

**Back to
the
Future**

coursecreators



CourseCreators.Com

A COURSE CREATORS' PRESENTATION
Innovative & Renovative
Lending



WELCOME TO A COURSE CREATORS PRESENTATION



Our Mission

Is to make
certain that
our clients:



Get it!



Use it!



***Become
more successful
because of it!***

***SPECIAL THANKS FOR
CONTRIBUTING TO
EXCELLENCE IN EDUCATION***





Causing Colorful Change

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Become more successful because of it!

WHAT WE CAN GIVE YOU!



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Use it!



**Become
more successful
because of it!**



Our Mission

Is to make certain that our clients:

Get it!

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Our Mission

Is to make certain that our clients

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How to Hire Us

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Audience Reviews

COMPLIMENTS OF THE COURSE

CREATORS BLOG

Get More Business – Have You Heard? The Investors Are Coming!

Remember when we first started talking about short sales and REO's and some of the agents jumped on the bandwagon early, saw the opportunities of a trend, built relationships with lenders and closed lots of REO and short sale transactions because they established their place in that market early? Remember how you wondered where they got all those listings? Opportunities are always present in real estate if you understand the trends and move early on them. Don't miss out this time around.

In Tucson, Arizona you are at the start of a strong investor trend. Get ready now. We are not the only ones who think so. On June 3rd Inman News released an in depth special report **“10 Best Markets for Real Estate Investors.”** The report analyzed a number of factors that investors look at including, pricing, anticipated appreciation market rents and other factors and ranked Tucson as the 4th best market in the United States. **Get a copy of the full report.**

Among the statistics that are appearing in our industry:

- **Investors accounted for 21 percent of transactions in the first three months of 2011, and 33 percent of transactions during that period involved cash buyers — the highest share since NAR began tracking that statistic at the end of 2008.**
- **Distressed property sales including foreclosures and short sales accounted for 40 percent of existing-home sales in March, NAR said, and investors bought 54 percent of those properties, according to economic research firm Capital Economics.**

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Our Mission
Is to make
certain that



A Variety of Useful Videos

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Course Creators Theme Song

From: coursecreators | December 20, 2009 | 305 views

Course Creators Theme Song for national speakers and keynoters, Theresa Barnabei & Len Elder. Dedicated to insuring that their clients, Get IT, Use IT and become more Successful because of IT. Course Creators Theme Song, "FLY" was custom written for Course Creators. The song was written produced and performed by Cedars-Green. We thank them for their excellent work and contribution to our success. ... (more info)



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Video Transaction Guides

Videos created and collected for real estate professionals to use in the education of their clients!

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CourseCreators.Com

INNOVATIVE & RENOVATIVE LENDING

LEARN ABOUT THE FHA 203(K) LOAN

WITH CO-INSTRUCTOR AND
LENDING EXPERT
SUE PULLEN



BRAND
NEW
CLASS!



