



HBR Keeping Simple DVD Series FHA Mortgage Guaranteed



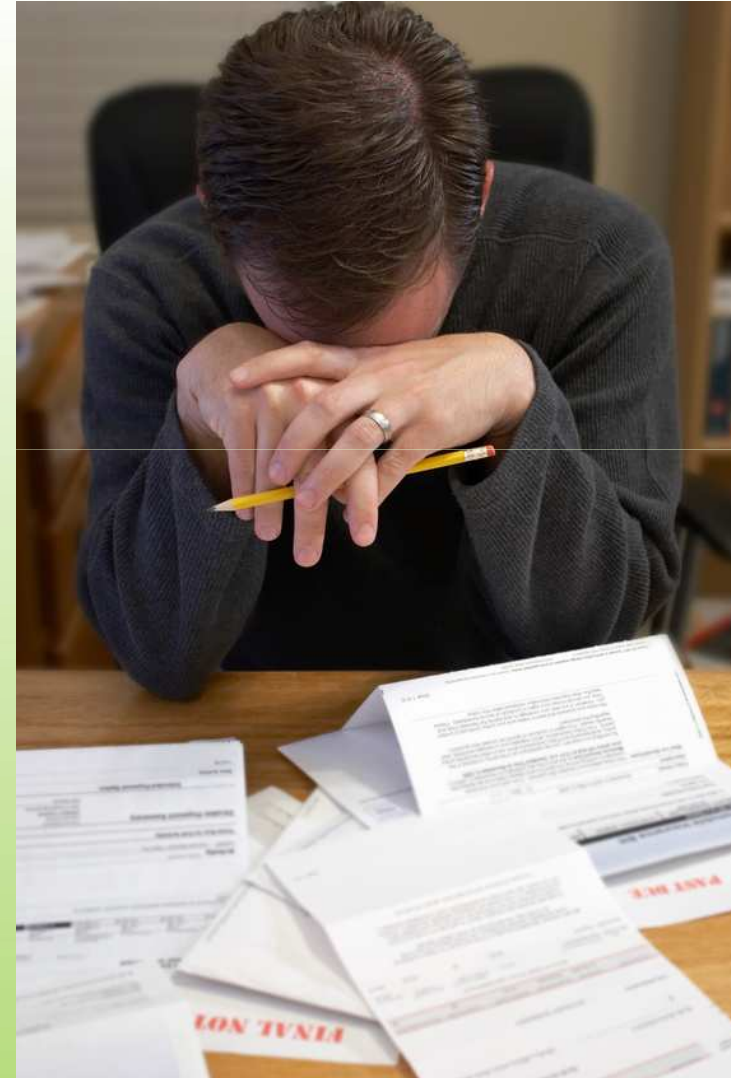
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Mortgage

Too Many Options

- ❖ **Great News!!**
 - ❖ HBR Keeping It Simple
 - ❖ Only One Option - FHA
 - ❖ 30 Year Fixed
 - ❖ Great Rate
 - ❖ Single Family
 - Up To Four Units
 - ❖ Must Be Your Home
 - ❖ Has Single Loan Rehab
- **AWESOME****



Pick A Lender (PAL)



- ❖ All Lenders Are Different
- ❖ Pick Your Lender
 - ❖ Based On Your Scenario
 - ❖ What One Will Deny
Another Might Approve
- ❖ Ask The Right Questions
- ❖ Where You See **(PAL)**
Know Lenders **Differ Greatly**





