

Understanding Mortgage Rates

Where Do Mortgages Come From?



Types of Investments:



Bonds:

A bond is like a loan. An investor will BUY a bond in exchange for a rate.

Bond Investors to Homeowner



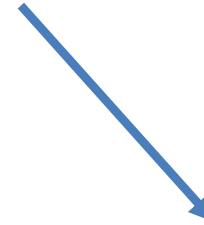
Investor buys Bonds
(Mortgage-Backed
Securities)

6.00%



Fannie Mae
Freddie Mac
Ginnie Mae
(Securitized)

+ 0.25%



CHASE 

citibank

BB&T

usbank

SUNTRUST
Live Solid. Bank Solid.

STEARNS
BANK

WELLS FARGO HOME MORTGAGE

Bank of America.



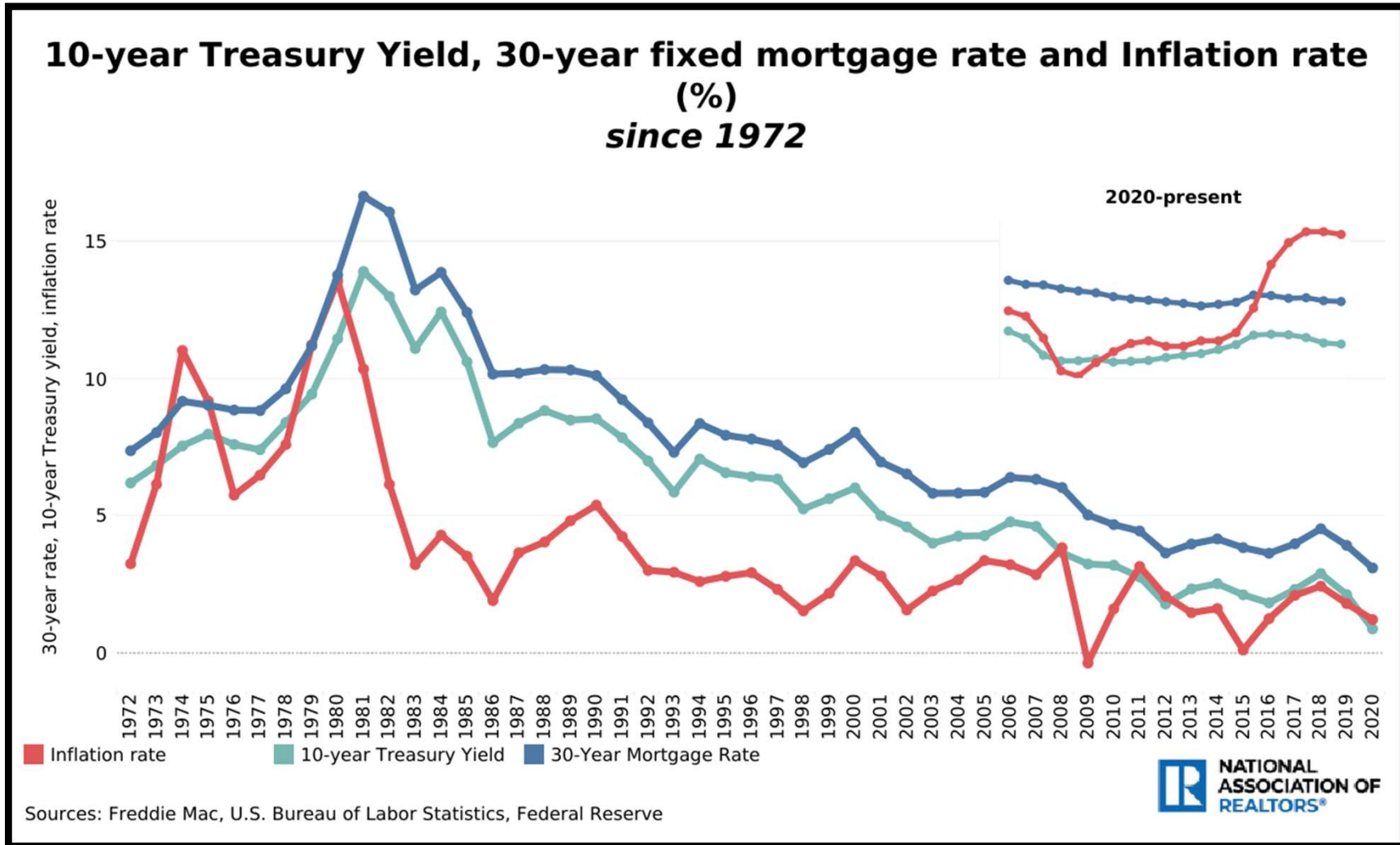
PNC



+ 0.25%



How do we monitor the market?