BACK TO THE FUTURE



SETTING THE STAGE

EVOLUTION OF FHA

- Federal Housing Administration
- Overseen by HUD
- Started in the 1930's





**SPUR HOUSING TO GET THE
ECONOMY MOVING!**

FHA – THE ORIGINAL SUB-PRIME LENDER

- 1983 – 70%
- 1993 – 33%
- 2003 – 3%
- 2011 – 62%



Your Door to

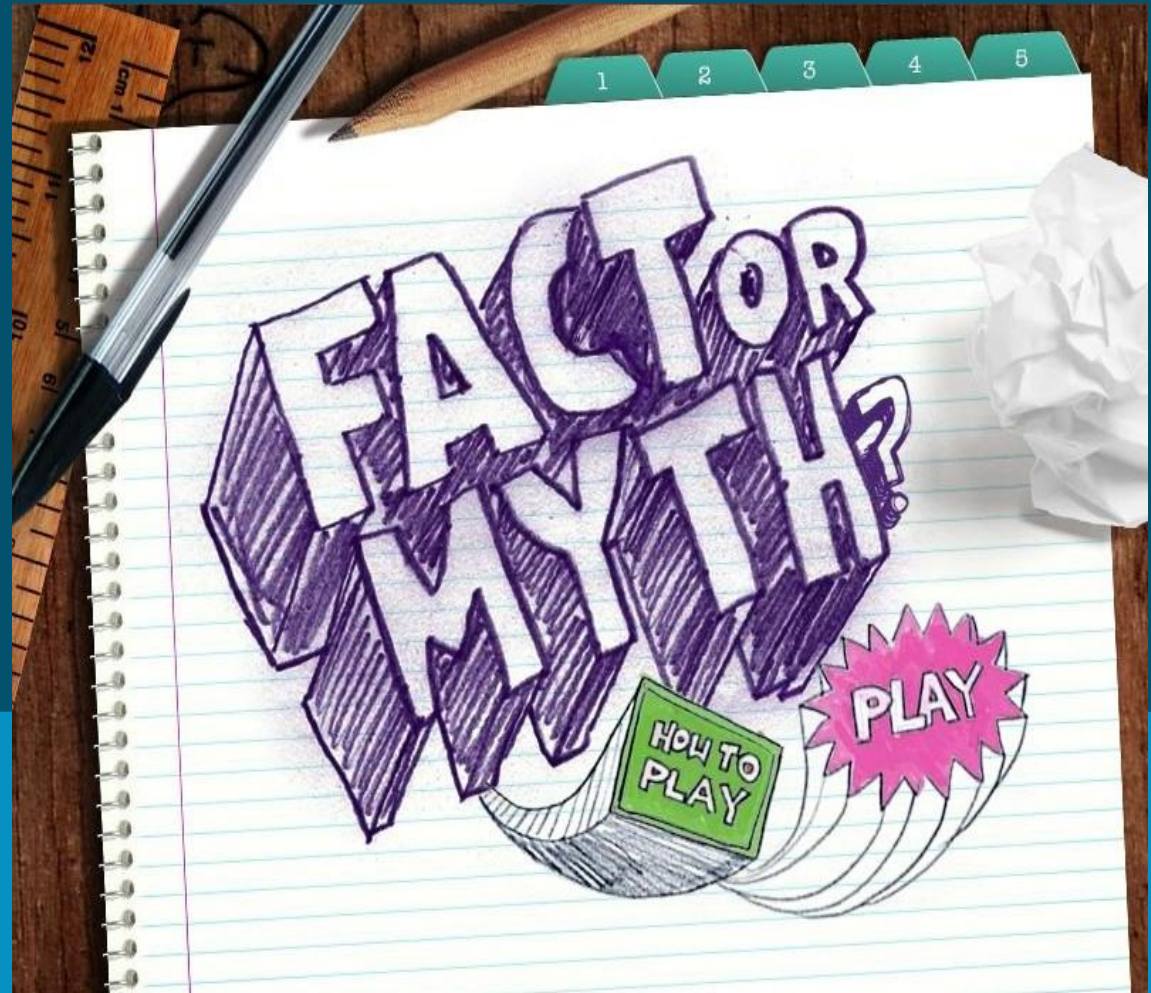
FHA



HOMEOWNERSHIP

MYTHS & MISCONCEPTIONS THE FHA AWARENESS QUIZ

Time
to Play

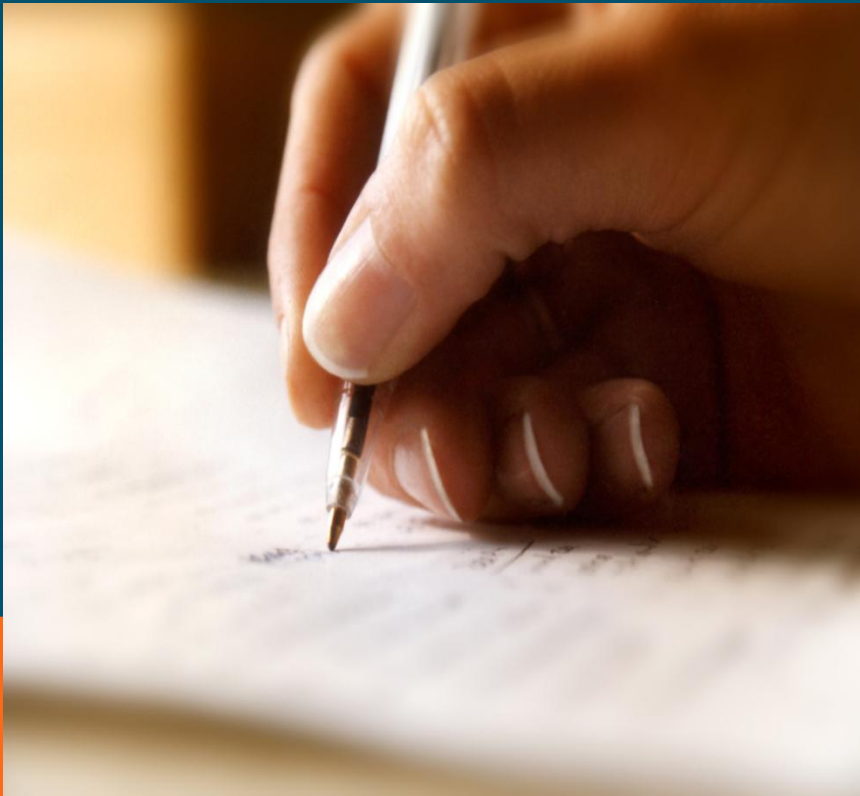


1. FHA REQUIRES ALL HOMES TO HAVE A STOVE.



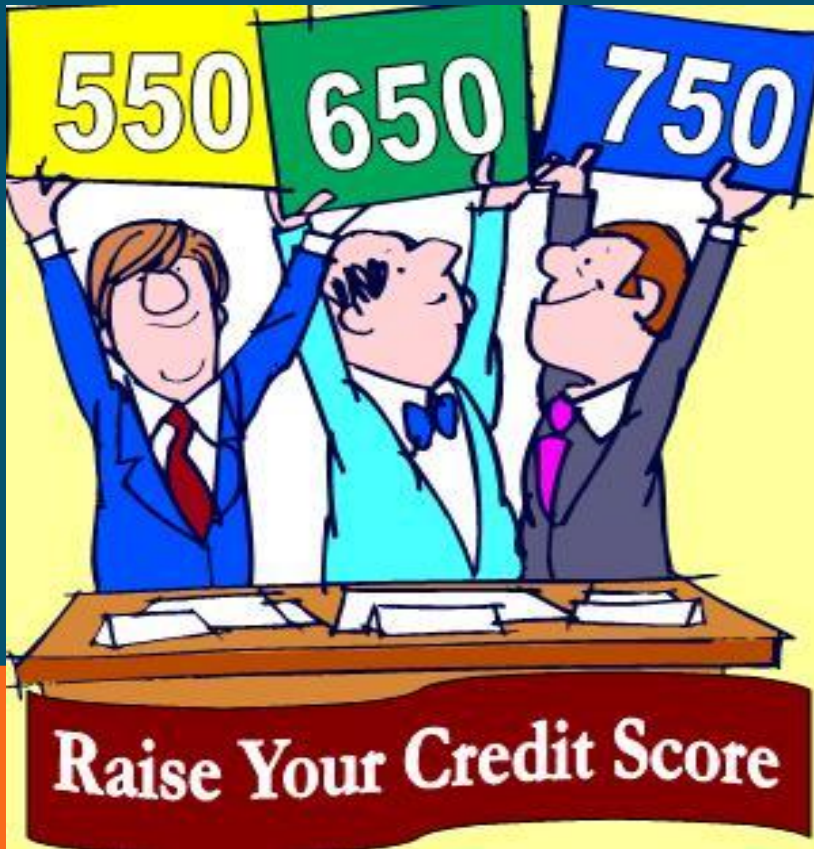
FALSE

2. INDIVIDUAL INVESTOR LENDERS WRITE THEIR OWN FHA GUIDELINES



TRUE

3. FHA LOANS REQUIRE A MINIMUM CREDIT SCORE OF 620.



FALSE

4. YOU CANNOT GET FHA FINANCING IF THE HOME HAS AN UNPERMITTED ADDITION.



FALSE

**5. IF THE POOL IS EMPTY OR
COSTLY TO FILL THE BORROWER
SHOULD USE CONVENTIONAL
FINANCING**



FALSE

6. CONCRETE FLOORS CAN MEET THE FHA REQUIREMENT FOR “FLOORING” IN THE HOME.



TRUE

7. ALL SECURITY BARS MUST HAVE A QUICK RELEASE MECHANISM



FALSE

8. DEADBOLTS REQUIRE THAT THE KEY BE IN THE LOCK AT THE TIME OF INSPECTION



FALSE

**9. FHA INSPECTORS ARE
PERMITTED TO WAIVE CERTAIN
