



**ARE YOU READY TO  
TAKE THE NEXT STEP?**

## **Your First Home**

**A seminar for first-time  
homebuyers**

**Presented By**

**Markita Jefferson  
WHEDA**

**June 2020**



**WHEDA**

Wisconsin Housing and Economic Development Authority



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# Getting to know WHEDA

WHEDA stands for Wisconsin Housing and Economic Development Authority.

We're a mission-driven organization established to help renters become homeowners through our unique, affordable financing options.

WHEDA mortgage programs are tailored to individual needs, so home buyers can purchase homes sooner with a mortgage they can afford.





# Understanding your loan options starts with learning important Mortgage terms

There are terms people in the mortgage industry will use when working with you. Below are important ones you should know and understand:

Term	Definition
<b>Loan to Value (LTV)</b>	Percentage of mortgage in relation to home value. Example: Value \$100,000 Mortgage - \$97,000= 97% LTV
Combined Loan to Value (CLTV)	Percentage of total mortgages in relation to home value Example: Value \$100,000 -First Mortgage \$97,000 -Second Mortgage \$3,000 = 97% LTV/100% CLTV
High Combined Loan To Value (HCLTV )	Percentage of total mortgages in relation to home value Example: Value \$100,000 -First Mortgage \$97,000 -Second Mortgage \$3,000 = 97% LTV/100% CLTV, additional second mortgage or grant \$5,000 = 105% HCLTV
<b>Mortgage Insurance</b>  Lenders take a risk when loaning money to you to buy a home, and if your <b>LOAN TO VALUE (LTV)</b> exceeds 80% - a type of mortgage insurance will be required.	<b>WHEDA ADVANTAGE FHA</b> FHA requires two types of mortgage insurance <ul style="list-style-type: none"> <li>Up Front Mortgage Insurance Premium (UFMIP)                             <ul style="list-style-type: none"> <li>Currently 1.75% of your first mortgage loan amount</li> <li>It can be paid at closing or financed into your loan</li> </ul> </li> <li>Mortgage Insurance Premium (MIP)                             <ul style="list-style-type: none"> <li>Calculated at .80% or 85% of your total loan amount divided by twelve</li> <li>Paid monthly over the life of your loan.</li> </ul> </li> </ul>
	<b>WHEDA ADVANTAGE CONVENTIONAL</b> <ul style="list-style-type: none"> <li>There are several different types of mortgage insurance for Conventional loans: Monthly, Single premium, Lender paid</li> <li>The amount of your mortgage insurance depends on your credit score, LTV and loan term</li> </ul>
<b>DTI</b>	<ul style="list-style-type: none"> <li>Debt to Income Ratio – the percentage of your monthly income that your current debts and your mortgage payment will take up</li> </ul>





# Typical WHEDA Borrower Characteristics

State of Wisconsin average sales price \$207,500 (March 2020)

WHEDA average sales price is \$141,111 (previous 12 months)

## WHEDA LOAN CHARACTERISTICS

- ❑ Average loan amount is \$129,856
- ❑ 81% have LTV > 95%
- ❑ 87% have CLTV > 95%
- ❑ 12% have HCLTV > 100%
- ❑ 69% have Seller Contributions

**Qualified borrowers do not have to be a first-time homebuyer to be eligible for a WHEDA loan.**

## WHEDA BORROWER CHARACTERISTICS

- ❑ 65% combined income < \$65,000
- ❑ 80% under 41
- ❑ 97% First Time Home Buyers
- ❑ 71% Household size 1-2
- ❑ 32% Credit Score < 700
- ❑ 77% utilize WHEDA DPA options



Owning a home has  
many benefits vs.  
renting.



# Owning vs. Renting

## Predictable Monthly Payments and owning can be cheaper!

- As a homeowner, you can have a predictable mortgage payment for 30 years and in Wisconsin, many times it can be less expensive to own!

## Appreciation

- Owning a house provides you with a valuable asset that, in many cases will appreciate in value over time, providing you with a great investment for retirement.

## Freedom to make modifications..

- Renters can not alter the space they are renting without permission from a landlord. Homeowners, on the other hand, don't need permission.

## Your rainy-day fund...

- Homeownership provides you with the opportunity to borrow money on the equity you eventually build up by consistently paying your mortgage.

## Community Ties

- Owning a home allows you to have an impact on your community. The taxes you pay benefit local schools, businesses and organizations.

## It's Yours!

- You'll always have roof over your head!





# Owning vs. Renting

# MILWAUKEE



OWN

Bdrms: 3  
 Bath: 2  
 Sq. Ft: 1,388  
 Monthly Mortgage:  
**\$1030.45**

Purchase price	\$120,000	Monthly
Interest Rate	3.5%	Amount
1 <sup>st</sup> Mortgage	\$116,400	\$523
DPA/2nd	\$3,600	\$36
Taxes	\$3,468	\$289
Homeowners Ins.	\$1200	\$100
Mortgage Ins.	\$989.40	\$82.45
Total Payment		\$1,030.45



RENT

Bdrms: 3  
 Bath: 2  
 Sq. Ft: 1359  
 Monthly Rent:  
**\$1,340**

DISCLAIMER: THESE ARE MEANT TO BE EXAMPLES AND MAY NOT BE TOTALLY REFLECTIVE OF PAYMENT, BASED ON BORROWER QUALIFICATIONS



# Owning vs. Renting



OWN

Bdrms: 3  
 Bath: 2  
 Sq. Ft: 1,330  
 Monthly Mortgage:  
**\$1,691**

Purchase price	\$229,900	Monthly
Interest Rate	3.5%	Amount
1 <sup>st</sup> Mortgage	\$223,003	\$1001
DPA/2nd	\$6,897	\$68
Taxes	\$4,068	\$339
Homeowners Ins.	\$1,500	\$125
Mortgage Ins.	\$1895.53	\$157.96
Total Payment		\$1,690.96

# MADISON



RENT

Bdrms: 3  
 Bath: 1.5  
 Sq. Ft: 1,110  
 Monthly Rent:  
**\$1,800**





# Owning vs. Renting

# GREEN BAY



OWN

Bdrms: 3  
 Bath: 2  
 Sq. Ft: 1,325  
 Monthly Mortgage:  
**\$950**

Purchase price	\$124,000	Monthly
Interest Rate	3.5%	Amount
1 <sup>st</sup> Mortgage	\$120,280	\$540
DPA/2nd	\$3720	\$37
Taxes	\$2,256	\$188
Homeowners Ins.	\$1,200	\$100
Mortgage Ins.	\$1022.38	\$85.20
Total Payment		\$950.20



RENT

Bdrms: 3  
 Bath: 2  
 Sq. Ft: 1,485  
 Monthly Rent:  
**\$1,345**

DISCLAIMER: THESE ARE MEANT TO BE EXAMPLES AND MAY NOT BE TOTALLY REFLECTIVE OF PAYMENT, BASED ON BORROWER QUALIFICATIONS





# Reasons you may be nervous about home ownership...

## Credit Concerns

- Your mortgage loan officer will let you know what you qualify for. You can request a free copy of your credit report at [annualcreditreport.com](https://annualcreditreport.com).

