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Director of Veteran Affairs and Operations



MILITARY MORTGAGE BOOT CAMP



 **ROSS MORTGAGE**
CORPORATION



OPPORTUNITY!

The Military **IS** the USA's Largest Employer With Over *2.6 million Employees* worldwide.

Over **\$1.4 Trillion Dollars** In Annual Purchasing Power

- Veteran Homeownership *Exceeds The National Average By 10%*
- *623,000 Mortgage Transactions* Last Year
- Military Personnel Continue To be *Moved Every 2-5 Years*
- Career Service-Members Move Numerous Times, *Repeat Purchase Business!*

In 2013 - Michigan had 729,368 Veterans that made up **9.2%** of the Total Michigan Population of **7,538,643** that are 18 Years and Older.

States that have over **1 Million Veterans** - **California (2 million)** **Florida (1.6 million)** **Texas (1.6 million)**

Sources: US Department of Defense, DoD Personnel and Procurement Statistics, Personnel, Publications, Atlas/Data Abstract for the United States and Selected Areas, Military.com - Homebuyer Newsletter





VA LOANS ARE ON THE RISE!

2010 VA Statistics for Michigan

Total Units = 3,391
Total Volume = \$516,063,729

Purchase Units = 2,008
Purchase Volume = \$290,063,801
Avg. Loan Amount = \$152,186

Refinance Units = 1,383
Refinance Volume = \$225,999,928

2013 VA Statistics for Michigan

Total Units = 8,202 - (241% Increase)
Total Volume = \$1,301,625,916 - (252% Increase)

Purchase Units = 3,369 - (168% Increase)
Purchase Volume = \$551,040,980 - (189% Increase)
Avg. Loan Amount = \$158,696 - (4% Increase)

Refinance Units = 4,833 - (349% Increase)
Refinance Volume = \$750,584,936 - (332% Increase)



National Association of Realtors “MRP Certification”

Benefits:

- Training on how to best counsel U.S. service members and their families to find housing solutions that best suit their needs in a military relocation called a permanent change of station (PCS)
- Education on how eligible active-duty service members and veterans can leverage VA financing benefits in the purchase of their home
- Differentiation as an MRP at REALTOR.org and realtor.com
- Access to an exclusive online network to locate other Military Relocation Professionals for referrals and to share ideas
- Use of the MRP logo and marketing materials to promote to consumers and peers
- Quarterly e-Newsletter





LIST OF TOP VETERAN ORGANIZATIONS



Jewish War Veterans
of the United States of America



MVF
Michigan Veterans Foundation
DVC • Detroit Veterans Center



Paralyzed Veterans
of America



The American Legion
Department of Michigan



DAV®
FULFILLING OUR PROMISES
TO THE MEN AND WOMEN WHO SERVED

Colin Powell
Amvets Post



VFW Michigan
Veterans of Foreign Wars



Polish Legion of American Veterans - USA
Chartered by Act of Congress



Vietnam Veterans
of America




Average VA Homeowner of 2013

90% Male

10% Female

34% Exempt from funding fee

Median Income \$71,064



MEDIAN FICO SCORE 722

84% No Down Payment

Median Assets \$8,670

17% Active Duty

Average loan \$234,622



VA BUYER OF 2013

- **83% of Veterans** Use their VA Benefit **AFTER** Active Duty
- **27%** of Veterans 25 and Older have at least a *Bachelor's Degree* in 2013
- **28%** of The Total Population had a *Bachelor's Degree*
- Annual Median Income of Veterans **\$71,064** vs. **\$51,017** for the Total United States
- **80,487** Michigan Veterans with a Service-Connected Disability Rating



Source: <http://www.census.gov/how/infographics/veterans.html>; <http://www.infoplease.com/spot/veteranscensus1.html>



Who is Eligible?

ERA	Dates	Minimum Service	Other Eligible Persons	Minimum Service Required
WWII	9/16/40 – 7/25/47	90 Continuous Days	Active Duty Member**	90 Continuous Days (181 During Peacetime)
Peace Time	7/26/47 – 6/26/50	181 Days	Active Reserve or National Guard	6 Years in Selected Reserves
Korean	6/27/50 – 1/31/55	90 Days	Unmarried Surviving Spouse	No Time Requirement. Veteran Must have died on Active Duty or From a Service Connected Disability.
Post-Korean	2/1/55 – 8/4/64	181 Days	POW/MIA Spouse	Veteran Must be POW or MIA for 90 Days.
Vietnam	8/5/64 – 5/7/75	90 Days		
Post Vietnam	5/8/75 – 9/7/80	181 days		
Post Vietnam	9/8/80 – 8/1/90	2 Years		
Persian Gulf	8/2/90 -Undetermined	2 Years or period called to active duty not < 90 Days		





YOU CAN HAVE MULTIPLE VA LOANS!!