MBS Highway



What is the DNA of your rate?



1938-2009



Conforming

Rates were the EXACT same for everyone who qualified

Sub-Prime "Non-conforming"

Rates varied greatly, based on anything & everything

2009 - Present



Conventional

Rates are now solely based on a system called "Loan Level Pricing Adjustments" (LLPA) – and there are 30 types of adjustments. We call this your "Individual Mortgage Scorecard" or the DNA of your specific interest rate.

The 30 different Adjustments:

1. Loan Amount (<\$180K >\$417K)
2. Loan Type (CONV, USDA, VA,FHA)
3. Loan Term (30,15,7/1)
4. Amortization (FIXED, ARM)
5. Purpose (Purchase, Refinance)
6. Cash Out/Amount
7. LTV
8. CLTV
9. Property/State
10. Property County
11. Property Type (SFR, Condo)
12. # of Units (1-4)
13. Occupancy (Owner/Investment)
14. Credit Score
15. Credit History
16. Debt Tolerance Ratio
17. Asset Verification
18. Reserves
19. Relocation
20. Gift Funds
21. Concessions
22. Income Verification
23. Employment Status
24. Employment Documentation
25. Co-Borrower (Occ/Un-Occ)
26. Citizenship
27. Lock Period (7,15,30,60,90)
28. Mortgage Insurance (MO, LPMI)
29. UW System (AUS, DO, DI, DE)
30. Escrow (Included, Yes or No)



With this in mind, if you were a Sales Manager at ABC bank, how would you teach your staff to answer the question...

"What are the going rates today?"

These adjustments are public information

- Go to Google
- Search: Fannie Mae LLPA – 6 Pages

Purchase Money Loans – LLPA by Credit Score/LTV Ratio										
Credit Score	LTV Range									
	Applicable for all loans with terms greater than 15 years									
	≤ 30.00%	30.01 – 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	>95.00%	SFC
≥ = 780	0.000%	0.000%	0.000%	0.000%	0.375%	0.375%	0.250%	0.250%	0.125%	N/A
760 – 779	0.000%	0.000%	0.000%	0.250%	0.625%	0.625%	0.500%	0.500%	0.250%	N/A
740 – 759	0.000%	0.000%	0.125%	0.375%	0.875%	1.000%	0.750%	0.625%	0.500%	N/A
720 – 739	0.000%	0.000%	0.250%	0.750%	1.250%	1.250%	1.000%	0.875%	0.750%	N/A
700 – 719	0.000%	0.000%	0.375%	0.875%	1.375%	1.500%	1.250%	1.125%	0.875%	N/A
680 – 699	0.000%	0.000%	0.625%	1.125%	1.750%	1.875%	1.500%	1.375%	1.125%	N/A
660 – 679	0.000%	0.000%	0.750%	1.375%	1.875%	2.125%	1.750%	1.625%	1.250%	N/A
640 - 659	0.000%	0.000%	1.125%	1.500%	2.250%	2.500%	2.000%	1.875%	1.500%	N/A
≤ 639 ¹	0.000%	0.125%	1.500%	2.125%	2.750%	2.875%	2.625%	2.250%	1.750%	N/A

How familiar are you with the term “POINTS”?



If you lowered your rate by .25% how much do you think it would lower your payment? \$_____mo.

(** This is just an example and based off a \$250,000 purchase price)

Rate	Cost/Credit for the Rate	Monthly P&I Payment	Total Interest Paid over 10 years at this Interest Rate:	Breakeven
4.375%	(\$1,250)	\$1,248.00	\$99,021	Credit
4.250%	\$0	\$1,229.00	\$96,008	Par Rate
4.125%	\$1,563	\$1,210.00	\$93,003	82 Months
4.000%	\$2,188	\$1,191.00	\$90,007	115 Months



Would you pay \$2,188 today to save \$38.00 a month? _____

How long do you plan on living in this home? _____

How long did you live in your last home? _____

Have you ever refinanced? If so, how many times?

When did you buy your first home? _____

Most banks advertise the best rate possible with a MASSIVE paragraph in very small print saying that “such rate will cost you an arm and a leg.”



Thank You!

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