## Lack of Knowledge

- You'll learn a lot of the basics today! Plus, your mortgage loan officer will help with anything you may not know or understand.

## Picking The Wrong House

- Knowing your "wants" and "needs" will eliminate the anxiety of choosing the wrong home.

## Affordability

- Getting pre-approved assures you that you're capable of paying the note

## You Never Thought You Could afford to own a home

- You can!
- And you'll learn how today!



# AGENDA



## STEP 1

MANAGE YOUR MONEY



## STEP 2

FIND A WHEDA LENDER



## STEP 3

AVAILABLE MORTGAGE PROGRAMS



## STEP 4

HOME BUYER EDUCATION



## STEP 5

SHOP FOR YOUR HOME



## STEP 6

BECOME A HOMEOWNER





# STEP 1: Manage Your Money



Buying a home is one of the biggest, most exciting decisions you'll ever make. Let WHEDA guide you toward your future home.

**How you have paid your debts is an important indicator to lenders of how you will repay your loan.**

If you have credit problems, or feel you need help managing your budget to prepare for home ownership, you may want to contact a credit counseling agency.

These agencies are primarily community-based nonprofit groups that specialize in pre- and post-purchase homeowner education and credit counseling.





# KNOW YOUR CREDIT SCORE

## Your credit score affects your down payment



Once you've made the decision to buy a home, it's a good idea to review your credit standing.

The type of loan you get, including interest rate and points paid, is primarily determined by your credit score.

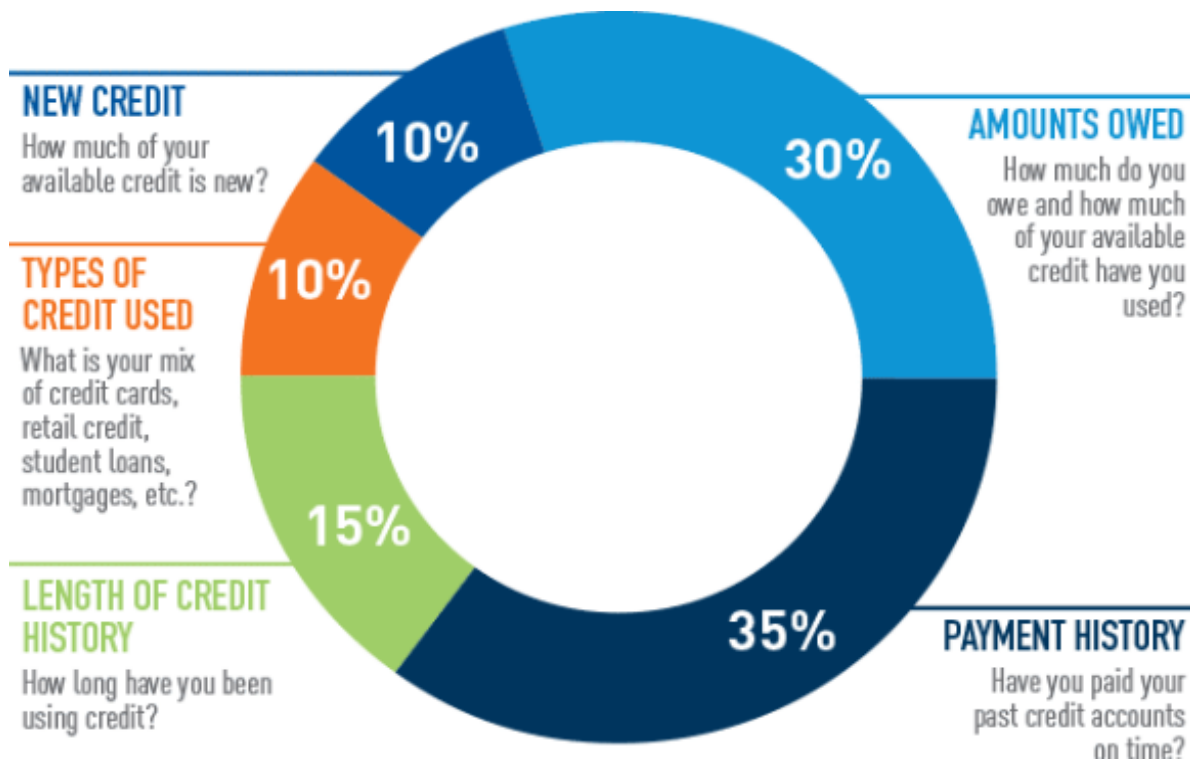
The better your credit score, the more affordable loan you can get, often with more options for a low-down payment.

**WHEDA's minimum credit score requirement is**

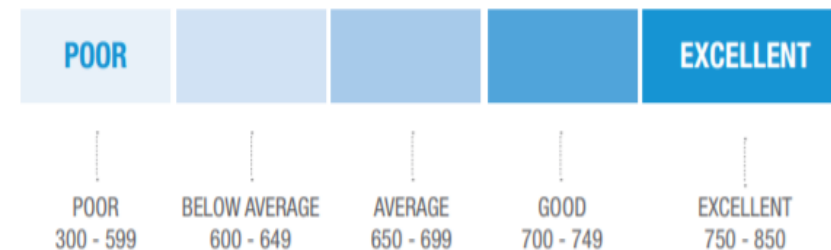
- ☐ **620 for Conventional loans**
- ☐ **640 for FHA loans.**



# Your credit score, also known as FICO score, is determined by several things



## Credit Score Range



## What else does my credit score affect?

- Down Payment Requirement
- Interest Rate
- Private Mortgage Insurance (PMI)
- Type of Loan

SOURCE: [Credit Secrets Club](#)



# Credit troubles and Credit Solutions

## Avoid paths to credit troubles:

1. Late payments affect your credit history.  
Anything paid over 30 days from the due date will be reflected as a late payment that will last the history of your credit.
2. Making only the minimum payment.  
Making the minimum payment is better than not paying at all, however it will cost you a lot of money in interest charges and keep your debt level high.
3. Constantly opening new credit  
Each time a new credit card or loan is opened, it will lower your score due to increasing your debt.

## Establishing a good credit history is simple:

1. Open a checking or savings account.  
Maintain your checking account by keeping enough money in it to cover all outstanding checks. Make regular deposits in your savings account to establish a history of savings.
2. Apply for credit gradually.  
Apply for it once your checking and savings accounts are in good standing and you believe your budget can handle the potential for debt.
3. Make regular on time payments  
On any debt you have – credit cards, loans and even cell phones. Every time you make a payment as agreed, you are building a positive credit history. If you consistently repay your debts on time, a good credit history will improve your credit score.

Webinar attachment #1 includes links to all 3 credit repositories, as well as [annualcreditreport.com](http://annualcreditreport.com).



