

The Rate is What?

Risk- Based Pricing Changes

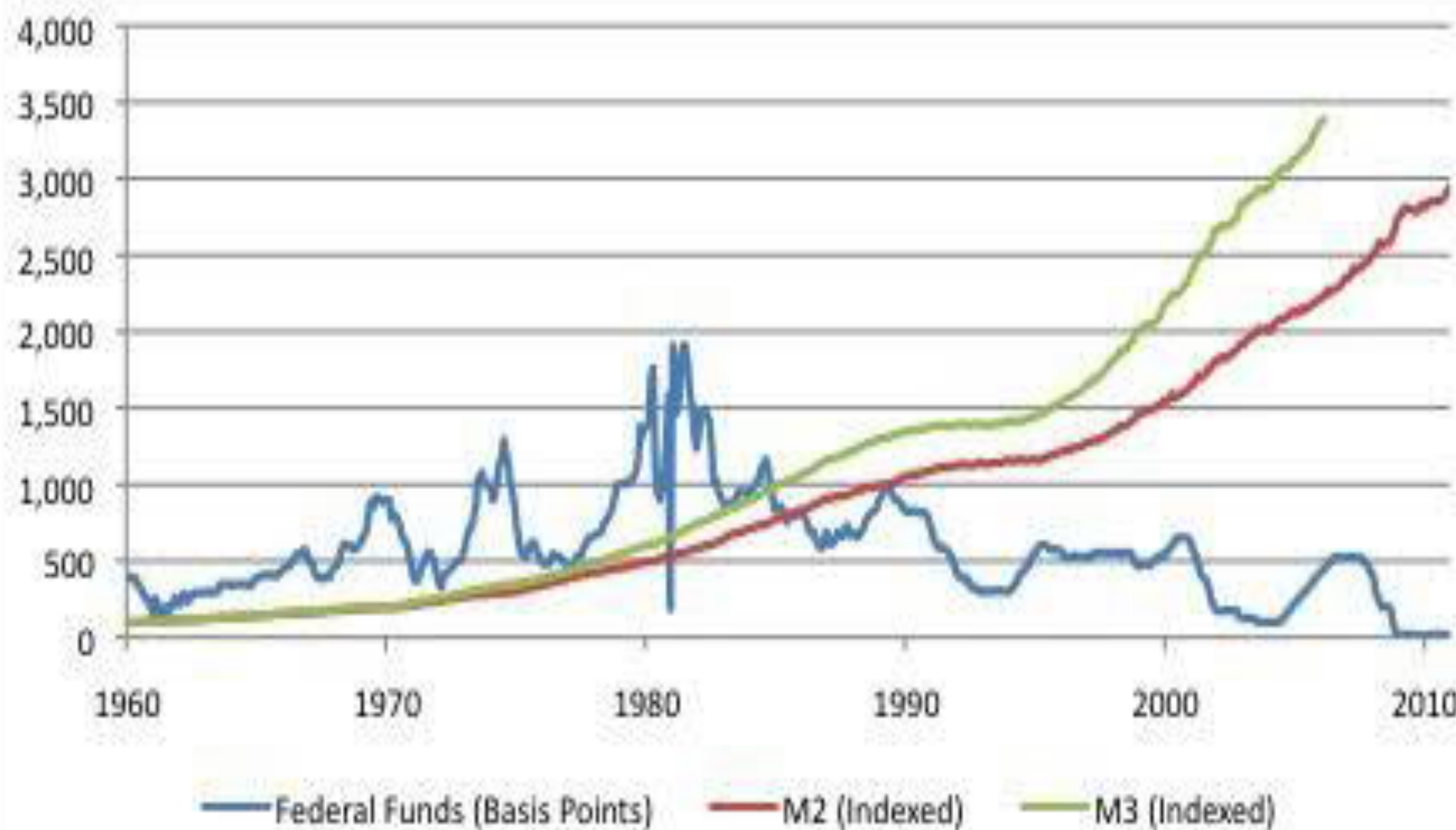
- * Condos/Co-op
 - * 2-unit homes
 - * LTV > 60%
 - * Combo loans
 - * Cash-out Refis
 - * Interest only
 - * FICO < 740
- Effective April 1, 2009



