

# MORTGAGE LOAN BROKERAGE & LENDING

## PROJECT SCENARIO

On July 10, Kenneth and Peggy Plummer had their offer accepted on a home at 7421 Elm Vista Drive, Lomita, CA 94520. The price was \$490,500 with escrow to close on September 15.

The Plummers want to put 15% down using the proceeds from the sale of their condo at 16730 Cedarwood Circle, Cerritos, CA 90701, which they sold for \$381,000. The realtor negotiated with the seller to carry back a 2<sup>nd</sup> for 5% of the purchase price at 8% interest with no loan fee, monthly payments at 1% of the original balance, due in 7 years. The Plummers' real estate broker has told them that 80% conventional loans are available at 5.875% interest for 30 years with a 1 point loan fee.

As the mortgage broker, you inform the Plummers that there are other financing alternatives. To eliminate the need for seller financing, 85% LTV financing is available with PMI at the same interest rate as the realtor quoted above for 80% loans. Also, a "Piggyback" 80% 1<sup>st</sup> and a 5% 2<sup>nd</sup> can be used to eliminate the seller financing. The rate on the first is the same as the other loans quoted above and the rate on the second is 1.375% higher than the first and has a 15 year term with 30-year amortization.

Finally, FHA and VA loans are available without seller financing. If they take an FHA loan, the Plummers say that they will pay the up-front portion of the Mutual Mortgage Insurance (UFMIP) in cash. As a veteran who has never used his VA benefit, Kenneth Plummer knows that VA is available with zero down, but they still want to put 15% down. If they take the VA loan, they will pay the Funding Fee in cash. Both government loans are available at 6.625% interest with a 1 point loan fee.

The Plummers have completed the attached loan application with all their pertinent financial information, including the existing loan on their condo which will be paid off. For the Elm Vista Drive house, estimated monthly maintenance and repair expenses are \$150 per month and utilities are \$450 per month.

The property is neither in a flood zone nor a Mello-Roos tax area. There is no homeowner's association. The Plummers have excellent credit.

Use the **Charts and Factors** tables for all Project calculations.

## PROJECT FORMAT

*The Project will be completed in 3 parts and will use the data shown above:*

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|----|--|-----------------------|
| 1) | <b><i>PART I - Pre-Qualification</i></b>                 | <b><i>50 pts.</i></b> |
| 2) | <b><i>PART II - Comparison of Loan Options</i></b>       | <b><i>50 pts.</i></b> |
| 3) | <b><i>PART III - Competing with 3 Direct Lenders</i></b> | <b><i>30 pts.</i></b> |