



UNDERSTANDING LOAN PROGRAMS SNIPPETS

Cal Investment Group

The Guidelines: 3 Borrower Qualities

Credit, Income, Assets: Gotta have at least 1 of them!

Credit

- FICO Fair-Isaac score up to 850, computer driven
- 3 Agencies, middle score

- 720+ A+
- 680+ A,
- 620 to 680: A or alt A, 620 Min conforming Fannie Mae
- 580 to 620: B
- 540 to 580: C
- <540, D

- Banks use score to access ability to pay loans
- We have a class to go into detail on credit

Income

- Debt/Income Top
- Debt/Income Bottom

- Total Monthly Housing Expenses (PITI)/Gross Monthly Income
- Total Monthly Liabilities/Gross Monthly Income

- Determines ability to afford the home
- Determines ability to afford the home and other household debt

Assets*

- LTV/CLTV
- Reserves

- First Loan/Value = LTV: Total Loan/Value=CLTV
- Down payment for purchase. Appraisal or recent sale for refi.
- Six month PITI: mortgage/insurance taxes payment

- Protects bank if borrower defaults
- Shows borrower can handle short term loss of income

*LTV, a property guideline in refi, borrower guideline for purchase

Secondary Markets

Guidelines dictate eligibility to each market, each with better rates.

A Paper

Market Definition

- Conforming loans that meet Fannie/Freddie Mac guidelines
- Non-Conforming loans that meet guidelines but are Jumbo

Key Characteristics

- Best Rates
- Hardest to Qualify for
- All three borrowers guidelines must be met
- Very competitive, market sets rebates to be lowest

Alt-A

- Loans that are just "off" the government guidelines, but still have a large market.

- Each missing piece results in a higher interest rate.
- Typical: N/O/O, Multi-unit, very high CLTV

Sub-Prime

- The most Difficult loans, still sold to secondary market
- The loosest guidelines

- Like Alt A, missing piece results in higher rate, but interest rate less of an issue.
- The key is to find strength in one area has to offset weakness in another.

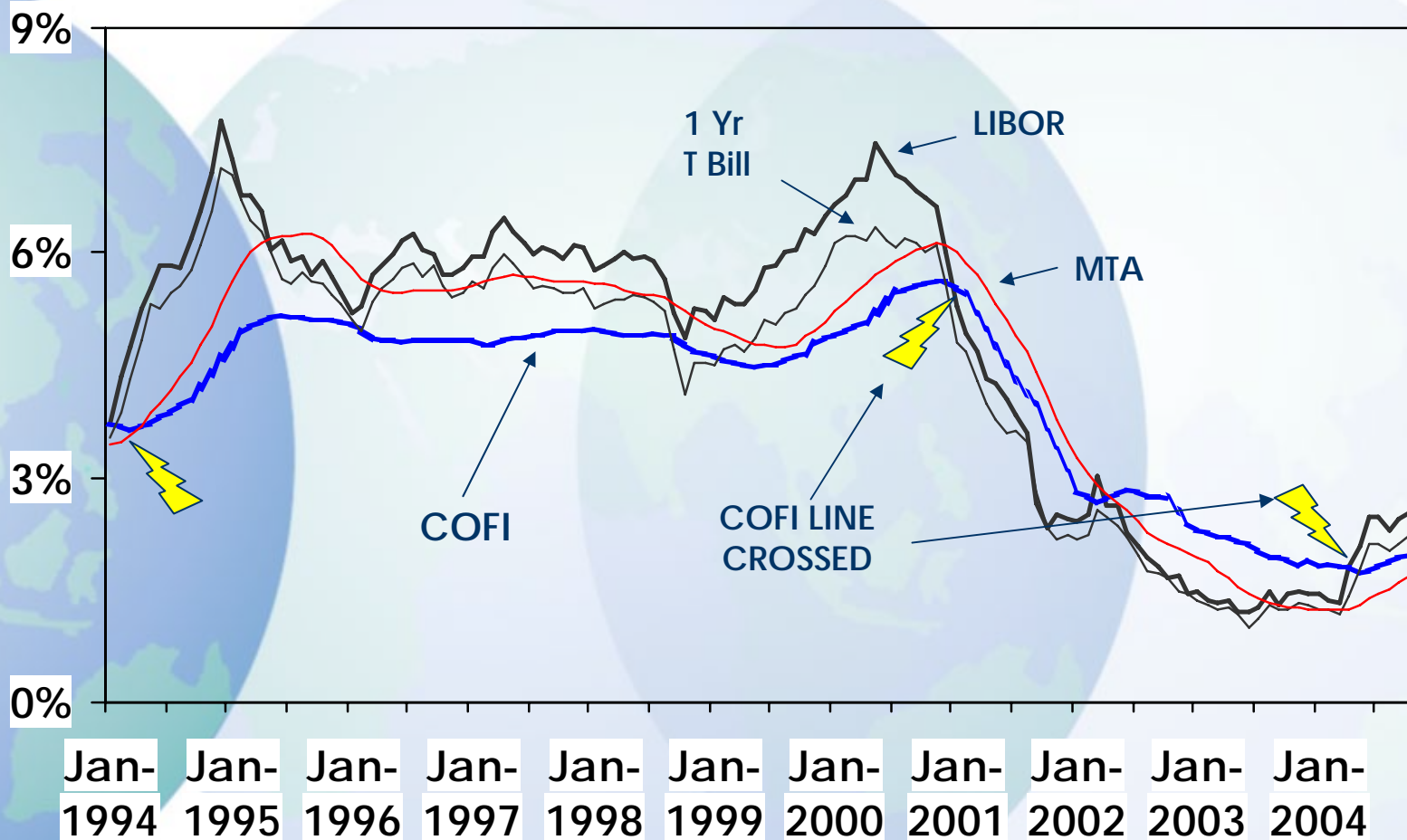
Portfolio

- Loans not sold to secondary market

- Terms vary by lender
- Generally pick-a-pay plans
- Greatest opportunity for flexibility

Customer Preferences • Indices History

Fast (Libor/T-Bill), Medium (MTA), Slow (COFI)



Higher Rates are coming, the COFI line has been crossed!