“MINIMAL COMPLIANCE” ISSUES
SUCH AS A CRACKED OR MISSING
ELECTRICAL OUTLET COVER**

FALSE

10. A SELLER SHOULD DO ALL SCRAPING AND PAINTING PRIOR TO LISTING THE PROPERTY



TRUE

11. ALL BROKEN AND CRACKED WINDOWS MUST BE REPLACED



FALSE

12. A CURRENT TERMITE REPORT IS REQUIRED FOR ALL FHA FINANCING



FALSE

FHA APPRAISAL REALITIES

- Appraisers are not employed by FHA, they are FHA certified
- Typical cost \$400
- Review adds additional safe, sound & secure issues
- It is easier to go from FHA to conventional than it is to go from conventional to FHA



ROUNTABLE DISCUSSION
“CURRENT APPRAISAL ISSUES”

FHA APPRAISAL PREP CHECKLIST



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 **Sue Pullen's Mortgage Insights**
From National Mortgage News - Connecticut Mortgage Banker Plans to Hire 50 LOs

Published: 2011-07-25 05:00:00 GMT
Read: Full story
Source: National Mortgage News

 3 hours ago via RSS Graffiti · Like · Comment · Share

 **Sue Pullen's Mortgage Insights**
Down Payment Assistance for Home Buyers --- Yes There Is Money Out There!!!

Here are three homebuyer assistance programs for Pima County and the City of Tucson that are currently available...