Review your credit report and get prepared, so you can enjoy the lowest interest rate possible



and save cash over the life of your loan.





# CREATE A BUDGET

## What a budget is, and how to establish a good one

A budget is a plan that lays out your income and expenses as precisely as possible.

### To establish a good budget

- ☐ Start with identifying your expenses
- ☐ Keep a detailed record of all income and expenses
- ☐ This record should include all of your expenses, right down to your morning latte.

The “Monthly Budget Worksheet ” (webinar attachment #2) is a simple tool to help you put your budget on paper.



# WHEDA'S MONTHLY BUDGET WORKSHEET

## BUDGET FOR HOME OWNERSHIP



**WHEDA**  
SINGLE FAMILY

### MONTHLY BUDGET WORKSHEET

This worksheet will give you an indication of your financial health and your readiness to purchase a home. As a general rule, your total housing expense, including taxes and insurance, should not exceed 33% of your gross income. You also need to consider your total debt-to-income (DTI) ratio, which compares your earnings against monthly obligations. Lenders consider DTI when determining whether or not a borrower carries too much debt. Strive to keep yours at 43% (of your gross monthly income) or less. This number is considered ideal for most people and suggests that you can control your spending in relation to your income.

If your monthly budget results in a negative sum, then you should take the time to consider your spending. Is there anything you could cut back on? If not, you may want to consider looking for a more budget-friendly home.

#### GROSS MONTHLY INCOME (PRE-TAX)

Earners #1	
Earners #2	
Child Support (you receive)	
Other Income	
<b>Total</b>	<b>\$ 0.00</b>

#### MONTHLY HOUSING EXPENSES (USE PROPOSED AMOUNTS IF BUYING)

Mortgage Payment	
Property Taxes	
Home Owners Insurance	
Home Owners Association Dues	
<b>Total</b>	<b>\$ 0.00</b>
<b>Percent of Income</b>	<b>0.0%</b>

#### DEBTS (MONTHLY PAYMENTS)

Proposed Housing Expense	<b>\$ 0.00</b>
Car Payment/Lease	
Child Support (you pay)	
Student Loan(s)	
Credit Card(s)	
Home Equity Loan/Line of Credit	
Other Real Estate Owned	
Other (Includ. co-signed loans)	
<b>Total</b>	<b>\$ 0.00</b>
<b>Debt to Income Ratio</b>	<b>0.0%</b>

#### NET MONTHLY INCOME (TAKE HOME PAY)

Earners #1	
Earners #2	
Child Support (you receive)	
Other Income	
<b>Total</b>	<b>\$ 0.00</b>

#### ADDITIONAL MONTHLY EXPENSES

Phone/Cable/Internet	
Gas/Electric	
Water	
Cell Phone	
Groceries	
Dining/Take-out	
Gas (Car)	
Car Maintenance	
Auto Insurance	
Health/Medical Insurance	
Life Insurance	
Medical/Dental/Vision*	
Clothing	
Child Care/Tuition	
Recreation/Vacation	
Entertainment (Movies, etc.)	
Personal Expenses (hobbies, etc.)	
Charitable Donations/Gifts	
Misc.	
<b>Total</b>	<b>\$ 0.00</b>
<b>Total Debt &amp; Expenses</b>	<b>\$ 0.00</b>

\*Not covered by insurance.

#### CURRENT BUDGET OUTLOOK

Total Income	<b>\$ 0.00</b>
Total Debt and Expenses	<b>\$ 0.00</b>
<b>Difference</b>	<b>\$ 0.00</b>

Ready to start looking for your home? Begin with finding a WHEDA approved Lender. Start your search here:

**FIND A WHEDA LENDER**



**WHEDA**  
TOGETHER WE BUILD WISCONSIN







## STEP 2: Find a WHEDA Lender

Our mortgage lender partners look at:

1. Your monthly income
2. Credit history
3. Debt level

to qualify you for a WHEDA loan that best fits your needs.

- WHEDA offers two different options for first mortgages:
  - A Conventional First Mortgage
    - **First-Time Home Buyers (FTHB), Eligible veterans (VALOR), OR Target area purchaser receive reduced pricing if they are qualified**
  - A Federal Housing Administred (FHA) Mortgage

### FIND A WHEDA APPROVED LENDER

Feel free to visit several lenders before deciding

You can find WHEDA's statewide network of lenders by going to the [Find a WHEDA Lender](#) link:

- You can search for a lender/bank by
  - Name
  - Specific county
  - Specific city in Wisconsin
- Once your search results are displayed, you can filter your results alphabetically, by county, or by city



# 5 Questions for Prospective Lenders

## 1. What is your process for preapproval and closing?

- Make sure the lender's timelines line up with your home buying goals.
- What information will your lender need to preapprove you for a home loan?

## 2. How do you communicate with homebuyers?

- Ask how they will manage your loan process and all the steps along the way.
- Think about how you like to communicate and what works for your schedule.

## 3. What will be my down payment requirement?

- Your minimum down payment will depend on the type of loan your lender recommends for you.
- The good news is that 20 percent down is not required today. Several loans today offer a 3 - 5 percent down payment.

## 4. Do you offer grant assistance like Down Payment Plus?

- State and local housing agencies administer a wide range of programs, including grants.
- Some lenders offer they own proprietary down payment help as well.

## 5. What fees will be included in my loan and due at closing?

- Lender fees will be associated no matter what loan product you choose.
- They may include origination fees, underwriting or processing fees, etc
- Standard fees may include appraisal fee, title fee, loan closing fee, credit report fee and Tax service fees
- Knowing what your fees are is just as important as your interest rate.





# WHAT TO BRING TO YOUR FIRST MEETING WITH YOUR LENDER

## Residential history

- Your residential address for the past two years
- Landlord names and addresses for the past two years

## Personal assets

- Bank account statements from the most recent months for all checking and savings accounts
- Other asset statements from the past two months for any CDs, IRAs, stocks, bonds or other securities you intend to use for your down payment
- Current real estate holdings, including property address, current market value, mortgage lender's name and address, loan account number, balance and monthly payment

## Employment & income history

- Paycheck stubs from the last 30 days showing your year-to-date earnings
- W-2 forms (issued by your employer) for the past two years
- Most recent Federal tax returns with all schedules

## Personal debt

- A list of any new monthly debts not listed on your credit report (auto loans, student loans, mortgage loans, credit cards, etc.), including creditor name, address, account number, minimum monthly payment amount and outstanding balance on each account

## Identification

- Copy of personal identification to verify your identity
- Social Security card

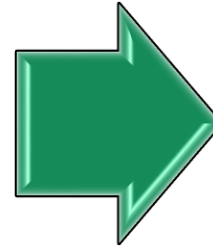
This will help your Lender determine the best first mortgage loan and down payment assistance option for you!