FannieMae

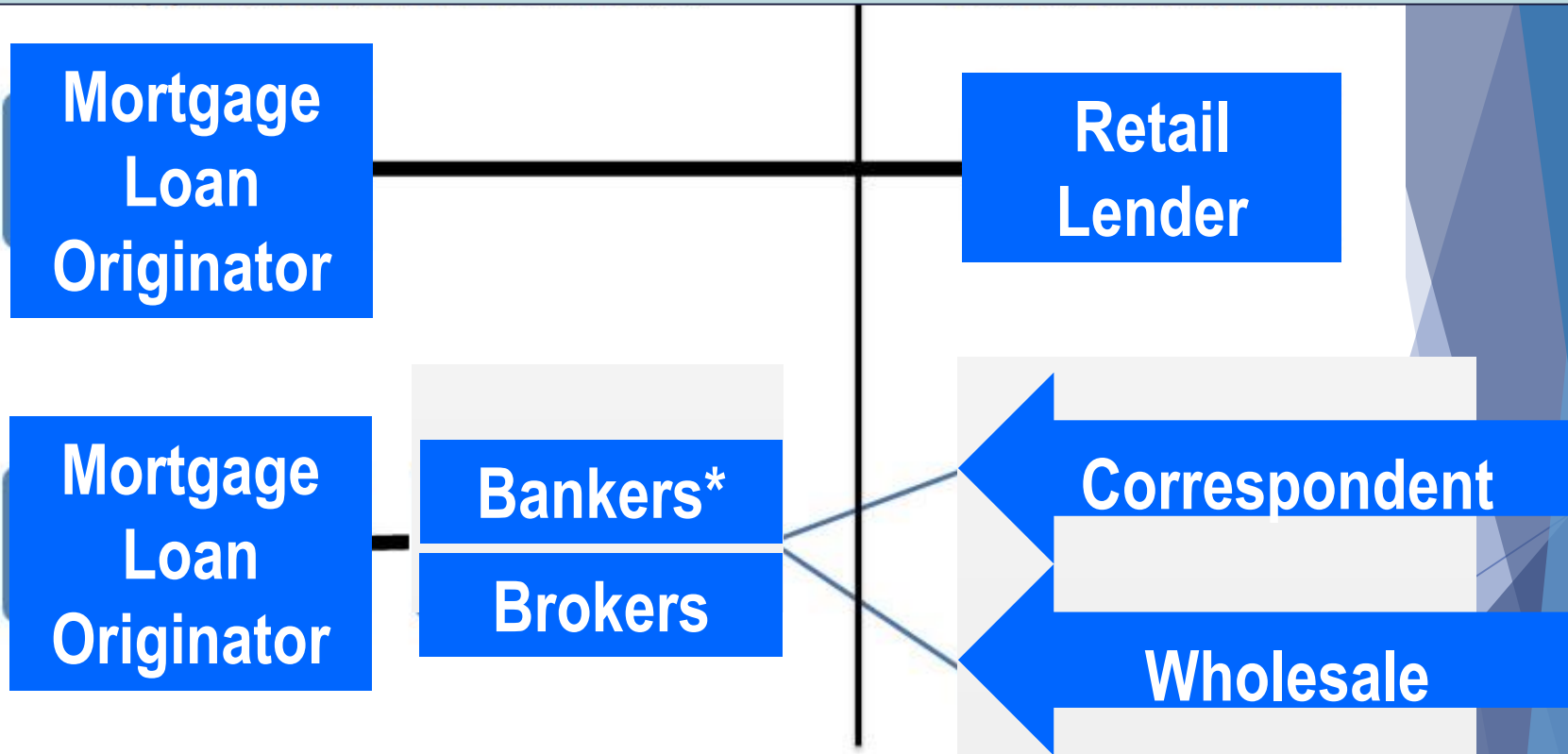
Understanding Risk-Based Pricing!

Interest Rates and the Money Supply 1960-2010



Channels Price Differently

Different Channels Use Different Pricing Models



MLO Compensation

What & Why The Change?

(Pre) Percentage Comp

- ▶ \$100,000 loan amount
- ▶ **LO Comp = 65%**
- ▶ Fee on loan=2 points
- ▶ Gross Fee = \$2,000
- ▶ Commission = \$1,300

(Post) Basis Points Comp

- ▶ \$100,000 loan amount
- ▶ **LO Comp = 65 bps**
- ▶ Fee on loan=2 points
- ▶ Gross Fee = \$2,000
- ▶ Commission = \$650

LO COMP RULE

Mortgage Rates Fell For Nearly 30 Years: Will Rise Over The Coming Decade



Source: FHLMC, CBO, NAR

Are You Quoting Rates?

Disclosure - No bait & switch

- **Are you licensed to quote rates? (SAFE ACT)**
- Law requires full disclosure to all consumers
- Does the rate cover the closing date?
- Lock periods - can be anything lender chooses

Source of Rates?

- Where do you get your rate to quote?

Will the rate/price affect the approval?

- Does borrower need lender credit for closing costs?
- Will the rate affect DTI?

Closing Date can impact the rate!

Terminology

\$\$\$

- ▶ Subject property - the one being financed
- ▶ FICO Score = “representative score”
- ▶ Representative score
 - ▶ Middle of three scores for one borrower
 - ▶ 650, 699, 666 = 666
 - ▶ *Lowest middle* score if > one borrower
 - ▶ 604, 633, 700
 - ▶ LTV - loan to value ratio (%)
 - ▶ loan amount divided by value of the subject property
 - ▶ Loan amount \$100,000/value \$200,000 = 50-% LTV

FICO
666?

DEBT TO INCOME (DTI) RATIOS



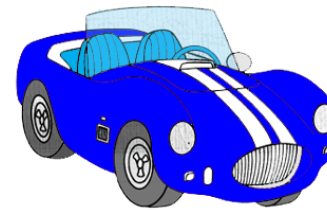
▶ Gross Monthly debt/monthly income

▶ Front = PITI ÷ monthly income

▶ \$2,500 PITI ÷ \$10,000 income = 25%

▶ Back = PITI + *all other monthly debt* ÷ income

▶ \$4,000 debt ÷ \$10,000 income = 40%



SallieMae

What if front ratio = back ratio?

Pricing Terminology

Above Par

Paid by
lender

(YSP)
Lender Credit

Par

Break even
rate

Discount

Paid to
lender

Discount
points

Do buyers *have* cash or *need* cash?

Price Vs Rate

Rate

determines
interest charged
over life of the
loan

Price

determines the
cost of the rate

Price is affected
by risk factors

Higher the risk,
the higher the
price

The 2014 Qualified Mortgage rule

limits total
originator
compensation to
3.00% of the
loan amount.

Effective
January *10*,
2014.