Qualifying

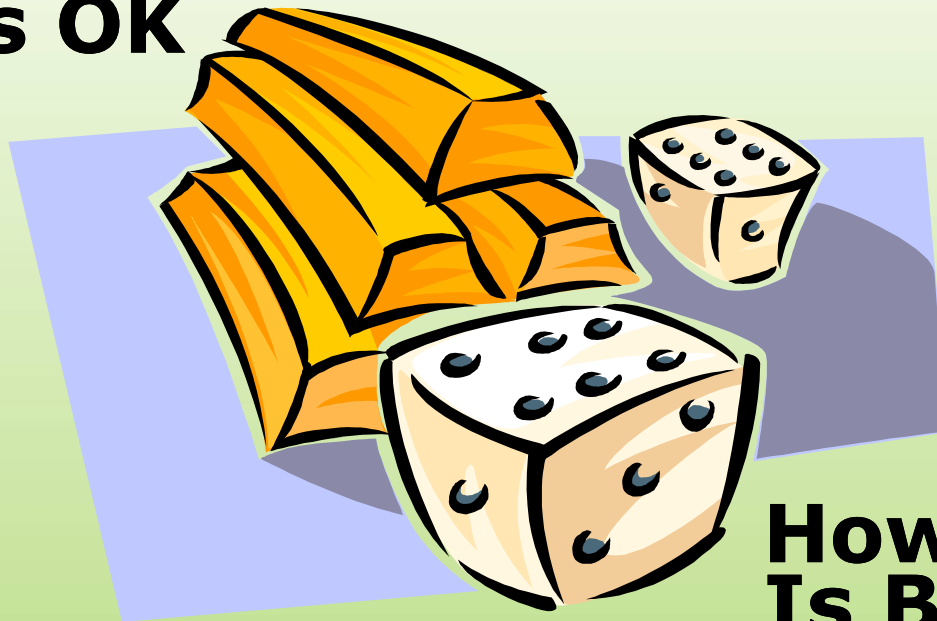
Easy As

1. Credit
2. Income
3. Reserves

Credit

For
FHA Mortgage

**Good
Is OK**



**How BAD
Is BAD?**



Credit

*For
FHA Mortgage*

❖ OK

- ❖ 625-640+ Credit Score (PAL)
- ❖ 2-4 Trade Lines (PAL)
 - ❖ 12-24 Months Old (PAL)

❖ BAD

- ❖ No Credit - No Good! (PAL)
- ❖ Unpaid Judgments Or Liens
- ❖ Collections Or Charge Off's
 - Over A Certain Dollar Amount (PAL)
- ❖ Un-Resolved Disputes (PAL)



Credit

For
FHA Mortgage



OK

- ❖ 2 Years From Bankruptcy
 - ❖ No Lates On Anything After Bankruptcy
- ❖ Foreclosure(s) (PAL)
 - ❖ 1-**3** Years From Recorded Date (PAL)



BAD

- ❖ Deed-In-Leu of Foreclosure
 - ❖ Give Back Mortgage
- ❖ Mortgage 90-120 Day Lates (PAL)
- ❖ Short Sale With Lates
 - ❖ OK With No Lates
 - ❖ **Eligible To Buy The Next Day!**



Credit

For
FHA Mortgage

- ❖ Underwriting
- ❖ **Automated Underwriting Systems**
 - ❖ Automated Underwriter (AU)
 - ❖ Freddie Mac
 - ❖ Desktop Underwriter (DU)
 - ❖ Fannie Mae
- ❖ **Approve/Eligible – Very Good!**
 - ❖ Indicates What Is **Needed** For Approval
 - ❖ If You Have Needed Item's – You're Good
 - ❖ If You Don't – Manual Underwrite / LOX



Credit

For
FHA Mortgage

- ❖ The Other Side Of Automated UW Systems
- ❖ **Manual Underwrite** (31/43)
 - ❖ Underwriter Will Evaluate Your File – Scrutinize
 - ❖ Some Criteria Force A Manual
 - ❖ Approve/**In**eligible
 - ❖ Disputes; Low Credit Score; Foreclosure;
Job Gaps; Mortgage/Credit Lates' Etc. (PAL)
 - ❖ Enter World of LOX's And Compensating Factors



Credit

For
FHA Mortgage

❖ Letter Of Explanation (**LOX**)

❖ Most Everything That Is Questionable

Must Be Explained

❖ Inquiries, Job Gaps, Collections Etc.

❖ Supporting Documentation (PAL)

❖ What Is Acceptable – What Is Not - (PAL)





Credit

For
FHA Mortgage

- ❖ Compensating Factors (PAL)
- ❖ Examples:





Credit

For
FHA Mortgage

❖ Other Credit Gotchas!

- ❖ Student Loans
 - ❖ Not Deferred for 12-24Months
From Your Close Date
- ❖ Only Authorized User Trade Lines
- ❖ Back Child Support

Get The HBR Credit DVD
To Learn How To
Address Your Credit Issues!



Income

For FHA Mortgage

- ❖ Non-Occupying Income
- ❖ Salaried
 - ❖ 2 Years
 - ❖ Tax Returns & W2's
 - ❖ 1 Month Pay Stubs
- ❖ Self Employed
 - ❖ Two Years Tax Returns
 - ❖ Income **After** Expenses
- ❖ Social Security X 1.25
- ❖ Pension
- ❖ Child Support
- ❖ Rental Income 85%
- ❖ **CASH – Sorry!!**



Income

For
FHA Mortgage

- ❖ How Much Can You Get Approved For?
 - ❖ 1. Learn About **Debt Ratios**
 - ❖ 2. Learn **What's In A Mortgage Payment**
 - ❖ 3. Learn **How To Use A Simple Formula**



Income

*For
FHA Mortgage*

❖ Debt Ratio's

- ❖ Debt To Income – (DTI)
- ❖ Your Ratio's 31/43 – 42/50 (PAL)
 - ❖ What Do These Numbers Mean?
 - ❖ Maximum Percentages Allowed
 - ❖ 31% = Front Ratio
 - ❖ 43% = Back Ratio Use example here