# What will my lender do at our initial meeting?

Not all lenders have the same business model, therefore there are no EXACT procedures. Some of the things that usually take place are:

- Determining what price range home you are looking for and what down payment you want to make, if any.
- Reviewing the documentation you have provided.
- Calculating your income, pull an initial credit report.
- If necessary, providing further documentation or explanations for poor credit, gaps in employment, etc.
  - Whether you need to work on repairing your credit or establishing a longer employment history before being able to qualify.
- Determining if you may qualify for a mortgage and discussing your different loan options based on your down payment, Income, credit and property type.



If your Lender determines you do qualify for a mortgage, you may be issued:

## • Prequalification

- generally this is NOT a firm commitment as it simply indicates based on what they have, you appear to qualify for a mortgage in a specific amount. It may list certain conditions that will have to be met or additional documentation that will need to be provided and reviewed

## • Preapproval

- is a credit approval or decision, based on a complete review of your income, assets, credit report.





## STEP 3: Available Mortgage Programs

### UNDERSTAND YOUR LOAN OPTIONS



WHEDA has mortgage programs tailored to your individual needs, whether you are purchasing or refinancing, and a first-time or a repeat buyer.

We have two first mortgage program options:

- ❑ WHEDA ADVANTAGE CONVENTIONAL LOAN PROGRAM
- ❑ WHEDA ADVANTAGE FHA LOAN PROGRAM

Both programs have different features and benefits along with different guidelines



# WHEDA's First Mortgage Loan programs Total Household Compliance Income:

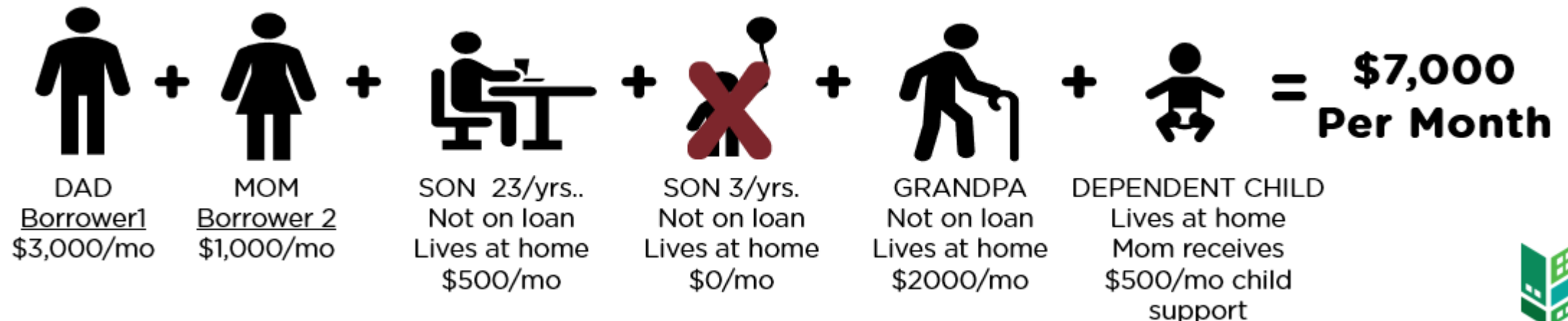
**ALL WHEDA FIRST AND DPA PROGRAMS HAVE TOTAL HOUSEHOLD COMPLIANCE INCOME LIMITS**

**WHAT IT IS?**

## Total Household Compliance Income

- Anticipated income of ALL BORROWERS and anyone 18 years or older who intends to occupy the property regardless to their relationship to the borrower.
- ALL income counts
- **COMPLIANCE INCOME IS NOT THE SAME AS QUALIFYING INCOME**

## WHOSE INCOME COUNTS IN TOTAL HOUSEHOLD COMPLIANCE INCOME?



Income Limits can be found here: <https://www.wheda.com/globalassets/documents/mortgage-lending/income-and-purchase-price-limits.pdf>





# WHEDA's First Mortgage Loan options provide:

## CONVENTIONAL and FHA

- Allow up to 105% Financing for qualified borrowers who utilize a WHEDA first mortgage and a WHEDA DPA

## FHA

- Required Borrower Investment is satisfied with the use of either of WHEDA's DPA's

## CONVENTIONAL

- Have the option to buy and renovate a home by financing all repairs etc. into mortgage.
- Offer reduced rates for First Time Home Buyers, Veterans or if purchasing in a "Target area"
- Offer reduced mortgage insurance if you qualify

## TWO DOWN PAYMENT ASSISTANCE OPTIONS

- When used with a WHEDA first mortgage provide 100% financing on all property types except 2-4 unit on a Conventional loan

LOCAL SERVICING OF  
YOUR WHEDA LOAN



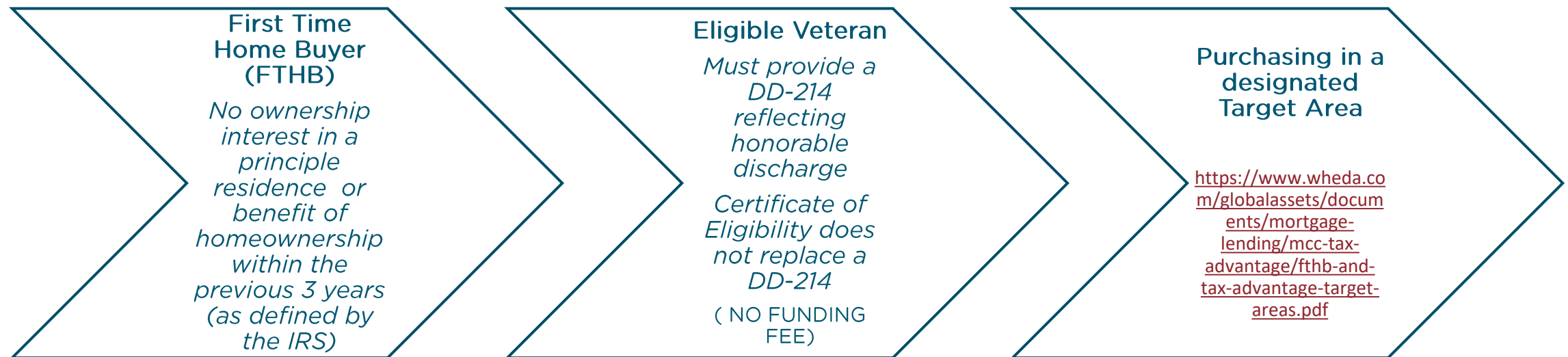
# WHEDA ADVANTAGE CONVENTIONAL LOAN

## Reduced Pricing Eligibility and Requirements

REDUCED PRICING OPTIONS are available on WHEDA'S CONVENTIONAL PROGRAM FOR:

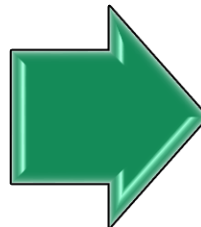
- First Time Home Buyers (BOTH borrowers must qualify)
- Eligible Veterans (Called VALOR – only ONE Borrower must qualify)
- Target Area Borrowers

**Must also be under the Total Household Compliance Income Limits for the reduced pricing option**



### HOME BUYER EDUCATION REQUIREMENTS ON ALL LOANS

- ONE BORROWER IS REQUIRED TO COMPLETE HOME BUYER EDUCATION



### LANDLORD EDUCATION REQUIREMENTS ON PURCHASE OF A 2 UNIT OR 2-4 UNIT

- ONE BORROWER IS REQUIRED TO COMPLETE



# WHEDA ADVANTAGE CONVENTIONAL ONLY

## FEDERAL RECAPTURE TAX

What is Federal Recapture Tax?