Rate Sheets & Buying Power

30 Year Fixed				
RATE	15-DAY	30-DAY	45-DAY	60-DAY
4.125%	98.967	98.842	98.685	98.560
4.250%	99.944	99.819	99.662	99.536
4.375%	100.590	100.465	100.280	100.150
4.500%	101.677	101.552	101.366	101.233
4.625%	102.696	102.568	102.386	102.248
4.750%	103.569	103.437	103.258	103.117
4.875%	104.000	103.875	103.750	103.625
5.000%	104.000	103.875	103.750	103.625
5.125%	104.000	103.875	103.750	103.625
5.250%	104.000	103.875	103.750	103.625

How Price Buys Rate

Rate decrease = price increase:

- 3.75% rate price = 2 points paid by borrower

Rate increase = price decrease:

- 4.00% rate price = 1 point paid by borrower

“Par” refers to no points from borrower or lender:

- 4.25% rate cost borrower = “0” points

Lender credit = price exceeds PAR price (above par):

- 4.75% rate credit to borrower = 1 point paid by lender

Rate Sheet

Par = 100.00

100.000

- 99.819 =

0.181 cost to borrower

100.000

- 100.465 =

- 0.465 credit to borrower

\$100,000 loan

Cost = \$181.00 = 4.25%

Credit = \$465.00 = 4.375

30 Year Fixed				
RATE	15-DAY	30-DAY	45-DAY	60-DAY
4.125%	98.967	98.842	98.685	98.560
4.250%	99.944	99.819	99.662	99.536
4.375%	100.590	100.465	100.280	100.150
4.500%	101.677	101.552	101.366	101.233
4.625%	102.696	102.568	102.386	102.248
4.750%	103.569	103.437	103.258	103.117
4.875%	104.000	103.875	103.750	103.625
5.000%	104.000	103.875	103.750	103.625
5.125%	104.000	103.875	103.750	103.625
5.250%	104.000	103.875	103.750	103.625

Discount points must result
In rate reduction

When did you lock?

A	B	C	D	E	F	G	H	I	J	K
RATES AND PRICES						CONVERTED TO DOLLARS				
						\$300,000 Loan Amount				
	30 Year Fixed						30 Year Fixed			
RATE	15-DAY	30-DAY	45-DAY	60-DAY		RATE	15-DAY	30-DAY	45-DAY	60-DAY
4.1250%	98.967	98.842	98.685	98.560		4.1250%	\$3,099	\$3,474	\$3,945	\$4,320
4.2500%	99.944	99.819	99.662	99.536		4.2500%	\$168	\$543	\$1,140	\$1,392
4.3750%	100.590	100.465	100.280	100.150		4.3750%	\$1,770	\$1,395	\$840	\$450
4.5000%	101.677	101.552	101.366	101.233		4.5000%	\$5,031	\$4,656	\$4,098	\$3,699
4.6250%	102.696	102.568	102.386	102.248		4.6250%	\$8,088	\$7,704	\$7,158	\$6,744
4.7500%	103.569	103.437	103.258	103.117		4.7500%	\$10,707	\$10,311	\$9,774	\$9,351
4.8750%	104.000	103.875	103.750	103.625		4.8750%	\$12,000	\$11,625	\$11,250	\$10,875
5.0000%	104.000	103.875	103.750	103.625		5.0000%	\$12,000	\$11,625	\$11,250	\$10,875
5.1250%	104.000	103.875	103.750	103.625		5.1250%	\$12,000	\$11,625	\$11,250	\$10,875
5.2500%	104.000	103.875	103.750	103.625		5.2500%	\$12,000	\$11,625	\$11,250	\$10,875

Price and Rate Factors

LTV & credit score - primary factor

Transaction type

Loan amount

Loan type

Occupancy

Property type

PURPOSE IS TO PRICE LOANS FOR THE RISK LENDER TAKES

LTV & Credit (FICO) Score

Loan to Value (LTV)

- **Higher LTV potentially higher the price/rate**
- If Mortgage Insurance is required, lower price, loan is insured
- **Low LTV can offset risk (55% LTV vs 95% LTV)**

FICO scores

- Higher the score, the lower the risk
- Lower the score, the higher the price

Combination of LTV & FICO

- Important indicator of risk
- Usually determines interest rate and price available to borrower
- **HIGH LTV combined with LOW FICO equals higher risk**

ALL PRODUCTS

CREDIT SCORE

FICO / LTV ADJUSTMENTS FOR LOANS WITH A TERM GREATER THAN 15 YEARS

	<=60	60.01 - 70.00	70.01 - 75.00	75.01 - 80.00	80.01 - 85.00	85.01 - 90.00	90.01 - 95.00	95.01-97
740+	(0.250)	0.000	0.000	0.250	0.250	0.250	0.250	0.750
720 - 739	(0.250)	0.000	0.250	0.500	0.500	0.500	0.500	1.000
700 - 719	(0.250)	0.500	0.750	1.000	1.000	1.000	1.000	1.500
680 - 699	0.000	0.500	1.250	1.750	1.500	1.250	1.250	1.500
660 - 679	0.000	1.000	2.000	2.500	2.750	2.250	2.250	2.250
640 - 659	0.500	1.250	2.500	3.000	3.250	2.750	2.750	2.750
620 - 639	0.500	1.500	3.000	3.000	3.250	3.250	3.250	3.500

FHA up to 96.5% LTV

FICO SCORE (Non-Streamline)		LOAN AMOUNT		HIGH BALANCE ADJUSTORS	
740+	(0.125)	> \$300k	(0.250)	5/1 ARM	0.500
680 - 739	0.000	\$250k - \$299k	(0.125)	3/1 ARM	0.500
660 - 679	0.250	\$100k - \$125k	0.375	203K 30yr Fixed	1.000
640 - 659	0.500	\$75k - \$99k	0.750	15 Yr FHA/VA	1.500
620 - 639	1.250	\$60k - \$74k	1.250	30 Yr Streamline High Bal	0.000
600 - 619	2.000	\$50k - \$60k	3.000		
580 - 599	2.000				

