Differences

Loan Type	Max Loan Amount	Max/Min Repayment Term	Min Credit Score	Interest Rate	Income Limit	Max LTV
Secured	\$50,000	20 years/1 year	620	5.99%	\$99,500	110%
Unsecured	\$15,000	10 years/3 years	680	6.99%*	\$99,500	n/a
Secured Energy	\$15,000	20 years/1 year	620	4.99%	n/a	110%
Unsecured Energy	\$15,000	10 years/3 years	680	4.99%	n/a	n/a
Secured Accessibility	\$15,000	20 years/1 year	620	4.99%	n/a	110%

*Rate reduced to 6.49% if borrower signs up for auto-draft payments at closing

Community Fix Up

- Target Fix Up loans to a specific community need
- Benefits:
 - Reduced rate
 - Rate write-down option
 - Offering a value-added service



Lender's Due Diligence

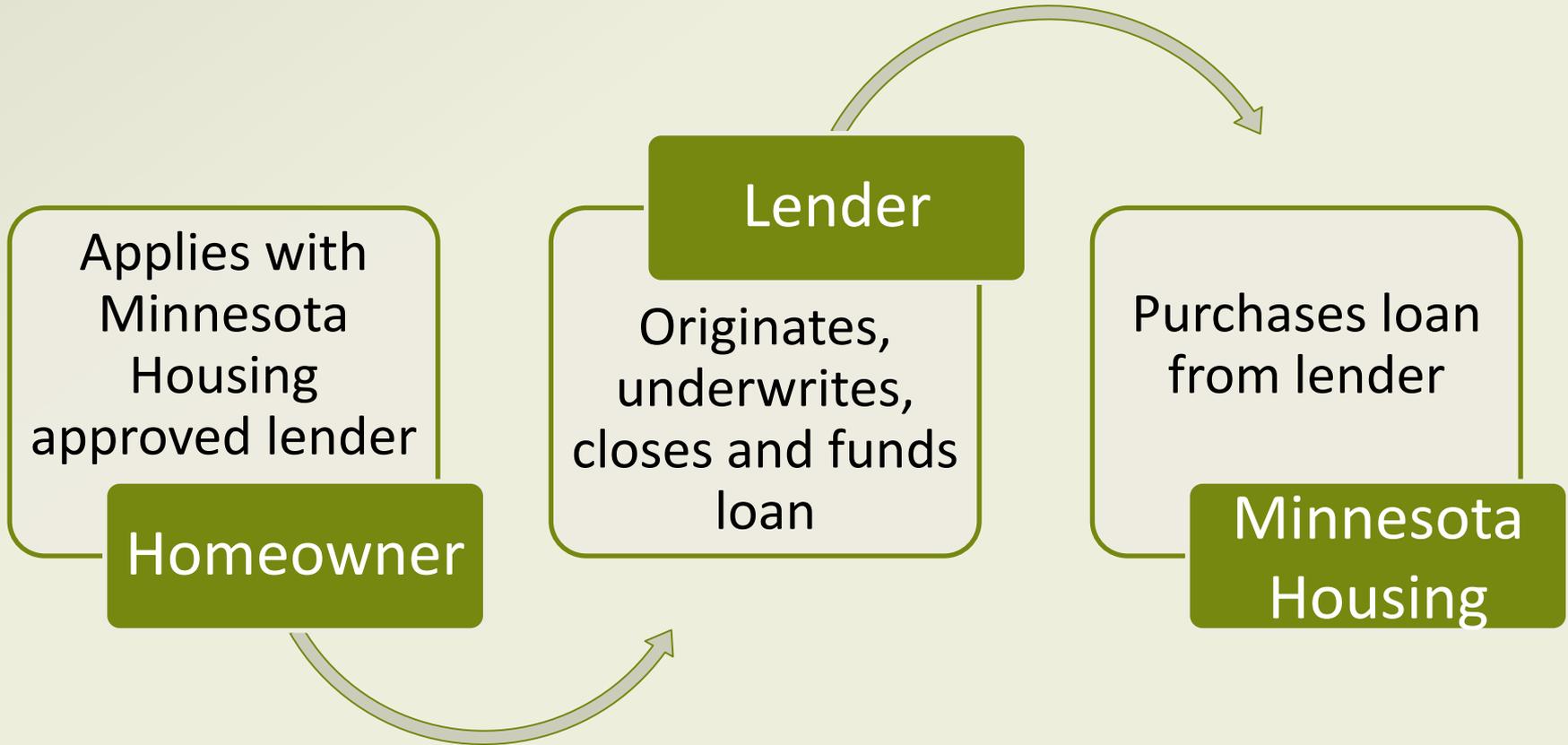
- Establish an internal process
 - Origination
 - Processing
 - Underwriting (develop standard guidelines)
 - Closing
- Program does not require escrows or lender inspections