Basic Entitlement

- Veterans get \$36,000
- This is 25% of \$144,000
- \$0-\$144,000 will always be \$36,000

Bonus Entitlement

- Veterans also get Bonus
- This is 25% of County Max or Loan Amount whichever is Less
- \$144,001 – County Max (\$417,000)



What Types Of Homes Can A Veteran Buy?

- **Single Family Residence 1-4 Units**
- **Condo (Site Condo Is A Condo To VA) – All Condos Must Be VA Approved**
- **Townhouse**
- **Manufactured Home**





Primary Benefits Of A VA Home Loan

- 100% Financing up to the Conforming Loan Limit
- Gift Funds Allowed
- Lower FICO Score Requirements (Ross 620)
- Lower Interest Rates
- Lower Fees
- Flexible Underwriting
- Energy Efficient Improvements Can Be Added to 100% Financing
- Fully Assumable By Any Qualified Person (Does Not Have To Be a Veteran)
- No Pre-Payment Penalty
- No Mortgage Insurance
- VA Funding Fee Can Be Financed
- 100% Cash Out Refinance
- Streamline VA (IRRRL)
- Seller Concessions 4% Plus Closing Costs



Energy Efficient Mortgages

EEM's are loans to cover the cost of making energy efficiency improvements to a dwelling. Funds for Energy Efficiency Improvements are considered part of the total loan they can be made in conjunction with:

- A VA Loan for the Purchase of a Primary Residence
- A VA Refinance of the Veteran's Existing Dwelling





Examples of Allowable and Unallowable EEM Improvements

Allowable Improvements

- Solar Heating or Cooling Systems
- Furnace Replacement or Efficiency Modifications
- Clock Thermostats
- New or Additional Insulation
- Storm Windows and Doors
- Heat Pumps
- Insulated Garage Doors on attached Garages

Unallowable Improvements

- New Roof or Shingles
- Vinyl Siding
- Air Conditioning Units (Unless Veteran has Medical Certification that Requires a Controlled Environment within the Home).
- Glass Block Windows





CFPB “INFORMED CHOICE”

We ALL..... (*Mortgage Lenders AND Real Estate Agents/Brokers*) have a “*Responsibility to our Customers*” ...to inform them of the Options Available to them, and Help Each Customer Make an Educated Decision.

This may lead us to refer our Clients to a “**Trusted Partner**” that we *KNOW* ...will Inform the Customer, and *NOT* put them in a Program or Product that is not in their best Interest.

We never want to “STEER” a Customer in a Specific Direction (EVEN IF WE HAVE YEARS OF EXPERIENCE IN A FIELD).

We (*Mortgage Lenders and Real Estate Agents/ Brokers*) always want to Mitigate these Risks and help each and every Customer reach their Financial Goals by ultimately ensuring they make an Informed Choice.



VETERAN HOME OWNERSHIP STATISTICS

- **66 %** of *Veterans who had a Home* reported they used the *VA Home Loan Guaranty Program*.
- **33%** of *Veterans that have a Mortgage* indicated they ***DID NOT KNOW ABOUT THE VA PROGRAM.***
- **46%** of *Veterans reported their Lender* ***HAD NOT discussed the option of a VA Loan.***





VA FUNDING FEE

PURCHASE OR CONSTRUCTION

Type of Veteran	Down Payment	First Time Use	Subsequent Use for loans from
Regular Military	None	2.15%	3.3% *
	5% or more (up to 10%)	1.50%	1.50%
	10% or more	1.25%	1.25%
Reserves/ National Guard	None	2.4%	3.3% *
	5% or more (up to 10%)	1.75%	1.75%
	10% or more	1.5%	1.5%

CASH OUT REFINANCES

Type of Veteran	Percentage for First Time Use	Percentage for Subsequent Use
Regular Military	2.15%	3.3% *
Reserves/National Guard	2.4%	3.3% *

OTHER TYPES OF

LOANS

Type of Loan	Percentage for Either Type of Veteran Whether First Time or Subsequent Use
Interest Rate Reduction Refinancing Loans	.50%
Manufactured Home Loans	1.00%
Loan Assumptions	.50%





Unallowable and Allowable Fees

The following fees are always un-allowed if the 1% origination fee is charged:

- Lender's appraisal – the veteran can only be charged for 1 appraisal unless VA deemed a second appraisal mandatory
- Lender's inspection – if it is not required on the appraisal/NOV, it can not be charged to the veteran
- Settlement fee, escrow fee, closing fee
- Document preparation fee
- Underwriting fee
- Processing fee
- Application fee – a veteran can be charged up front the cost of the appraisal and credit report to ensure the loan officer is not stuck with those fees if the veteran walks away from the deal.
- Pest inspection fee
- Attorney fees if for something other than title work
- Assignment fee
- Copying fee
- E-mail fee

The following fees are always allowed regardless of the 1% origination fee being charged:

- Appraisal fee – per allowable maximum appraisal fee schedule for that state
- Credit report – in most cases it should not exceed \$50
- Recording fees, taxes and stamps
- Prorated tax and insurance escrow
- Hazard insurance – if it was not paid directly out of pocket by veteran outside closing
- Survey and plot plan
- Title insurance, title policy, title exam, title search, title endorsement and any fees required to prepare title work
- 1% origination fee
- VA funding fee
- Discount points
- Closing protection letter – sometimes just listed as "CPL" (should not exceed \$35, except in Pennsylvania it is \$75)
- Well and Septic inspection fees



VA Underwriting

“Underwriters are encouraged to consider to every possible appropriate factor in seeking a proper basis for approving loan applications for every qualified Veteran”

VA Pamphlet 26-7, VA Lender Handbook, Current Issues

“As Long as Lenders document their reasoning, it is extremely unlikely VA Staff would ever take issue with their decision.”

Bill White, Circa 1944





Appraisals

Appraisal Management System

1. On November 2013 CoreLogic was awarded a five year contract to provide C&V section with Appraisal Management Services (AMS).
2. The primary objective is transition to a risk-based analysis of appraisals to improve the quality of oversight of the fee appraiser panel and SARs.
3. With the implementation of AMS, SARs will have automated risk-based reviews from one reliable source that will provide them with additional information regarding the property in an effort to evaluate the accuracy and credibility of the appraisal.

Process for Value Corrections

1. The VA Appraiser Must initiate "TIDEWATER" if the cannot reach Value on a Purchase.
2. "TIDEWATER" allows the Lender 48 hours to collect additional Comps from the both Real Estate Agents.
3. The Appraiser "MUST" comment on every Comp given for "TIDEWATER".
4. If still unsatisfied with Value, the Lender can request an Official "Reconsideration of Value" from the VA. Turn Time is 3 weeks.



Complete Appraisal Risk Analysis



-Valuation Risk – is the appraised value reasonable and supported?

-Integrity Risk – Are there fundamental issues with the construction of the appraisal?


-Comparable Selection – Were the most similar comparables used?

-Property Complexity – Does the subject conform to the area, or is it very unique?


-Market Risk – Is the subject located in a high risk area?


-Misrepresentation Risk – Are there issues within the subject chain of title posing risk?




 **VA HOME LOAN GUARANTY PROGRAM VS. CONVENTIONAL**


<u>Guideline Comparison</u>	<u>VA</u>	<u>Conventional</u>
FICO	620	680
Debt to Income	41%	36%
Down payment	Zero	5% down
Concessions	4% Plus Closing Costs	3%
Funding Fee/Mortgage Insurance	***2.15%	Required at greater than 80% LTV
Reserves requirement	None	2 Months PITI
Lender Origination Fee	\$0	*\$895
<i>***Waived w/proof of service connected disability</i>		



 **VA HOME LOAN GUARANTY PROGRAM VS. CONVENTIONAL**



<u>Cost Comparison</u>	<u>VA</u>	<u>Conventional</u>
Purchase price	\$417,000	\$417,000
Funding Fee/Down Payment	(2.15%) \$8,965.50 x 25% =(\$2151.72)	\$20,850
Loan Amount	\$417,000	\$396,150
Total Loan Amount	\$423,813.78	\$396,150
Rate/APR	4.0%	4.25%
Principal and Interest	\$1990.82	\$1948.82
Monthly Mortgage Insurance	N/A	\$368.35
Monthly payment (less escrows)	\$1990.82	\$2317.17
Difference in Payment/Difference in Cash to Close	<\$326.35	>\$20,850
Reserve requirements	\$0	\$4810.22
Total \$\$\$ needed in Bank to close (Does not include Tax, Insurance, and Closing Costs)	\$2151.72	\$25,660.22






VA HOME LOAN GUARANTY PROGRAM VS. FHA


<u>Guideline Comparison</u>	<u>VA</u>	<u>FHA</u>
FICO	620	620
Debt to Income	41%	43%
Down payment	Zero	3.5%
Concessions	4% Plus Closing Costs	6%
Funding Fee/UFMIP	***2.15%	1.750%
Lender Origination Fee	\$0	\$895
Down payment <small>***Waived w/proof of service connected disability</small>	Zero	3.5%