Transaction Risk

Purchase

Rate/Term Refinance (R/T)

Cash out Refinance (C/O)

Construction

***Refinances of owner occupied properties allow for a 3-day rescission period
Under TILA -If borrower doesn't want loan –
they have 3 days to back out after signing***

ALL PRODUCTS

CREDIT SCORE	FICO / LTV ADJUSTMENTS FOR LOANS WITH A TERM GREATER THAN 15 YEARS							
	<=60	60.01 - 70.00	70.01 - 75.00	75.01 - 80.00	80.01 - 85.00	85.01 - 90.00	90.01 - 95.00	95.01-97
740+	(0.250)	0.000	0.000	0.250	0.250	0.250	0.250	0.750
720 - 739	(0.250)	0.000	0.250	0.500	0.500	0.500	0.500	1.000
700 - 719	(0.250)	0.500	0.750	1.000	1.000	1.000	1.000	1.500
680 - 699	0.000	0.500	1.250	1.750	1.500	1.250	1.250	1.500
660 - 679	0.000	1.000	2.000	2.500	2.750	2.250	2.250	2.250
640 - 659	0.500	1.250	2.500	3.000	3.250	2.750	2.750	2.750
620 - 639	0.500	1.500	3.000	3.000	3.250	3.250	3.250	3.500

CREDIT SCORE	CASH-OUT REFI ADJUSTMENTS (ALL LOAN TERMS)							
	<=60	60.01 - 70.00	70.01 - 75.00	75.01 - 80.00	80.01 - 85.00	85.01 - 90.00	90.01 - 95.00	95.01-97
740+	0.000	0.250	0.250	0.500	0.625	N/A	N/A	N/A
720 - 739	0.000	0.625	0.625	0.750	1.500	N/A	N/A	N/A
700 - 719	0.000	0.625	0.625	0.750	1.500	N/A	N/A	N/A
680 - 699	0.000	0.750	0.750	1.375	2.500	N/A	N/A	N/A
660 - 679	0.250	0.750	0.750	1.500	2.500	N/A	N/A	N/A
640 - 659	0.250	1.250	1.250	2.250	3.000	N/A	N/A	N/A
620 - 639	0.250	1.250	1.250	2.750	3.000	N/A	N/A	N/A

Loan Amount Risk

General Loan Limits for 2015

The general loan limits for 2015 are unchanged from 2014 (e.g., \$417,000 for a 1-unit property in the continental U.S.) and apply to loans delivered to Fannie Mae in 2015 (even if originated prior to 1/1/2015). Refer to [Lender Letter LL-2014-08](#) for specific requirements.

Maximum Original Principal Balance for 2015

Units	Contiguous States, District of Columbia, and Puerto Rico	Alaska, Guam, Hawaii, and the U.S. Virgin Islands
1	\$417,000	\$625,500
2	\$533,850	\$800,775
3	\$645,300	\$967,950
4	\$801,950	\$1,202,925

LOAN AMOUNT ADJUSTMENTS

\$100k - \$125k	0.125
\$75k - \$99k	0.250
\$60k - \$74k	0.875
\$50k - \$59k	1.500
\$50,000 min loan amount	