- A federal tax a borrower may be required to pay from net profit from the sale of a home that was financed through tax credits
- This requirement comes from the federal government.

How is Recapture Tax calculated?

- The maximum recapture tax is 6.25% of the original principal balance of the loan or 50% of the gain on the sale of your home whichever is less.

Federal Recapture Tax may apply if ALL the following occur:

- Home is sold during the first nine years of ownership; and
- Homebuyer has a gain (net profit) on the sale of the home; and
- Homebuyers "Adjusted Qualifying Income" exceeds the Income Limits the year of the sale or transfer

WHEDA has three programs that are considered bond programs

- Conventional Advantage First Time Home Buyer
- Conventional Advantage VALOR
- Mortgage Credit Certificate


### Resources

- For details on "Adjusted Qualifying Income" - <https://www.irs.gov/pub/irs-pdf/i8828.pdf>
- IRS Publication 523 "Selling Your Home," available on the IRS website at: [www.irs.gov](http://www.irs.gov).
- The toll-free telephone number of the IRS is 800-829-1040.

## VERY IMPORTANT

### WHEDA GUARANTY:

- If a WHEDA Borrower meets all three Federal Recapture Tax requirements and is subject to paying the tax, **WHEDA will fully reimburse the Borrowers 100% of Federal tax liability**
- Borrowers are provided with a written guaranty at closing:
- WHEDA Form 4 Recapture Tax Reimbursement

 Advantage Conventional - FTHB  
**Acknowledgment of Federal Recapture Tax Requirements**

BORROWER NAME \_\_\_\_\_  
CO-BORROWER NAME \_\_\_\_\_

The recapture tax may require some homeowners who sell their WHEDA-financed homes within nine years of loan closing to pay a portion of the profit they receive to the federal government.

The maximum amount that you may be required to pay is 6.25 percent of your original mortgage amount. For example, if your original mortgage amount is \$120,000, then 6.25 percent of \$120,000 would be \$7,500. However, this maximum amount may be reduced by one or more of the following factors:

1. **One-Half Profit Maximum.** You will not have to pay more than 1/2 of the profit from the sale of your home. Thus, if you realize no profit, then you pay no recapture tax; if you realize a \$2,000 profit, then you pay no more than \$1,000 in recapture tax; and so on.
2. **Involuntary Sale.** If your home must be sold by reason of death, you do not have to pay recapture tax, and recapture will be reduced or eliminated in certain other involuntary circumstances.
3. **Income/Family Size.** The amount that you must pay will be reduced or eliminated if your income does not exceed limits set by the federal government. These limits are based on formulas similar to those that determine whether you are eligible for a WHEDA loan, and anticipate an increase in your family income of five (5) percent compounded each year. The formula applicable to you will take into account your family size at the time of sale.

Form 4  
12/1/14



# WHEDA ADVANTAGE CONVENTIONAL LOAN

## General eligibility guidelines

	WHEDA Advantage Conventional
WHEDA Requirements	<ul style="list-style-type: none"> <li>❑ Property must be located in Wisconsin</li> <li>❑ Must be owner occupied for life of WHEDA loan</li> <li>❑ Do not have to be a first-time home buyer to utilize this program</li> </ul>
Credit Score/DTI Ratio	<ul style="list-style-type: none"> <li>❑ Minimum credit score 620 or higher</li> <li>❑ Debt to Income ratio determined by Lender Automated Underwriting System</li> </ul>
Purpose	❑ Purchase or WHEDA to WHEDA Limited Cash Out Refinance
Term/Type	❑ 30 year Fixed
Allowed Property Type	<ul style="list-style-type: none"> <li>❑ SFR 97% Loan to Value</li> <li>❑ 2/4 Units (over 5 years old) 95% Loan to Value</li> <li>❑ CONDOS-Warrantable - 97% Loan to Value</li> <li>❑ MANUFACTURED HOUSING-Double Wide - 95% Loan to Value</li> </ul>
Minimum down payment	<ul style="list-style-type: none"> <li>❑ \$0.00 on Single Family properties, Condominiums and Manufactured Homes with use of WHEDA Easy Close down payment assistance</li> <li>❑ 3% of purchase price and 6 months reserves on 2-4 Unit properties</li> </ul>
Total Household Compliance Income	<ul style="list-style-type: none"> <li>❑ Anticipated income of anyone 18 years or older who intends to occupy the property regardless to their relationship to the borrower</li> <li>❑ Must be under the Income limit for the county the property being purchased is in, the program and the total household occupant size</li> </ul>
Secondary Financing	<ul style="list-style-type: none"> <li>❑ BOTH WHEDA Down Payment Assistant programs allowed for up to 105% CLTV</li> <li>❑ Additional down payment assistance or grants allowed up to 105% Combined Loan to Value if they meet FNMA "Community Seconds" requirements</li> </ul>
Counseling Requirements	<ul style="list-style-type: none"> <li>❑ PRE-PURCHASE HOME BUYER EDUCATION (HBE) IS REQUIRED FOR FIRST TIME HOME BUYERS</li> <li>❑ IF PURCHASING A 2-UNIT, ONE BORROWER MUST COMPLETE LANDLORD EDUCATION</li> </ul>