Part 2: The How

The Process



Commitment System

- Tracks intended use of funds and loan status
- Lock rates
- Accessed through website
- Managed by Web Admin
- Training
 - Process Guide
 - Webinars



Single Family Loan Commitment System

Minnesota Housing | Census Tracts | Zip + 4 | Current Interest Rates



Qualifying your Borrower



DTI

48%

Guarantor

55%

Credit Scores

620 Secured

680 Unsecured

Credit History

18 months

Qualifying the Property

Occupancy

Minimum of 90 days for new construction

Property Types

Single family, duplex, triplex, four-plex, townhome, condo, manufactured home*

Loan to “after-improved” value

110%

Types of Ownership

Eligible: Fee simple, C4D, Life Estate, CLT

Ineligible: Trust Estate, Reverse mortgages*



Underwriting: Application



- Dealer loans are ineligible
- Complete all sections in full
- Note borrower completed sections vs. lender completed sections
- Be specific
- Review certifications

Underwriting: Income

Qualifying (Underwriting) Income

- 48% (55%)
- Borrower's ability to repay loan
- Document to the lender's underwriting standards

VS.

Eligibility Income

- \$99,500
- Income of all owner occupants
- Only applicable to loans with income limits

Show your work!

Underwriting: Determining Value

Current Market Value

Determined with...

- Property Tax Statement
- Broker's price opinion based on a competitive market analysis
- Appraised value or sales price of new purchase

After-Improved Value

Sum of...

- Current market value
- 1/2 cost of improvements

Underwriting: Determining Value

Determining Loans

Lien Type	Balance
Existing 1 st Mortgage	\$100,000
Existing 2 nd Mortgage	\$3,000
Proposed Fix Up Loan	\$20,000
Total Liens	\$123,000

Determining Value

Current Market Value	\$110,000
½ cost of the proposed improvements	\$10,000
<i>"After-Improved" Value</i>	<i>\$120,000</i>

LTV = Loans (\$123,000) divided by value (\$120,000)

103%

Underwriting: Ownership



Secured

- Owner's & Encumbrances Report



Unsecured

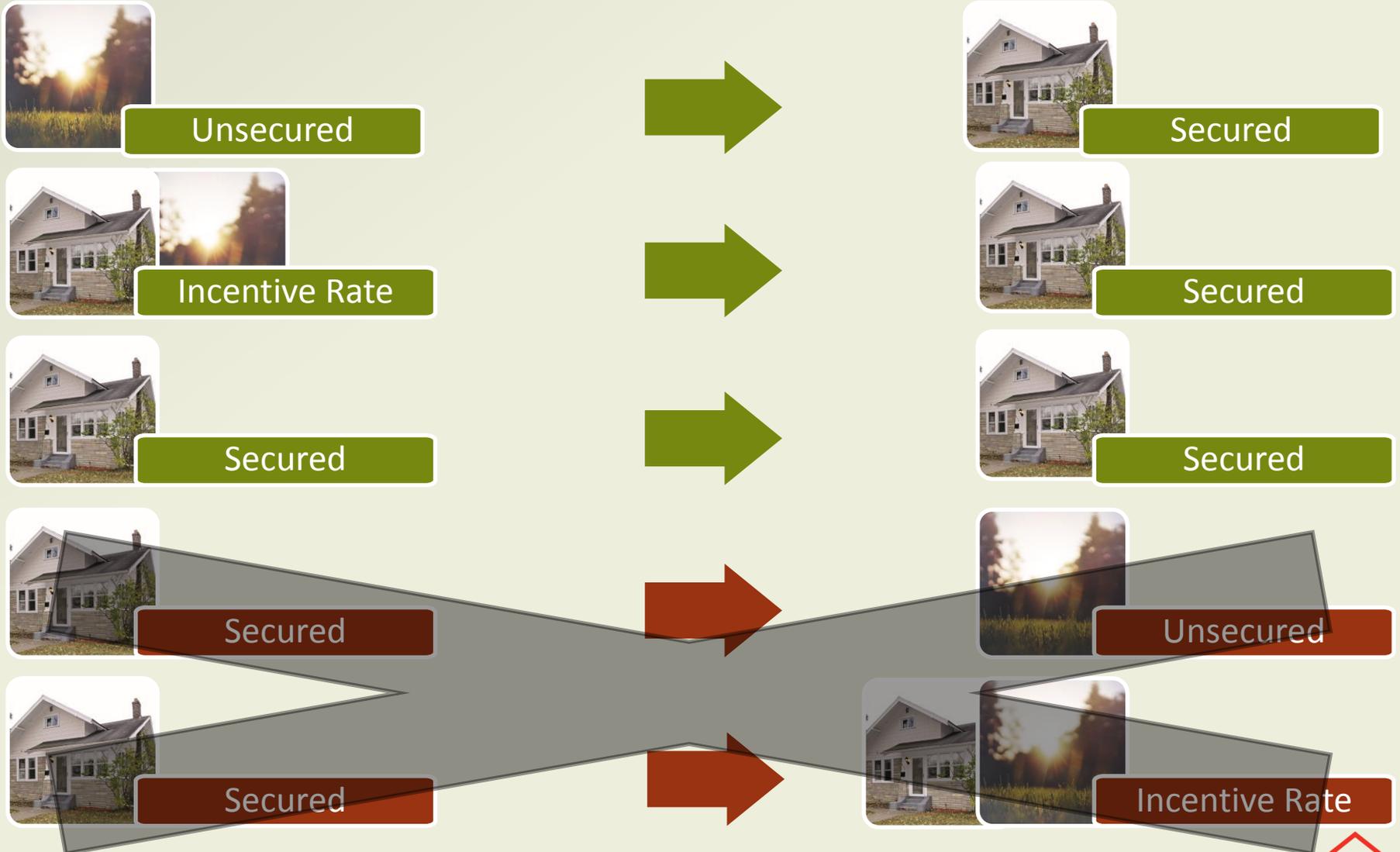
- Property Tax Statement
- Copy of the deed