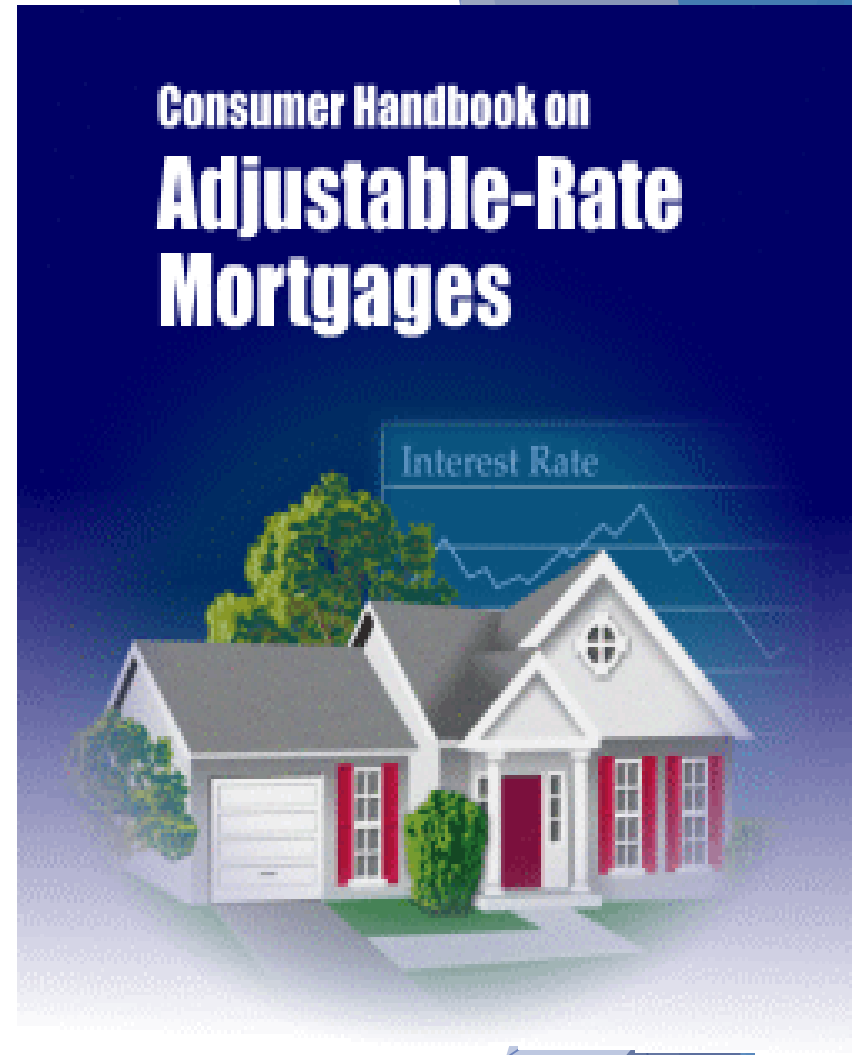
Conforming Fixed & Hibal Price Adj

Standard Adjustments

Loan Amounts \leq \$75,000	+0.125
Loan Amounts \geq \$275,000 (Excluding Hibal products)	+0.250
10yr Amortization Terms (15yr Pricing)	+0.500
Escrow Waiver (Excluding CA, NY & Cook County, IL)	-0.250
Purchase Bonus (Conforming Fixed & Hibal)	+0.200
Hibal Products CLTV \leq 75%	+0.375

Loan Type Risk

- ▶ Fixed rate (20-30 years)
- ▶ Fixed rate (10-12 years)
- ▶ Fixed 10-30 years
- ▶ ARMS
 - ▶ 1 year
 - ▶ 3 year
 - ▶ 5 year
 - ▶ 7 year
 - ▶ 10 year
- ▶ 2/6% caps OR 5/2/5% caps



Occupancy Risk



Owner occupied

2nd home or vacation property

Non-owner-occupied (investment)

STANDARD ADJUSTMENTS

No Escrow	0.250
No Escrow (CA)	0.125
NOO <= 75%	1.750
NOO 75-80%	3.500
NOO 80.01-85%	4.250
NOO HomeStyle	1.000
(in addition to all NOO charges)	
NOO HomePath Reno	1.000
(in addition to all NOO charges)	
High Balance C/O	1.000
2-4 Unit	1.000
Condo >75% (>15Yr Term)	0.750
20 Yr HB (to 20 Yr)	0.875
10 Yr HB (to 10 Yr)	1.000
HomeStyle High Balance	1.000
HomeStyle 15Yr	1.500

No Escrow =
 No Taxes or Insurance
 NOO =
 Non Owner Occupied
 Homestyle =
 Fannie Mae
 Homepath Reno =
 Fannie Mae Renovation
High Balance =
\$417,000 - \$601,450

Property Type Risk

- ▶ Single family -
- ▶ PUD detached
- ▶ Condominium,
 - ▶ Low rise 1-4 stories
 - ▶ High rise > 4 stories
- ▶ 2-4 family
- ▶ Co-op (cooperative)



Which has more risk?

STANDARD ADJUSTMENTS

No Escrow	0.250
No Escrow (CA)	0.125
NOO <= 75%	1.750
NOO 75-80%	3.500
NOO 80.01-85%	4.250
NOO HomeStyle	1.000
(in addition to all NOO charges)	
NOO HomePath Reno	1.000
(in addition to all NOO charges)	
High Balance C/O	1.000
2-4 Unit	1.000
Condo >75% (>15Yr Term)	0.750
20 Yr HB (to 20 Yr)	0.875
10 Yr HB (to 10 Yr)	1.000
HomeStyle High Balance	1.000
HomeStyle 15Yr	1.500

Pricing When Transactions Change

▶ *Causes of “Change of Circumstance”*

- ▶ Program change
- ▶ Points structure
- ▶ LTV
- ▶ Documentation
- ▶ Property



Underwritten as a single family, that has 2nd kitchen downstairs!

So Can Buyers Negotiate?

- ▶ Expectations
- ▶ Negotiable costs or rates
- ▶ When can you negotiate?
- ▶ What's not negotiable?

Sample Loan Level Price Adjustments (LLPA)

> 15 year term		Price Drops over 80%						
LTV Ranges	<u>< 60.00%</u>	60.01 - 70.00%	70.01 - 75.00%	75.01 - 80.00%	80.01 - 85.00%	85.01 - 90.00%	90.01 - 95.00%	95.01 - 97.00%
FICO								
<u>> 740</u>	-0.250%	0.000%	0.000%	0.250%	0.250%	0.250%	0.250%	0.250%
720 - 739	-0.250%	0.000%	0.250%	0.500%	0.500%	0.500%	0.500%	0.500%
700 - 719	-0.250%	0.500%	0.750%	1.000%	1.000%	1.000%	1.000%	1.000%
680 - 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.000%
660 - 679	0.000%	1.000%	2.000%	2.500%	2.750%	2.250%	2.250%	1.750%
640 - 659	0.500%	1.250%	2.500%	3.000%	3.250%	2.750%	2.750%	2.250%
620 - 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.000%
<620	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.250%

Which is Better for Borrower?

30 Year Fixed				
RATE	15-DAY	30-DAY	45-DAY	60-DAY
4.125%	98.967	98.842	98.685	98.560
4.250%	99.944	99.819	99.662	99.536
4.375%	100.590	100.465	100.280	100.150
4.500%	101.677	101.552*	101.366	101.233
4.625%	102.696	102.568	102.386	102.248
4.750%	103.569	103.437	103.258	103.117
4.875%	104.000	103.875	103.750	103.625
5.000%	104.000	103.875	103.750	103.625
5.125%	104.000	103.875	103.750	103.625
5.250%	104.000	103.875	103.750	103.625