Saturday at 8:52am · Like · Comment · Share

 **Sue Pullen's Mortgage Insights**

 **Credit: What is It? And How to Establish New Credit - By Sue Pullen**
gdata.youtube.com

This 10 minute video has two parts. Part 1 explains what credit is and what affects it. Part 2 tells you how to establish new credit. If you have questions after you view this video, give me a call or send me an email.

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CREDIT & QUALIFICATION ISSUES

- No Minimum Credit Score
- General Investor Overlays 640
- 660 and Better Improves Pricing
- Bankruptcy: 2 years from chapter 7
- Short Sales: 3 years



**JUDGMENTS MUST BE PAID AND
EXPLANATION LETTERS ARE
REQUIRED**

DOWNPAYMENTS & GIFT FUNDS

- 3.5% From Borrower
- Third Party Can Contribute Up to 6%
- Gift Funds
 - Requires Gift Funds Letter
 - Copy of Bank Statements
 - 1 % Upfront MIP (Paid as Part of Costs)
 - Plus Monthly Fee (Downpayment Based)



ROUNTABLE DISCUSSION
“GIFT FUND ISSUES”

SPECIFIC FHA PROGRAMS

- 1- 4 Units
- Kiddie Condos
- Bond Programs
- Downpayment Assistance



**NOTE TO SELF:
WE LIVE IN A UNIVERSITY TOWN
RIPE FOR INVESTORS**

KIDDIES & CONDOS



THE APPROVED PROJECT CONDO LIST



<https://entp.hud.gov/idapp/html/condlook.cfm>

FHA ANTI-FLIPPING RULES

- 90 Day ownership rule
- Takes into account a 20% profit limitation on the part of an investor
- Document repairs
- Secondary appraisal and additional home inspection rules imposed



**NOTE TO SELF
DISCLOSURE TO INVESTOR BUYERS
OF DISTRESSED PROPERTIES**

MANUFACTURED HOMES



- Built After 1976
- Must Still Find an Investor
- Foundational Certification
- \$75 for HUD Tag Information
- Relocated homes Not eligible

**GOOD LUCK WITH LENDER
INVESTORS INDIVIDUAL
LIMITATIONS AT THE MOMENT**

DOWNPAYMENT ASSISTANCE PROGRAMS & MCC PROGRAMS

- Mortgage Credit Certificates (MCC)
- Family Housing Resources
- Local Bond Programs
- May affect commissions and fees



**CLASSROOM ROUNDTABLE
WHAT'S CURRENTLY AVAILABLE?**

FHA 203(K) LOAN – OVERVIEW

- FHA 203(k) loan first introduced in 1978
- Designed to help America restore and preserve its existing housing stock.
- Popular in the 1990's.
- Wiped out by ease of other financing



**WELCOME BACK TO THE
FUTURE!**

FHA 203(K) LOAN – OVERVIEW



- There is \$165 billion in home renovations each year.
- Financing is needed for properties in disrepair due to vandals, theft and neglect.
- The FHA 203(k) loan is based on “after repair value” and includes an escrow account to complete the repairs needed to bring the home to a condition that lenders feel safe.

**TODAY THE NEED IS
GREATER THAN EVER**

FHA 203(K) STREAMLINE TARGET MARKET



- Owner occupied Borrowers (no investors allowed)
- Non-occupant co-borrowers are allowed
- REO / Foreclosure / Short Sales
- Renovations that have not been completed
- Properties with outdated kitchens and bathrooms, etc.

**INVESTORS BENEFIT BY
BEING THE SELLERS**

CREATING MARKET DIFFERENTIATION

- Helps you differentiate your listings from your competition
- Helps you increase sales and income
- No need for the seller/bank to repair the property
- Low down payment (3.5%) *based on the acquisition cost (purchase price plus rehab costs)*



**SELL MORE DISTRESSED
PROPERTIES**

CREATING INSTANT EQUITY IN A DISTRESSED SALES MARKET

- Purchase Price
\$73,000
- Repairs of \$21,500
- Total Cost \$94,500
- Completion Value
\$106,000



