

# Financing Residential Real Estate

## Chapter 1: Finance and Investment

- Borrowing Money to Buy a Home
- Investments and Returns
- Types of Investments
  - Ownership Investments
  - Debt Investments
  - Securities
- Investment Risk
  - Key Investment Characteristics
  - Diversification
  - Lending Risks
- Market Interest Rates

## Chapter 2: The Primary and Secondary Markets

- The Two Mortgage Markets
  - The Primary Market
  - The Secondary Market
- The Secondary Market Agencies
  - Historical Background
  - Fannie Mae and Freddie Mac Today

## Chapter 3: Residential Mortgage Lenders

- Types of Mortgage Lenders
  - Commercial Banks
  - Savings Banks
  - Savings and Loan Associations
  - Credit Unions
  - Mortgage Companies
  - Private Lenders
- Government Intervention in Mortgage Lending
  - The Depression and the Mortgage Industry
  - The Savings and Loan Crisis
- Mortgage Industry Trends
  - Technological Changes
  - Nationwide Lending
  - Wholesale Lending
  - Subprime Lending

## **Chapter 4: Government Policy and Real Estate Finance**

- Fiscal Policy
  - Spending and Debt Financing
  - Taxation
- Monetary Policy
  - The Federal Reserve System
  - Economic Growth and Inflation
  - Tools for Implementing Monetary Policy
- Changes in Monetary Policy

## **Chapter 5: Finance Instruments**

- Promissory Notes
  - Basic Provisions of a Note
  - Negotiability
  - Types of Notes
- Security Instruments
  - The Purpose of Security Instruments
  - Historical Background
  - Mortgages
  - Deeds of Trust
  - Foreclosure
- Land Contracts
- Finance Instrument Provisions
  - Subordination Clauses
  - Late Charge Provisions
  - Prepayment Provisions
  - Partial Release Clauses
  - Acceleration Clauses
  - Alienation Clauses and Assumptions
- Types of Real Estate Loans

## **Chapter 6: Basic Features of a Residential Loan**

- Amortization
- Repayment Period
- Loan-to-Value Ratio
- Mortgage Insurance or Loan Guaranty
- Secondary Financing
- Fixed or Adjustable Interest Rate
  - How ARMs Work
  - ARM Features
  - Explaining ARMs
- Loan Features and Financing Options

## Chapter 7: The Financing Process

- Shopping for a Loan
  - Assessing the Buyers' Circumstances
  - Choosing a Lender
  - Loan Costs
  - Evaluating Financing Options
- Applying for a Loan
  - The Loan Interview
  - The Loan Application Form
  - Disclosure Statements
  - Locking In the Interest Rate
- Application Processing
  - The Underwriting Decision
- Closing the Loan
  - The Closing Agent
  - Steps in the Closing Process

## Chapter 8: Qualifying the Buyer

- The Underwriting Process
  - Qualifying Standards
  - Automated Underwriting
- Evaluating Creditworthiness
- Income Analysis
  - Characteristics of Income
  - Stable Monthly Income
  - Calculating Stable Monthly Income
  - Income Ratios
- Net Worth
  - Funds for Closing
  - Assets
  - Liabilities
  - Gift Funds
- Credit Reputation
  - Credit Reports
  - Length of Credit History
  - Payment Record
  - Major Derogatory Incidents
  - Credit Scores
  - Explaining Credit Problems
- Other Factors in Underwriting

## **Chapter 9: Qualifying the Property**

- The Lender's Perception of Value
- Appraisal Standards
- The Appraisal Process
- Appraisal Methods
- Key Considerations in a Sales Comparison Appraisal
  - Neighborhood Considerations
  - Property Features
  - Replacement Cost Method
  - Income Method
  - Final Value Estimate
- Dealing with Low Appraisals

## **Chapter 10: Conventional Financing**

- Conforming and Nonconforming Loans
- Conventional Loan Characteristics
  - Property Types and Owner-Occupancy Rules
  - Loan Amounts
  - Repayment Periods
  - Amortization
  - Loan-to-Value Ratios
  - Private Mortgage Insurance
  - Secondary Financing
- Qualifying Standards
  - Evaluating Risk Factors
  - Income Analysis
  - Net Worth
  - Credit Reputation
- Special Programs and Payment Plans
  - Buydown Plans
  - Loans with Lower Initial Payments
  - Low-Downpayment Programs
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## **Chapter 11: FHA-Insured Loans**

- The FHA Insurance Plan
- Characteristics of FHA Loans
- FHA Loan Programs
- FHA Insurance Premiums
- Sales Concessions and FHA Loans
- Secondary Financing with FHA Loans
- Assumption of FHA Loans
- FHA Underwriting
  - Income Analysis
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- Characteristics of VA Loans
- Eligibility for VA Loans
- VA Guaranty
  - Guaranty Amount
  - The Veteran's Liability
  - Substitution of Entitlement
  - Remaining Entitlement
  - Entitlement and Co-Ownership
  - Refinancing with a VA Loan
- VA Loan Amounts
  - Making a Downpayment
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- Underwriting Guidelines
  - Income Ratio Analysis
  - Residual Income Analysis
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- How Seller Financing Works
- When and Why Seller Financing Is Used
- Seller Seconds
  - Supplementing a New Loan
  - Supplementing an Assumption
- Seller Financing as Primary Financing
  - Unencumbered Property
  - Encumbered Property: Wraparound Financing
- Alternatives to Seller Financing
  - Buydowns
  - Contributions to Closing Costs
  - Equity Exchanges
  - Lease Arrangements
- The Agent's Responsibilities in Seller-Financed Transactions
  - Disclosures
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- Fair Lending Laws
  - Equal Credit Opportunity Act
  - Fair Housing Act
  - Home Mortgage Disclosure Act
- Consumer Protection Laws
  - Truth in Lending Act
  - Real Estate Settlement Procedures Act
- Predatory Lending
  - Predatory Lending Practices
  - Targeted Victims
  - Predatory Lending Laws
  - Other Efforts to Stop Predatory Lending