CONVENTIONAL

FHA 30yr Fixed				
	15 Day	30 Day	45 Day	60 Day
4.375	(6.291)	(6.014)	(5.816)	(5.579)
4.250	(5.805)	(5.528)	(5.330)	(5.093)
4.125	(4.575)	(4.313)	(4.131)	(3.909)
4.000	(4.100)	(3.838)	(3.656)	(3.434)
3.875	(3.589)	(3.327)	(3.145)	(2.923)
3.750	(3.039)	(2.777)	(2.595)	(2.373)
3.625	(1.387)	(1.172)	(1.037)	(0.862)
3.500	(0.805)	(0.590)	(0.455)	(0.280)
3.375	(0.202)	0.013	0.148	0.323
3.250	0.425	0.640	0.775	0.950
3.125	2.775	2.990	3.125	3.300

RATES AND PRICES

CONVERTED TO DOLLARS

\$100,000 Loan Amount

30 Year Fixed

30 Year Fixed

RATE	15-DAY	30-DAY	45-DAY	60-DAY	RATE	15-DAY	30-DAY	45-DAY	60-DAY
4.125%	98.967	98.842	98.685	98.560	4.1250%	\$1,033	\$1,158	\$1,315	\$1,440
4.250%	99.944	99.819	99.662	99.536	4.2500%	\$560	\$181	\$338	\$464
4.375%	100.590	100.465	100.280	100.150	4.3750%	\$590	\$465	\$280	\$150
4.500%	101.677	101.552	101.366	101.233	4.5000%	\$1,677	\$1,552	\$1,366	\$1,233
4.625%	102.696	102.568	102.386	102.248	4.6250%	\$2,696	\$2,568	\$2,386	\$2,248
4.750%	103.569	103.437	103.258	103.117	4.7500%	\$3,569	\$3,437	\$3,258	\$3,117
4.875%	104.000	103.875	103.750	103.625	4.8750%	\$4,000	\$3,875	\$3,750	\$3,625
5.000%	104.000	103.875	103.750	103.625	5.0000%	\$4,000	\$3,875	\$3,750	\$3,625
5.125%	104.000	103.875	103.750	103.625	5.1250%	\$4,000	\$3,875	\$3,750	\$3,625
5.250%	104.000	103.875	103.750	103.625	5.2500%	\$4,000	\$3,875	\$3,750	\$3,625

Standard Adjustments

Loan Amounts \$275,000 - \$417,000	+0.250
10yr Amortization Terms (15yr Pricing)	+0.500
Escrow Waiver (Excluding CA, NY & Cook County, IL)	-0.250

FICO | LTV Adjustments - Conforming Fixed & HiBal (Terms > 15 Years)

FICO LTV	<= 60	60.01-70	70.01-75	75.01-80	80.01-85	85.01-90	90.01-95
740+	0.250	0.000	0.000	-0.250	-0.250	-0.250	-0.250
720-739	0.250	0.000	-0.250	-0.500	-0.500	-0.500	-0.500
700-719	0.250	-0.500	-0.750	-1.000	-1.000	-1.000	-1.000
680-699	0.000	-0.500	-1.250	-1.750	-1.500	-1.250	-1.250
660-679	0.000	-1.000	-2.125	-2.625	-2.750	-2.250	-2.250
640-659	-0.500	-1.250	-2.625	-3.000	-3.250	-2.750	-2.750
620-639	-0.500	-1.500	-3.000	-3.000	-3.250	-3.250	-3.250

Subordinate Financing Adjustments

LTV Ratios	CLTV Ratios	FICO < 720	FICO >=720
<= 65%	> 80% <= 95%	-0.500	-0.250
> 65% <= 75%	> 80% <= 95%	-0.750	-0.500
> 75% <= 95%	> 90% <= 95%	-1.000	-0.750
> 75% <= 90%	> 76% <= 90%	-1.000	-0.750

Additional Adjustments

Policy Notes

Standard Conforming FXD & HIBAL

All Products

Condo >=20 year LTV > 75%	-0.750	Lock Extensions	-0.020 per day
2-4 Unit	-1.000	Worse Case Relock	-0.375
Investment LTV <=75%	-1.750		
Investment LTV >75% <=80%	-3.000		
Investment LTV >80% <=85%	-3.750		

Calculate Pricing Adjustments

Transaction Characteristics	Base Rate	Adj.	Price
Base Rate and Price	4.50%		(1.552)
Loan Amount 165,000		0.250	(1.802)
Investor/non-owner occupant		3.500	1.198
Condo		0.750	1.448
Down Payment 20% - Fico 688		3.50	3.448

Total Points Cost to Borrower = 3.448

State Pricing Adjustments

State Bonuses	
<u>ALL 30 & 20 Fixed</u>	
GA, PA, WA	+0.050
MO	+0.100
AZ, CA, CO, FL, IL, MA, ME, NH, NJ, RI, SC, VT, WI	+0.200
AL, DC, DE, ID, IN, KS, LA, MD, MN, NE, NM, NC, OH, OR, SD, TN, TX UT, VA	+0.300
<u>ALL 15 Fixed</u>	
GA, MA, ME, MO, NH, PA, RI, SC, VT, WA	+0.050
AZ, CA, CO, FL, IL, NJ, WI	+0.100
AL, DC, DE, ID, IN, KS, LA, MD, MN, NM, NE, NC, OH, OR, SD, TN, TX, UT, VA	+0.150
State Adjustments	
<u>ALL 30 & 20 Fixed</u>	
AZ, CO, DC, KS, KY, MA, NE, NV, SD	+0.050
AR, CT, DE, HI, ID, IL, IN, MD, ME, MI, MO, NC, NM, OH, OK, OR, UT, VA, VT, WA, WI	+0.100
AL, FL, GA, MN, NH, NJ, PA, SC, TN	+0.150
LA, TX	+0.200

Quoted Rate
for CT

They buy
in NY

SAME
PRICE?