INSTANT EQUITY OF \$12,500

UPDATING & RENOVATING YOUR DREAM HOME

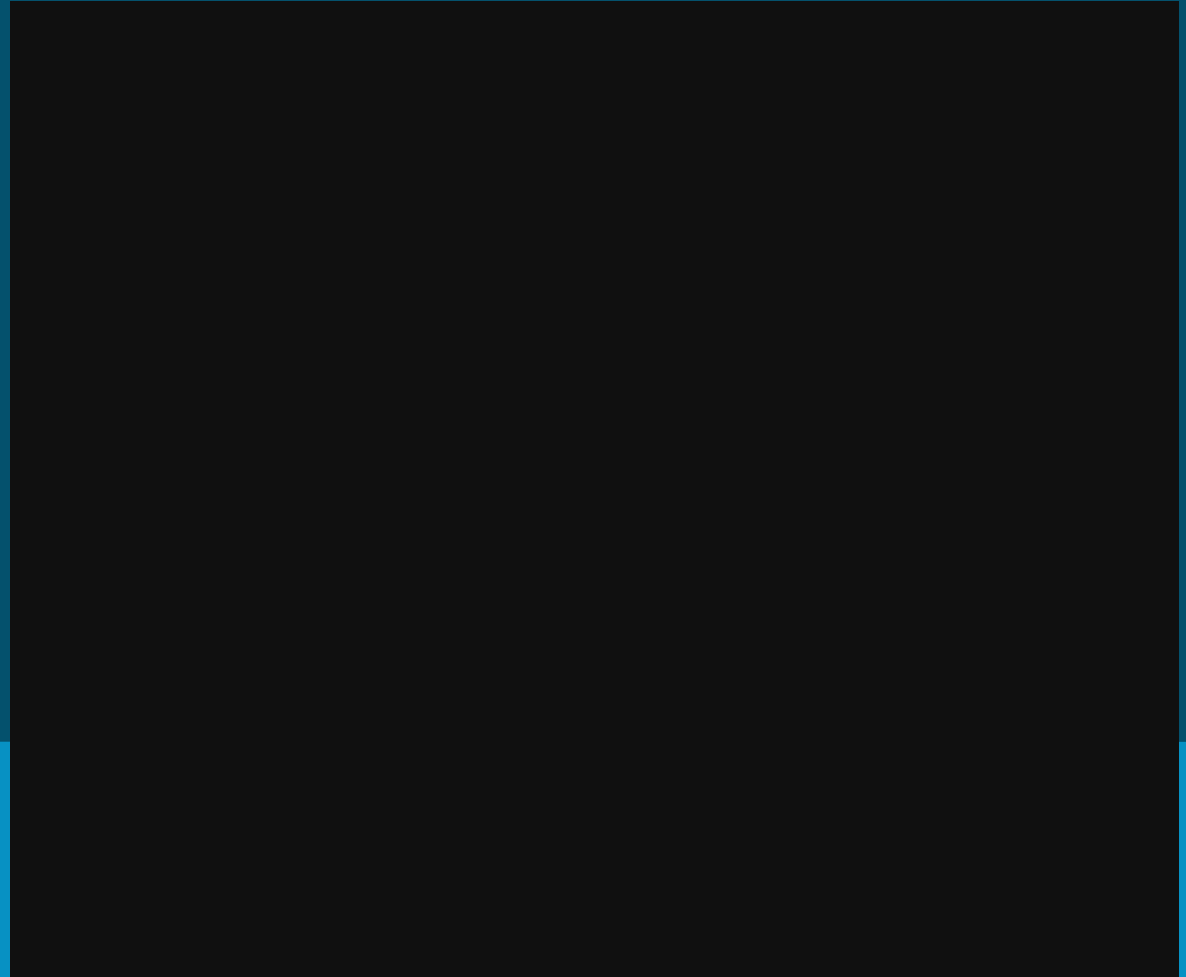
- Purchase Price
\$95,000
- Repairs of \$15,000
- Total Cost \$110,000
- Completion Value
\$123,000



**INSTANT EQUITY OF \$13,000 AND
ALL THE COMFORTS OF HOME**

ASSISTING WHOLE NEW GROUPS OF CLIENTS

- Assisting Those With Disabilities
- Fulfilling the True Promise of Fair Housing



SO WHO QUALIFIES TO DO THIS?

- Owner Occupied borrowers only
- 640 minimum credit score (*although FHA has no minimum score*)
- 3.5% minimum down payment
- Gift funds are allowed
- No cash reserves are required
- 6% contributions allowed toward buyers closing costs & prepaids
- No bankruptcy within the past 2 years
- No foreclosure or short sale within the past 3 years
- 31/43 qualifying ratios, can be higher with AUS approval

**NOTE TO SELF:
THIS IS ALL A LOT EASIER THAN
CONVENTIONAL REQUIREMENTS**

WHAT PROPERTIES QUALIFY FOR THIS?

- SFR; PUD's; Townhomes; 2-4 unit properties (*however 3-4 unit properties require 3 months reserves*).
- Manufactured Homes
- Condos in approved projects only
- Properties must be 100% complete and at least 1 year old. No partially built homes (*must have a certificate of occupancy*).



**TO CALCULATE USE SALES PRICE +
REPAIRS OR 110% OF "AS
COMPLETED" APPRAISED VALUE**


WHAT ARE THE LENDING AMOUNTS INVOLVED?