Underwriting: Improvements

- Reference *Allowable Improvement Guides*
- **Contractor** completed labor
 - Estimate must be:
 - Written
 - Dated
 - Detailed
- **Homeowner** completed labor
 - Itemized estimate:
 - Detail list of materials needed
 - Directly from a retailer
 - No labor costs included
 - Not allowed on Energy Incentive loans
 - Homeowner Labor Agreement



Underwriting: Refinancing



Lender Fee Reimbursement and Compensation



Secured

Financed

- 1% Orig
- Doc Prep (up to \$50)
- Title Fees
- BPO (up to \$150)

Cash

- Credit Report Fee (up to \$15)
- Recording Fees
- MRT*

Compensation: \$400



Unsecured

Financed

- Doc Prep (up to \$50)

Cash

- Credit Report Fee (up to \$15)

Compensation: \$250

*Fix Up loans may be exempt from MRT (check with your county recorder)

Closing: Process Requirements

- Minnesota Housing documents (see website)
- Lending partner documents
 - Mortgage
 - Notice of Sale and Transfer
 - Compliance documents (GFE, TIL, Right of Recession)
- Determine first payment date
 - 20-45 days from *date of the note*
- Do not collect prepaid interest
- Move loan to *Funding Approved*
 - Will subsequently be advanced to *Purchase Approved*

Closing: Signature Requirements



Secured

- All borrowers and/or guarantors must sign mortgage, note and application
- All property owners must sign mortgage



Unsecured

- All borrowers and/or guarantors must sign application and note

Closing: Auto-Draft Payments

- Reduces interest rate on regular unsecured
- Borrower to complete form at time of closing
 - Set up post-closing for all other loan types
- Include voided blank check
- Termination of auto-draft service



Closing: Servicer Information



AMERINATIONAL
COMMUNITY SERVICES

A national servicing firm with its roots in affordable housing



- Available on our website:
 - Reference Loan Servicing Information
 - Temporary Payment Coupon
- After closing, borrower will receive welcome packet

Post Closing



- Record mortgage and assignment (if applicable)
- Prepare Loan Transmittal
 - Originals to Servicer
 - Copies to Minnesota Housing
- Retain copy of file

Quality Control

- Post closing review
 - Adherence to program guidelines
 - Compliance with underwriting requirements
 - Indicators of fraud
 - Trends
- Loans selected
 - New lender's first three files
 - Sample of loans annually
 - Loans with early payment default



Part 3: The Who

Stay in Touch

- Marketing
 - Customizable and premade materials available for order online
- Sign up for eNews
- Social Media
 - Like us on Facebook
 - Follow us on Twitter
 - Connect with us on LinkedIn



We're here to support YOU!

Partner Solutions Team

7:30 a.m.-5:00 p.m.

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