Credit Score Factor



Conforming 30yr Fixed

Note Rate	15 days	30 days	45 days	60 days
4.875%	102.344	102.201	102.076	101.951
4.750%	101.843	101.704	101.579	101.454
4.625%	101.190	101.054	100.929	100.804
4.500%	100.464	100.332	100.207	100.082
4.375%	99.942	99.814	99.689	99.564
4.250%	99.416	99.291	99.166	99.041
4.125%	98.759	98.634	98.509	98.384
4.000%	98.000	97.875	97.750	97.625
3.875%	97.060	96.935	96.810	96.685
3.750%	96.418	96.293	96.168	96.043
3.625%	95.642	95.517	95.392	95.267
3.500%	94.707	94.582	94.457	94.332

Adjustments-Included in Pricing Above	Rate	Price	Margin
Purchase Special = 0.200	0.000%	0.200	0.000%
LTV > 90 and LTV <= 95 and Credit Score > 639 and Credit Score <= 659 then price adjustment = -2.75	0.000%	-2.750	0.000%
State is CT then SRP adjustment = 0.15	0.000%	0.150	0.000%
Originator Compensation is Lender Paid and Instld is 20065 then price adjustment = -1.75	0.000%	-1.750	0.000%
Total Adjustments	0.000%	-4.150	0.000%

Save/Close

Proceed to App

Lock

Return

Cancel

758 FICO

Conforming 30yr Fixed

Note Rate	15 days	30 days	45 days	60 days
4.875%	104.844	104.701	104.576	104.451
4.750%	104.343	104.204	104.079	103.954
4.625%	103.690	103.554	103.429	103.304
4.500%	102.964	102.832	102.707	102.582
4.375%	102.442	102.314	102.189	102.064
4.250%	101.916	101.791	101.666	101.541
4.125%	101.259	101.134	101.009	100.884
4.000%	100.500	100.375	100.250	100.125
3.875%	99.560	99.435	99.310	99.185
3.750%	98.918	98.793	98.668	98.543
3.625%	98.142	98.017	97.892	97.767
3.500%	97.207	97.082	96.957	96.832

Adjustments-Included in Pricing Above	Rate	Price	Margin
Purchase Special = 0.200	0.000%	0.200	0.000%
LTV > 90 and LTV <= 95 and Credit Score > 739 then price adjustment = -0.25	0.000%	-0.250	0.000%
State is CT then SRP adjustment = 0.15	0.000%	0.150	0.000%
Originator Compensation is Lender Paid and Instld is 20065 then price adjustment = -1.75	0.000%	-1.750	0.000%
Total Adjustments	0.000%	-1.650	0.000%

Save/Close

Proceed to App

Lock

Return

Cancel

What about the ARM CAPS?

Same Program - Different Terms?

CONFORMING 5/1 ONE-YEAR LIBOR: 2/2/5 CAPS				
Rate	15-Day	30-Day	45-Day	60-Day
3.000	100.500	100.375	100.250	100.125
3.125	100.875	100.750	100.625	100.500
3.250	101.250	101.125	101.000	100.875
3.375	101.625	101.500	101.375	101.250
3.500	102.000	101.875	101.750	101.625

A341J 5/1 High Balance Caps 5/2/5 2.25 Margin	
Rate	30 Day
3.375	-1.956
3.500	-2.314
3.625	-2.653
3.750	-2.947
3.875	-3.172
4.000	-3.391
4.125	-3.600
4.250	-3.809

ARM Pricing Components

Index - (T-bills, LIBOR, CMT,)

- Variable tied to market
- As market changes, index changes

Margin


- Fixed for life of loan
- MAY be adjusted for higher risks

Historic Pricing Adjustments

Option ARM Adjustments	
FEATURES	“ADD-ONS”
Non-Owner Occupied	.40% to rate/margin/life cap
90% LTV	.60% to rate/margin/life cap
Loan amounts > \$1,000,000	No Add on
3-4 Unit properties	.50% to pts or 14 bps to margin
40 year terms	.50% to base start rate
40 year terms	.25% to pts or 7 bps to margin
Foreign Nat'l & Temp Res LTV, 70%	.50% to pts or 14 bps to margin
Co-op (approved areas only)	.125% to pts

Relock - Extensions - Float-downs

Worse Case Relock

Deduct 0.375% From Higher of price
Current Market pricing when expired \geq 60 days. 

Lock or extend online until 11:59 pm EST Monday - Saturday

*****Be sure to extend all locks prior to rate lock expiration date.*****

Lock Extensions


 Deduct 0.02% per calendar day

5 Days Free if current market is *worse* than initial lock.

20 days free if current market is *better* than initial lock.

Did you know you can extend 5 free days online (if not extended prior)?

Float-Downs

 Deduct 0.625% From Current 15 Day Price
For Conditionally Approved Agency Fixed Rates Only

Lock Considerations When Locking

Lock period

Closing date***

Escrow waiver

Does borrower need cash?

Rescission period (refi)

Change of circumstances

Lock Period & Closing Date

Available lock periods:

- 15,30,45,60, 90 days (essentially, any period a lender chooses to offer)
- >60 DAYS generally considered (“extended lock”)
- Advising on paying for long term rate locks

How much time before closing?

- GET OUT THE CALENDAR - HOLIDAYS!!!
- # of days needed from lock to close

Closing vs. funding

- Refinances of primary do not fund same day closed
- Wet or dry fund?

3 day right of rescission

- Could be 5 days between close & fund

Escrow Options



Escrow taxes only

Escrow taxes and insurance

Waive escrows at what cost?

Which one has highest risk?

Renegotiating Rate/price

Lock extensions

- Closing date changed

Change of rate

- Didn't get lock form in time

Customer change

- Lock expired

Float Down

- Company Policy?