- Maximum FHA loan limits apply
- 10% contingency reserve (*although not all lenders require a contingency reserve*)
- Maximum rehab is \$35,000 (*including the 10% contingency reserve and the supplemental origination fee*)



REHABILITATION LIMIT
\$1TO \$35,000

WHAT IMPROVEMENTS CAN BE MADE?

- Modernization and improvements to the home's function;
 - Elimination of health and safety hazards;
 - Changes that improve appearance and eliminates obsolescence;
 - Reconditioning or replacing plumbing;
 - Installing a well and/or septic system
 - Connect property to public utilities;
 - Upgrade/replace existing HVAC system;
 - Upgrade electrical system;
 - Add/replace roof;
 - Add/replace floors;
 - Enhance accessibility for a disabled person;
 - Make energy conservation improvements;
- 

STILL MORE ELIGIBLE REPAIRS

- Repair/replace exterior decks, patios and/or porches;
- Painting, interior and exterior;
- Upgrade/replace windows and doors;
- Purchase and install new appliances;
- Pool repairs not more than \$1,500;
- Standard non-structural repairs to detached buildings (garages, workshops, storage buildings, etc) as long as value given to the building;
- Cost for termite treatment. Required repairs can be included provided there are no structural items needing repair.

WHAT REPAIRS ARE INELIGIBLE?

- Major rehabilitation;
- New construction including room additions;
- Repair of structural damage;
- Repairs requiring detailed drawings or exhibits or architectural plans
- Landscaping or site amenity improvements;



Repairs must start with 30 days of closing and cannot displace the borrower for more than 30 days during rehabilitation

WHAT ADDITIONAL FEES ARE INVOLVED?

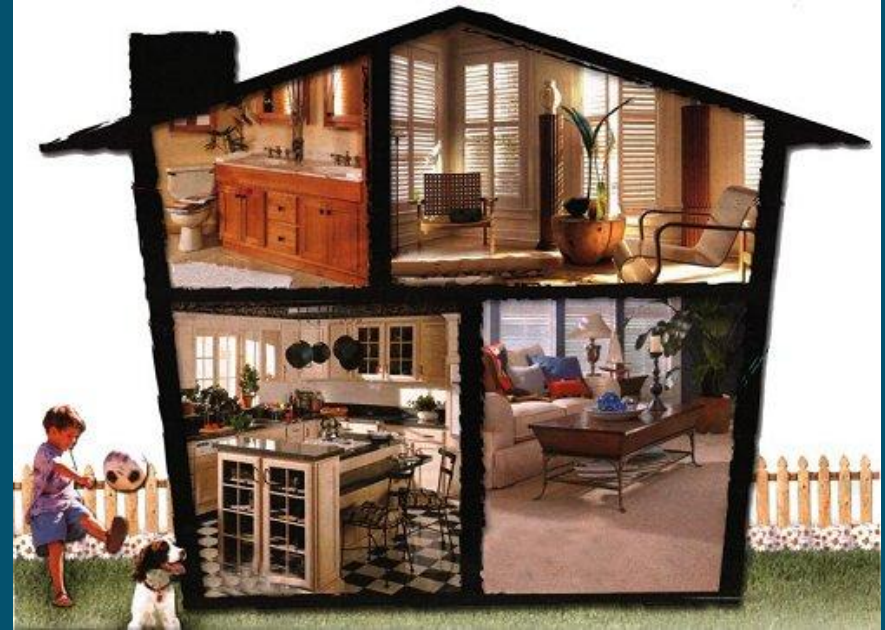
- Supplemental origination fee of \$350 or 1.5% of the repair amount, whichever is higher. This fee is paid to the Investor.
- \$100 final inspection fee, paid to the Investor.
- \$50 final title policy update fee, paid to the Investor.



NOTE TO SELF
ALL SUBJECT TO BEING PAID BY 6%
CONTRIBUTION TO CLOSING COSTS

WHAT DOES THE PROCESS LOOK LIKE?

- Buyer selects an FHA approved 203(k) lender and a real estate agent knowledgeable with the FHA 203(k) renovation loan.
- At contract acceptance, prior to ordering the appraisal, the Buyer needs to obtain bids for the work that will be done and included in the renovation loan.



NOTE TO SELF
LEAVE ADDITIONAL INSPECTION TIME
TO COLLECT AND REVIEW THE BIDS

THE BID PROCESS

- Arizona Licensed Contractor;
- Bids must be broken down showing labor and materials;
- FHA does not require 2 or 3 bids per repair, however, some lenders may;
- Bids are submitted to the appraiser.



APPRAISER PRO VIDES BOTH AN
“AS IS” AND A “SUBJECT TO” VALUE

ADDITIONAL BORROWER FORMS



- Rehabilitation Loan Agreement;
- Borrower's Disclosure;
- Self-Help Agreement.