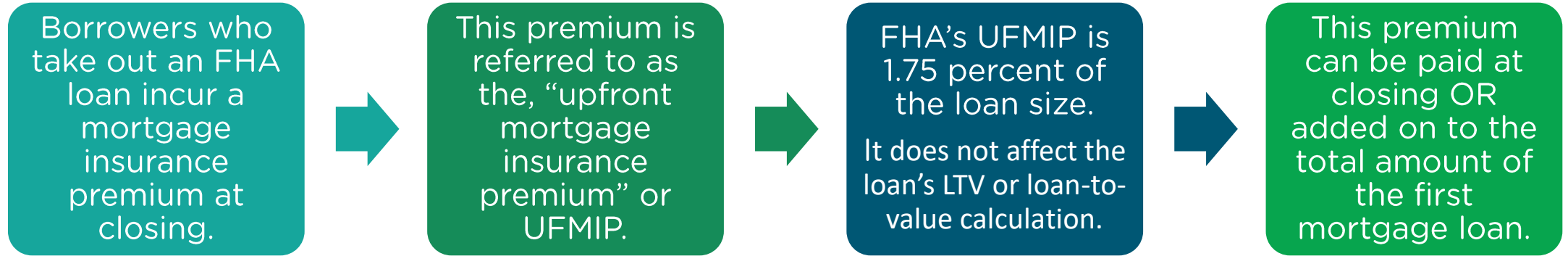
# WHEDA ADVANTAGE FHA LOAN

## General eligibility guidelines

	WHEDA Advantage FHA
WHEDA Requirements	<ul style="list-style-type: none"> <li><input type="checkbox"/> Property must be located in Wisconsin</li> <li><input type="checkbox"/> Must be owner occupied for life of WHEDA loan</li> <li><input type="checkbox"/> Do not have to be a first-time home buyer to utilize this program</li> </ul>
Credit Score/Debt To Income Ratio	<ul style="list-style-type: none"> <li><input type="checkbox"/> Minimum credit score 640 or higher</li> <li><input type="checkbox"/> Debt to Income ratio MAX of 45%</li> </ul>
Purpose	<input type="checkbox"/> Purchase
Term/Type	<input type="checkbox"/> 30 year Fixed
Allowed Property Type	<ul style="list-style-type: none"> <li><input type="checkbox"/> SFR - 96.5 Loan To Value /up to 105 % High Combined Loan To Value</li> <li><input type="checkbox"/> 2 Units (over 5 years old) - 96.5 Loan To Value /up to 105 % High Combined Loan To Value</li> <li><input type="checkbox"/> HRAP Condos - 96.5 Loan To Value /up to 105 % High Combined Loan To Value</li> <li><input type="checkbox"/> Condominiums- 96.5 Loan To Value /up to 105 % High Combined Loan To Value</li> </ul>
Minimum borrower investment	<input type="checkbox"/> FHA requires a 3.5% minimum Borrower investment, but BOTH WHEDA Down Payment Assistance options satisfy this requirement
Total Household Compliance Income	<ul style="list-style-type: none"> <li><input type="checkbox"/> Anticipated income of anyone 18 years or older who intends to occupy the property regardless to their relationship to the borrower</li> <li><input type="checkbox"/> Must be under the Income limit for the county the property being purchased is in, the program and the total household occupant size</li> </ul>
Secondary Financing	<ul style="list-style-type: none"> <li><input type="checkbox"/> BOTH WHEDA Down Payment Assistant programs allowed for up to 105% HCLTV</li> <li><input type="checkbox"/> Additional down payment assistance or grants allowed up to 105% High Combined Loan to Value if they meet HUD secondary financing requirements</li> </ul>
Counseling Requirements	<ul style="list-style-type: none"> <li><input type="checkbox"/> PRE-PURCHASE HOME BUYER EDUCATION (HBE) IS REQUIRED FOR FIRST TIME HOME BUYERS, BUT IS WAIVED IF ONE BORROWER IS NOT A FIRST TIME HOME BUYER</li> <li><input type="checkbox"/> IF PURCHASING A 2-UNIT, ONE BORROWER MUST COMPLETE LANDLORD EDUCATION</li> </ul>



# Understanding FHA Up Front Mortgage Insurance Premium (UFMIP)\*



Upfront Mortgage Insurance Premium (UFMIP)
All mortgages: 175 basis points (bps) (1.75%) of the Base Loan Amount.

## EXAMPLES:

### UFMIP FINANCED:

- First mortgage loan of \$100,000 + UFMIP of \$1,750 (1.75% of \$100,000) would result in a first mortgage loan of \$101,750

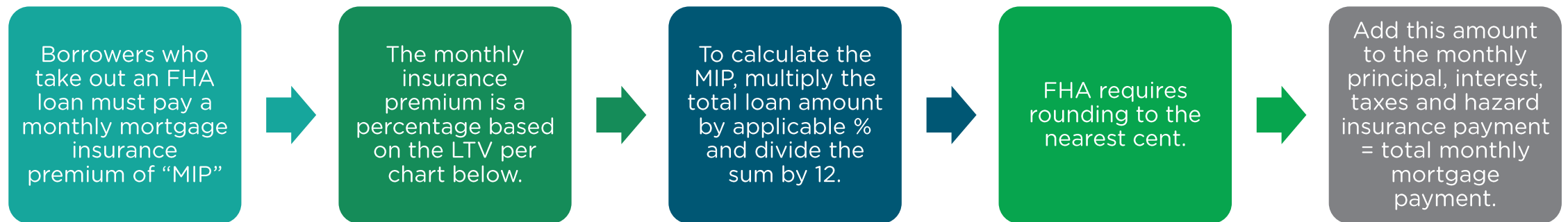
### UFMIP PAID AT CLOSING :

- First mortgage loan of \$100,000, UFMIP of \$1,750 (1.75% of \$100,000) paid at closing, would result in a first mortgage loan of \$100,000

**\*NOTE: UFMIP is subject to change without notice**



# Understanding FHA Monthly Mortgage Insurance Premium (MIP)\*



Annual Mortgage Insurance Premium (MIP)			
Applies to all Mortgages except:			
Mortgage Term of More Than 15 Years			
Base Loan Amount	LTV	MIP (bps)	Duration
Less than or equal to \$625,500	≤ 90.00%	80	11 years
	> 90.00% but ≤ 95.00%	80	Mortgage term
	> 95.00%	85	Mortgage term

**NOTE: The majority of WHEDA Advantage FHA loans have Life of Loan MIP and all TRID documents MUST correctly disclose this to avoid costly curative action.**

EXAMPLES:

UFMIP FINANCED:

- First mortgage loan of \$100,000 + UFMIP of \$1,750 = first mortgage loan of \$101,750
- MIP -  $\$101,750 \times .85\% = \$864.88/12 = \$72.07$  MIP

UFMIP PAID AT CLOSING:

- First mortgage loan of \$100,000, UFMIP of \$1,750 paid at closing = first mortgage loan of \$100,000
- MIP -  $\$100,000 \times .85\% = \$850.00/12 = \$70.83$  MIP



# The WHEDA monthly mortgage payment is made up of five elements:



1. Principal = Money you are repaying to the bank.
2. Interest = What the bank charges you for the privilege of using its money to buy the home.
3. Real Estate Taxes = You pay your annual property taxes in 12 equal installments.
4. Homeowners Insurance = You pay your annual property taxes in 12 equal installments.
5. CONVENTIONAL LOANS
  1. Mortgage Insurance = If your Loan-to-Value exceeds 80%, you will be required to pay monthly mortgage insurance based on your LTV/CLTV and Credit Score.
- FHA LOANS
  1. Monthly Mortgage Insurance Premium (MIP) regardless of LTV