VA HOME LOAN GUARANTY PROGRAM VS. FHA



<u>Cost Comparison</u>	<u>VA</u>	<u>FHA</u>
Purchase price	\$100,000	\$100,000
Base Loan Amount	\$100,000	\$96,500
Down Payment	\$0	\$3,500
Funding Fee/UFMIP	\$2,150	\$1,750
Total Loan Amount	\$102,150	\$98,188.75
Rate/APR	4.0%	4.0%
Principal and Interest	\$477.42	\$460.71
Monthly MIP	\$0	\$110.47
Monthly Payment (less escrows)	\$477.42	\$571.18
Difference in Payment/Difference in Cash to Close	<\$93.76	>\$3500
Reserves Requirement	\$0	\$0
Total \$\$\$ needed in Bank to close (Does not include Tax, Insurance, and Closing Costs)	\$0	\$3500






VA HOME LOAN GUARANTY PROGRAM VS. JUMBO

<u>Cost Comparison</u>	<u>VA</u>	<u>JUMBO</u>
FICO	620	720
Debt to Income	41%	36%
Down payment	25% of Difference Between Purchase Price and County Max	20%
Concessions	4% Plus Closing Costs	6%
Funding Fee/UFMIP <small>***Waived w/proof of service connected disability</small>	***2.15%	0
Lender Origination Fee	\$0	*\$895
Reserves Requirement	Zero	9-12 Months

VA HOME LOAN GUARANTY PROGRAM VS. JUMBO

<u>Cost Comparison</u>	<u>VA</u>	<u>Jumbo</u>
Purchase price	\$617,000	\$617,000
Down Payment	$\$617,000 - \$417,000 = \$200,000 \times 25 = \$50,000$	\$123,400
Base Loan Amount	\$567,000	\$493,600
Funding Fee/UFMIP	Waived – Disabled Vet	\$0
Total Loan Amount	\$567,000	\$493,600
Rate/APR	4.0%	5.0%
Principal and Interest	\$2706.94	\$2649.75
Difference in Payment/Difference in Cash to Close	>56.25	>\$73,400
Reserves Requirement	\$0	\$23,509.53
Total \$\$\$ needed in Bank to close (Does not include Tax, Insurance, and Closing Costs)	\$50,000	\$146,909





PROPERTY TAX EXEMPTION FOR 100% DISABLED VETERANS!!!

In **December 2013** Governor Snyder signed into Law P.A. 161 of 2013.

This Act amends MCL 211.7b regarding Veterans Exemptions.

- 1 Veterans who qualify are Entitled to this Exemption the day they take title.
- 2 Veterans who qualify that owned their home prior to the 2013 Summer Tax Bill may be reimbursed their Summer and Winter Taxes for 2013.
- 3 In the unfortunate event of death for a Veteran who qualifies the **Surviving Spouse is entitled to maintain the Tax exemption** as long as they do not get Re-Married and continue to use the home as their Primary Residence and Homestead.



Specially Adapted Housing (SAH)

SAH is a Government Grant for Specific Connected Disabilities for **100% Disabled Veterans** to construct and adapted dwelling or modify an existing one to meet their needs.

An "**Eligible Veteran**" may receive up to **50% of the cost** not exceeding the maximum amount determined by Congress the current amount in **2014 is \$67,555**.

"**Eligible Veterans**" can receive up to **3 Grants** as long as they do not exceed the maximum total amount.

Purchase Price - \$100,000

VA Loan Amount - \$100,00

Contractor Costs - \$30,000

Total Loan Amount - \$130,000

Multiply by 50% for SAH Grant

Total Amount given to Veteran for Down Payment = \$65,000





Why Should A Seller Accept A VA Offer?

Presentation From The Buyer's Agent Is Everything!

- Easier Underwriting and Little to No Lender Overlays
- Zero Down doesn't = Inferior Buyer like FHA – it's a Veteran Right
- VA Appraisal have 2 Additional Options when Value is not reached by the Appraiser – Conventional and FHA do not
- VA Loan are more Valuable to Lenders for Portfolio Performance as well as Public Image
- It is one of the greatest ways to Honor a Veteran and say "Thank You For Your Service" for a Seller to participate in their Home Ownership Dream



VA Cleveland Underwriting Center

800-729-5772



The background of the slide is a photograph of the Iwo Jima Memorial. It shows the bronze statue of the Marine Corps War Memorial, depicting five Marines and a dog raising the American flag on Mount Suribachi. The statue is set on a dark granite base with inscriptions of various wars. The sky is clear blue.

THANK YOU

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