BORROWER & CONTRACTORS FORMS

- Homeowner/Contractor Agreement;
- Indemnity Agreement;
- Initial Disbursement Request and Release Form;
- Final Draw Disbursement Form.



CONTRACTOR FORMS

- Draw Request Disclosure Form;
- Contractor Profile Report (a resume);
- W-9 Form;
- Copy of the Contractor's General Liability Insurance and a copy of the Contractor's active Arizona License.



CONTINGENCY RESERVE

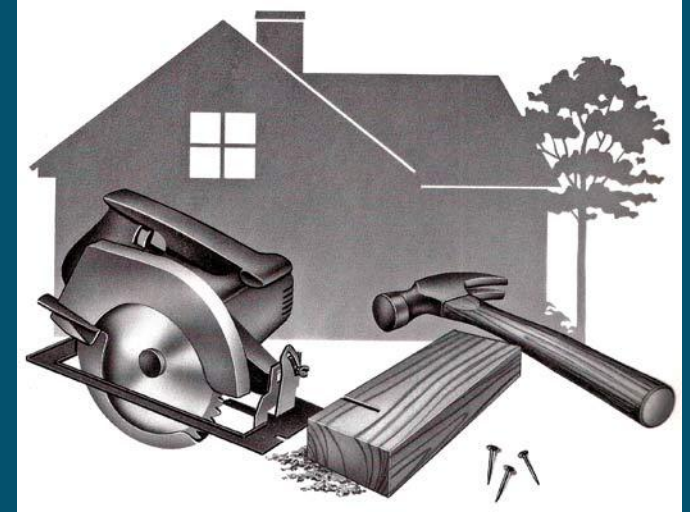
- 10% contingency reserve for cost over-runs;
- 15% required if utilities are not on at the time of inspection;
- Contingency reserve funds can be used for cost over-runs or additional improvements decided after closing. If the funds are not used, they are applied to the loan as a principal reduction.



**CONTINGENCY FUNDS ARE AN
INDIVIDUAL LENDER REQUIREMENT**

THE REHAB PROCESS AFTER CLOSING

- 50% at closing from title company to Borrower & Contractor
- Remaining 50% held by Lender, not Title
- As soon as the Borrower receives his/her keys, repairs can begin. Repairs must begin within 30 days of loan closing.



**NOT AN ESCROW HOLD BACK
PROCESS INVOLVING TITLE**

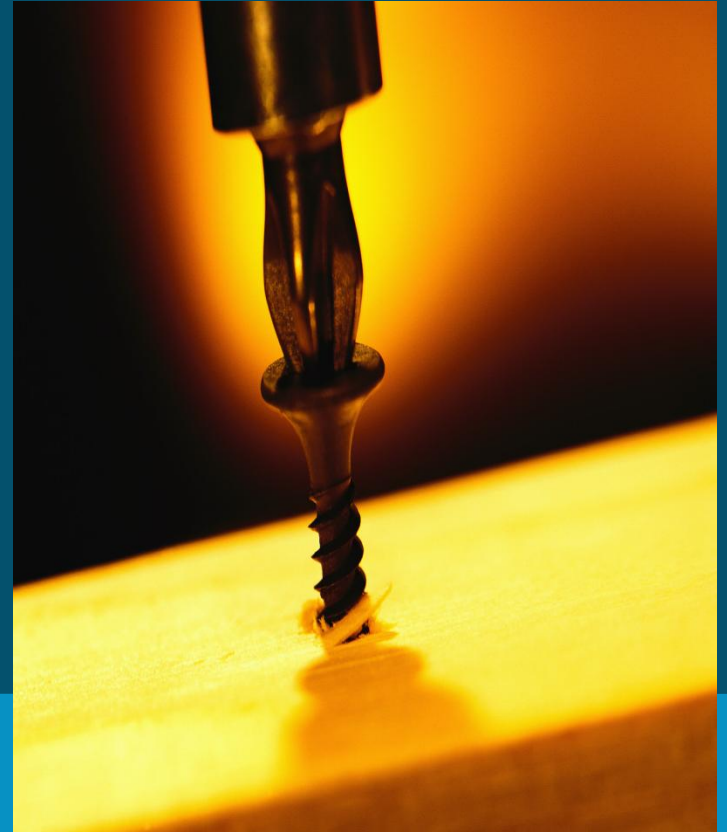
THE REHAB PROCESS AFTER CLOSING

- Investor will check on status within 20-30 days
- Borrower & Contractor complete repairs
- Return Letter of Completion and all Invoices to Lender



THE REHAB PROCESS AFTER CLOSING

- Lender may order final inspection and title search
- Borrower & Contractor receive the additional 50% held by lender for repairs
- Unused amounts applied to principal reduction