# WHEDA offers two types of down payment assistance options

Use with a WHEDA first mortgage to get 100% financing\*\*

WHEDA Easy Close	WHEDA Capital Access DPA
<b>CONVENTIONAL</b> <input type="checkbox"/> Minimum loan amount of \$1000 <input type="checkbox"/> Loan amount is the greater of \$3000 or 3% of the purchase price when partnered with a WHEDA Conventional first mortgage loan	<b>CONVENTIONAL</b> <input type="checkbox"/> Minimum loan amount of \$3,050 <input type="checkbox"/> Loan amount is the greater of \$3,050 or 3% of the purchase price when partnered with a WHEDA conventional loan
<b>FHA</b> <input type="checkbox"/> Minimum Loan amount of \$1,000 <input type="checkbox"/> Loan amount is the greater of \$3,500 or 3.5% of the purchase price when partnered with a WHEDA FHA first mortgage loan	<b>FHA</b> <input type="checkbox"/> Minimum loan amount of \$3050 <input type="checkbox"/> Loan amount is the greater of \$3,050 or 3.5% of the purchase price when partnered with a WHEDA FHA loan
<input type="checkbox"/> 10-year fixed rate second mortgage with monthly payment <input type="checkbox"/> Interest Rate is same as first mortgage*	<input type="checkbox"/> 30-year fixed rate mortgage <input type="checkbox"/> 0% Interest rate* <input type="checkbox"/> NO MONTHLY PAYMENTS!
<input type="checkbox"/> Total Household Compliance Income limits apply	<input type="checkbox"/> Has separate Total Household Compliance Income Limits which are generally lower
<input type="checkbox"/> Can be followed by additional secondary financing as loan as it meets Fannie Mae (Conventional) requirement or HUD (FHA) requirements <input type="checkbox"/> Max HCLTV of 105%	<input type="checkbox"/> Can be followed by additional secondary financing as loan as it meets Fannie Mae (Conventional) requirement or HUD (FHA) requirements <input type="checkbox"/> Max HCLTV of 105%

\*Actual APR may vary.

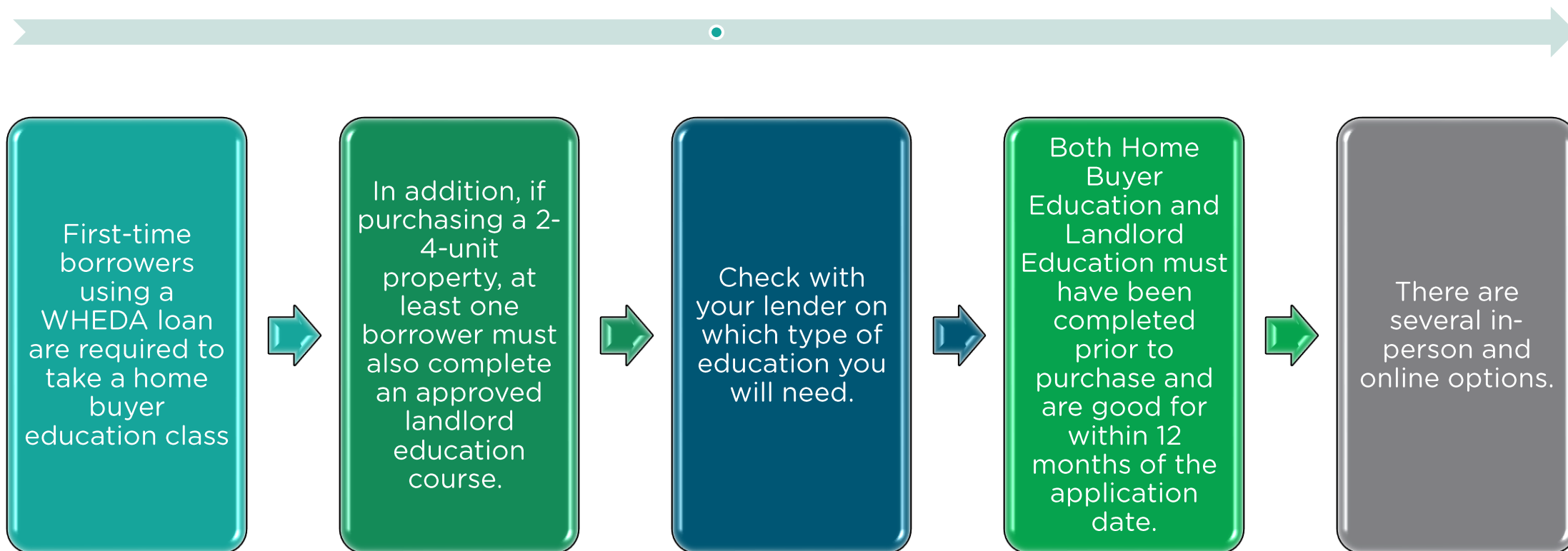
\*\* Conventional 2-4-unit, max LTV is 95% - DPA will not equal 100% financing