Loan Officer

Final Decision-Rates & Locks

Lenders determine risk

Risk determines price

Price determines rate

Customer shops

The Free Market!

Consumers Deserve Disclosure

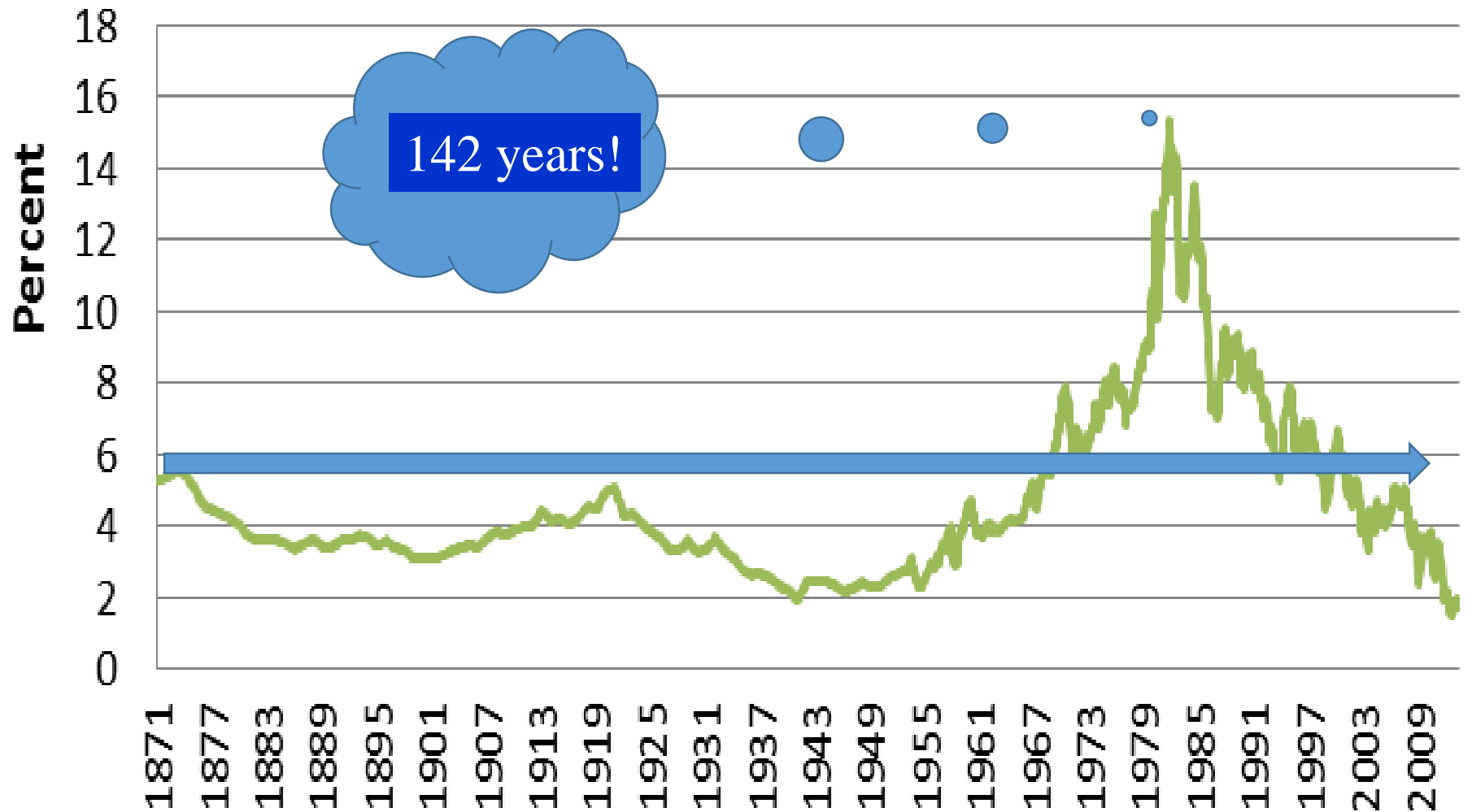
Fair and honest treatment

Full disclosure

Understand there are nuances of pricing

Expect timely communications

US Long-Term Interest Rates 1871-2013



2015 FOMC Meetings

January	27-28	<u>Statement</u>		Minutes: 377 KB PDF HTML (Released Feb 18, 2015)
March	17-18*	<u>Statement</u>	<u>Press Conference</u> Projections Materials: PDF Accessible Materials	Minutes: 466 KB PDF HTML (Released April 8, 2015)
April	28-29	<u>Statement</u>		Minutes: 318 KB PDF HTML (Released May 20, 2015)
June	16-17*			Minutes: 522 KB PDF HTML (Released July 8, 2015)
July	28-29			Minutes: 326 KB PDF HTML (Released August 19, 2015)
September	16-17*	<u>Statement</u>	<u>Press Conference</u> Projections Materials: PDF Accessible Materials	Minutes: 532 KB PDF HTML (Released October 8, 2015)
October	27-28	<u>Statement</u>		Minutes: 321 KB PDF HTML (Released November 18, 2015)
December	15-16*			

What will Janet Yellen do NEXT WEEK?



Rock and hard place!

It IS About the Rate...

How to get it right?

- ▶ Different lenders will quote different rates
- ▶ RE agents should be careful not to quote rates
- ▶ The rate has to price for the transaction risk
- ▶ Get buyers cash for closing costs
- ▶ Educating by converting price to dollars
- ▶ The lowest rate isn't always the best option
- ▶ Borrowers have many choices
- ▶ MLOs must complete needs assessment
- ▶ Options presented must be buyer appropriate!

THANK YOU!

Happy Holidays!