FHA 203(K) VS HOMEPATH RENOVATION LOANS

	HomePath Renovation	FHA 203(k)
Occupancy	0/0	0/0
Maximum LTV	97%	96.5%
Min Credit Score	660	640
Close of Escrow	60-90 Days	30-45 Days
Maximum Repairs	\$30,000	\$35,000
Time to Complete	3 months	6 months
Contractors	General Contractor	Do it Yourself
Additional Fees	Approx \$1,200	Approx \$500
Interest Rate	2% higher	.25% higher
Mortgage Insurance	No	Yes
Underwriting	Brokered	In-House

YOU CAN CREATE GREAT MARKET DIFFERENTIATION



- Help buyers purchase homes in great locations and turn them into dream houses
- Buyers can take advantage of homes valued under market
- Buyers can “customize” the home
- Buyers can build immediate equity once renovation is complete

**CAN YOU HELP THEM VISUALIZE THE
POSSIBILITIES?**

BROUGHT TO YOU BY:



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 Company NMLS #2289



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2331 S. Placita Pitiquito, Tucson, AZ 85713

BASIC

Basic Package	
Prep	Remove door in rear porch and enclose with siding Repair drywall in Master Bedroom closet area
Doors	Install new sliding glass door on rear porch Install new door knobs on all bedrooms and baths Install new door handle set on wrought iron entry security door
Lighting	Install new light fixtures in the living room, laundry, bedroom 4, hall bath, and entryway
Roof	Replace roof
Pool	Fill pool and minor repairs
Utility	Install temperature and pressure relief line to exterior for water heater
Total	\$ 13,235.00

DELUXE

Deluxe Package	
Prep	Remove door in rear porch and enclose with siding Repair drywall throughout home Remove plywood in narrow hall to bedroom 2, drywall and texture Repair interior
Doors	Install new sliding glass door on rear porch Install new door knobs on all bedrooms and baths Install new door handle set on wrought iron entry security door
Kitchen	Install new kitchen cabinets, formica countertops and sink
Lighting	Install new light fixtures in the living room, laundry, bedroom 4, hall bath, and entryway
Roof	Replace roof
Pool	Fill pool and minor repairs
Utility	Install temperature and pressure relief line to exterior for water heater
Total	\$ 25,705.00

PREMIUM

Premium Package	
Prep	Remove door in rear porch and enclose with siding Repair drywall throughout home Remove plywood in narrow hall to bedroom 2, drywall and texture Repair interior
Doors	Install new sliding glass door on rear porch Install new door knobs on all bedrooms and baths Install new door handle set on wrought iron entry security door
Kitchen	Install new kitchen cabinets, formica countertops and sink Install new gas range and refrigerator Install new vented hood
Flooring	Install new carpet in all bedrooms Install new ceramic tile in dining, kitchen and hall areas
Lighting	Install new light fixtures in the living room, laundry, bedroom 4, hall bath, and entryway
Roof	Replace Roof
Pool	Fill pool and minor repairs
Utility	Install temperature and pressure relief line to exterior for water heater
Total	\$ 32,365.00

WE MAKE IT HAPPEN!!!

BUILD YOUR OWN "CUSTOM" HOME TODAY

BEFORE



AFTER



BEFORE

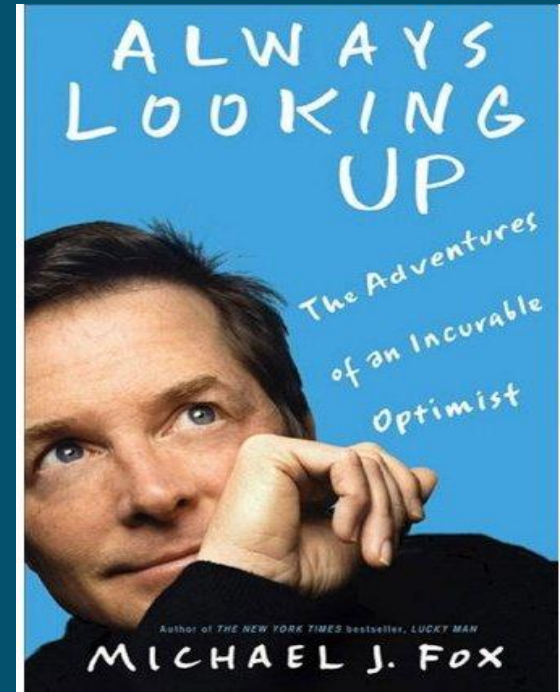


AFTER



THE ADVENTURES OF AN INCURABLE OPTIMIST

- We really can't go BACK to the future
- New markets provide new opportunities
- Lower prices mean more affordability



YOU ARE YOUR CLIENT'S HOPE