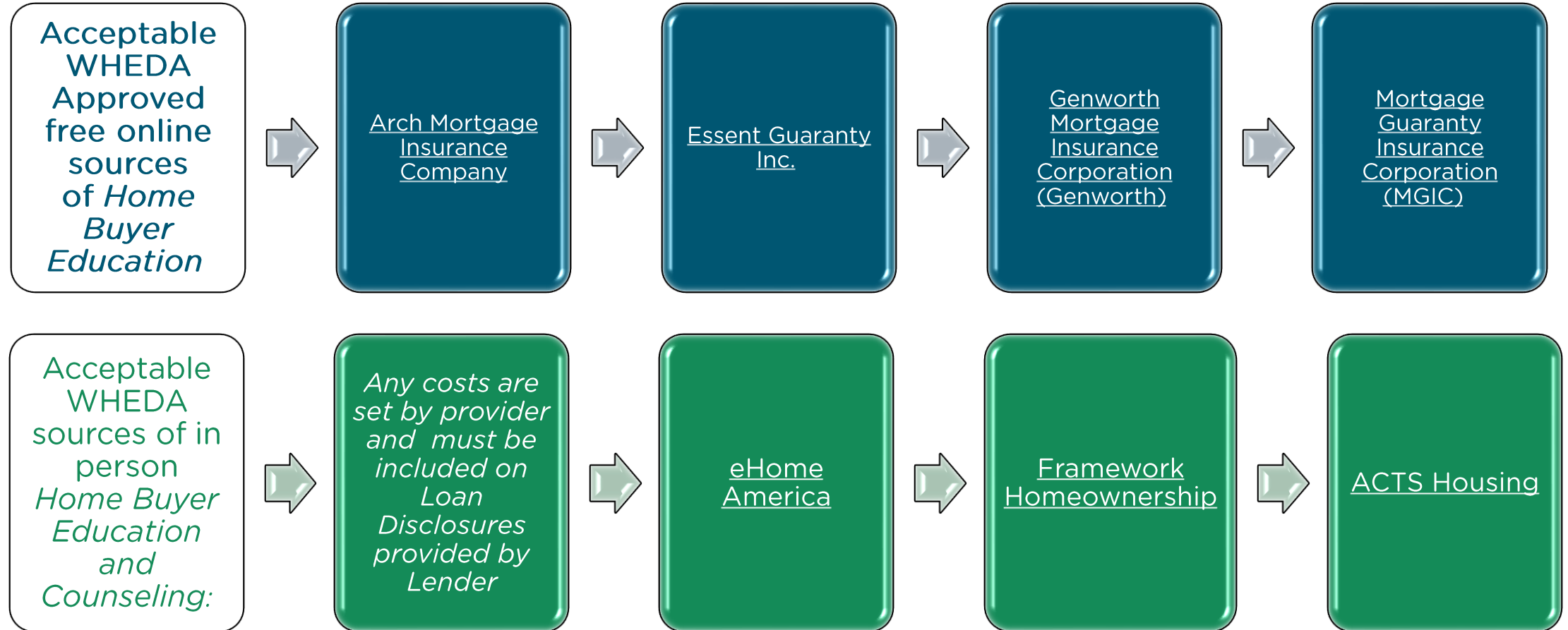
# STEP 4: Home Buyer Education

Get educated! Learn about the buying process, financing options, and being a responsible homeowner.



# HOME BUYER EDUCATION PROVIDERS

Free online providers and In-person counselors



List of statewide approved counseling agencies



# LANDLORD COUNSELING PROVIDERS

Free online providers and In-person counselors

Acceptable  
WHEDA  
Approved free  
online sources  
of *Landlord  
Education*:

- [Essent](#)
- [Genworth](#)
- [MGIC](#)
- [Radian](#)

Acceptable WHEDA  
sources of *Landlord  
Education*.

*Any costs are set by provider  
and must be included on  
Loan Disclosures provided by  
Lender*

- [Fannie Mae's Becoming a Landlord:](#)
- [City of Milwaukee Landlord Training](#)







## STEP 5: Shop For Your Home

Get pre-approved! Finding out how much house you can afford narrows your search saving you time. After pre-approval, you can [work with a qualified real estate professional](#) to find a home in your target neighborhood and price range.



**KEEP IN MIND!** Unless you and the real estate agent have entered into a “Buyer’s Agency Agreement”, the Real Estate Agent is representing the Seller.



When shopping for a home, be sure you know exactly what you  
**NEED**  
 in your home, as opposed to the things you may  
**WANT**

**Wants:**

- ✓ Granite countertops
- ✓ Stainless steel appliances
- ✓ Marble in foyer
- ✓ In-ground pool
- ✓ Lots of land
- ✓ Hot tub
- ✓ Walk-in closets



**Needs:**

- ✓ 3 bedrooms
- ✓ 2 bathrooms
- ✓ Well-maintained
- ✓ Garage
- ✓ Good school district
- ✓ Close to public transportation
- ✓ Short distance to work

Use the Homebuyer Checklist (webinar attachment #3) as a guide for you to list all of your needs before you start looking at homes, and to help you keep track of how each property you look at matches up with your list.



**HOMESTYLE RENOVATION - You find a house, WHEDA will help you make it a home.**



If you're having a hard time finding a home that meets your needs, consider WHEDA's...

## Conventional Homestyle® Renovation

Not every home is move-in ready



Purchase a home & renovate it with a single mortgage



6 Months after closing to complete renovation work



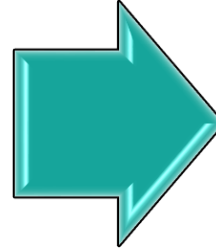
All costs associated with your renovation – including six months of mortgage payments if you are unable to occupy your home during renovation – can be financed, depending on appraised value.



## ONCE YOU'VE FOUND YOUR HOME.....

Your Real Estate Agent will assist you with writing an OFFER TO PURCHASE

- Remember - Unless you and the real estate agent have entered into a “Buyer’s Agency Agreement”, the Real Estate Agent is representing the Seller.



Once your offer is accepted, you will need to get the accepted offer to your Lender

### Your Lender will proceed with the following steps:

- Documenting any Earnest Deposit you put down – This is like a “security deposit” on your offer
- Making sure any inspections are completed – the Sellers will provide a Real Estate Condition Report where they must disclose any “defects”. This may trigger a specific inspection
- Provide you with the Loan Estimate based on the parameters of your purchase. It will disclose all fees based on the loan amount.
- Order an appraisal to make sure the property is worth what you are paying for it

[The Consumer Financial Protection Home Loan Toolkit](#) can provide you with a lot of useful information on Lender disclosure requirements, and much more!





# What to expect at closing

Your lender will provide you with the Loan Estimate once you have a property address and a final Closing Disclosure detailing your fees.

You should get three business days to review your Closing Disclosure and ask questions before you close on a mortgage.

On closing day, all parties will sign papers officially sealing the deal, to transfer ownership of the property to you. Other important documents you'll see at closing include:



## Mortgage Note

- **This document states your promise to repay the mortgage. It indicates the amount and terms of the loan and what the lender can do if you fail to make payments.**



## Mortgage or Deed of Trust

- **This document secures the note and gives your lender a claim against the home if you fail to live up to the terms of the mortgage note.**



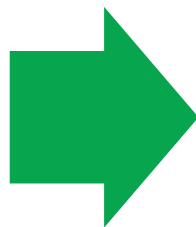




## STEP 6: Become a Homeowner

- With closing done, you are now officially a homeowner.
- Purchasing a home with a WHEDA mortgage makes you part of our community,
- where you have access to other WHEDA homeowner benefits.

At WHEDA, all of our mortgage loans are serviced locally, and we are committed to making your loan our top priority. We offer multiple avenues for you to contact us with any questions or concerns you may have during the life of your mortgage. We want to make your mortgage loan experience with us convenient, helpful and a positive experience.



Here are some of the resources we offer WHEDA homeowners:

- [Online, ACH and phone payments](#)
- [Tax Info and Online Disclosures](#)
- [Foreclosure Prevention](#)
- [Existing Homeowner Loan Programs](#)
- [Contact a Servicing Professional](#)
- [WHEDA Mortgage FAQs](#)
- [Homeowner Resources](#)



**Your journey is complete!**  
**Congratulations - - you are a HOMEOWNER!**



# Helpful Resources

There are many resources available to assist you with questions, help you find any grants you may be eligible for, and to offer you more in-depth guidance on purchasing a home.

1. [Home Buyer Education Providers](#)
2. [Landlord Education Providers](#)
3. [Consumer Financial Protection Home Loan Toolkit](#)
4. [Down Payment Resource](#)
5. [Find a WHEDA Lender](#)
6. [National Council of State Housing Agencies Resource Center](#)





# Where to find all the information we covered today

[WWW.WHEDA.COM](http://WWW.WHEDA.COM)

• **HOMEOWNERSHIP and RENTERS**



**Thank you for attending today's  
virtual webinar!**

**Markita Jefferson  
WHEDA Single Family Account Executive  
[Markita.jefferson@wheda.com](mailto:Markita.jefferson@wheda.com)**