Income

For
FHA Mortgage

❖ What's In A Mortgage Payment? **PITIMI**

- ❖ P = Principle
- ❖ I = Interest $>$ *Mortgage Calculator*
- ❖ T = Property Taxes
- ❖ I = Home Insurance
- ❖ M $>$ Mortgage Insurance
- ❖ I





Income

*For
FHA Mortgage*

Calculate A Mortgage Payment

P = Principle
I = Interest > *Mortgage
Calculator*

T = Property Taxes

I = Home Insurance

M
I > Mortgage Insurance
Loan Amount X 1%



Income

For
FHA Mortgage

Calculate A Mortgage Payment

P = Principle
I = Interest > *Mortgage Calculator*

T = Property Taxes

I = Home Insurance

M > Mortgage Insurance
I Loan Amount X 1%

House

\$120,000

Rehab Amount

\$30,000

Loan Amount

\$150,000





Income

For
FHA Mortgage

House
\$120,000
Rehab Amount
\$30,000
Loan Amount
\$150,000

Loan Calculator

Loan Amount

Interest Rate

Term (years)

Principle & Interest





Income

For
FHA Mortgage

House
\$120,000
Rehab Amount
\$30,000
Loan Amount
\$150,000

Loan Calculator

Loan Amount

Interest Rate

Term (years)

Principle &
Interest



Income

For
FHA Mortgage

House

\$120,000

Rehab Amount

\$30,000

Loan Amount

\$150,000

Loan Calculator

Loan Amount

150,000

Interest Rate

Term (years)

Principle &
Interest



Income

*For
FHA Mortgage*

House
\$120,000
Rehab Amount
\$30,000
Loan Amount
\$150,000

Loan Calculator

Loan Amount

Interest Rate

Term (years)

Principle & Interest



Income

*For
FHA Mortgage*

House
\$120,000
Rehab Amount
\$30,000
Loan Amount
\$150,000

Loan Calculator

Loan Amount

Interest Rate

Term (years)

Principle & Interest



Income

For
FHA Mortgage

House
\$120,000
Rehab Amount
\$30,000
Loan Amount
\$150,000

Loan Calculator

Loan Amount	150,000
Interest Rate	5
Term (years)	30
Principle & Interest	805



Income

For FHA Mortgage

❖ Mortgage Payment? **\$150,000 Loan \$3,000 Taxes**

❖ P = Principle *> Mortgage Calculator* - **\$805**

❖ I = Interest

❖ T = Property Taxes -

❖ I = Home Insurance -

❖ M *> Mortgage Insurance* -

❖ I *Loan Amount X 1%*

Loan Amount = \$150,000 5% 30 Years = \$805



Income

For
FHA Mortgage

❖ Mortgage Payment? \$150,000 Loan **\$3,000 Taxes**

❖ P = Principle *> Mortgage* - \$805
Calculator

❖ I = Interest

❖ **T** = Property Taxes - **\$250**

❖ I = Home Insurance -

❖ M *> Mortgage* -
Insurance

❖ I *> Mortgage* Loan Amount X 1%

Property Taxes = \$3,000 Per Year Divided by 12 = \$250



Income

For
FHA Mortgage

❖ Mortgage Payment? \$150,000 Loan \$3,000 Taxes

❖ P = Principle *> Mortgage Calculator* - \$805

❖ I = Interest

❖ T = Property Taxes - \$250

❖ I = Home Insurance - **\$90**

❖ M *> Mortgage Insurance* -

❖ I *Loan Amount X 1%*

Home Insurance = \$1,080 Per Year Divided by 12 = \$90



Income

For
FHA Mortgage

❖ Mortgage Payment? \$150,000 Loan \$3,000 Taxes

❖ P = Principle *> Mortgage Calculator* - \$805

❖ I = Interest

❖ T = Property Taxes - \$250

❖ I = Home Insurance - \$90

❖ M *> Mortgage Insurance* - **\$150**

❖ I *> Mortgage Insurance*
Loan Amount X 1%

Mortgage Insurance = \$150,000 X 1% = \$150



Income

For
FHA Mortgage

❖ Mortgage Payment? \$150,000 Home \$3,000 Taxes

❖ P = Principle	Mortgage Calculator		\$805
❖ I = Interest			
❖ T = Property Taxes		+	\$250
❖ I = Home Insurance		+	\$90
❖ M	Mortgage Insurance Loan Amount X 1%	+	<u>\$150</u>
❖ I			

PITIMI = \$1295





Income

*For
FHA Mortgage*

Simple Formula

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = Other Debt + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent





Income

For FHA Mortgage

Front Ratio = **PITIMI**

Divided By Gross Monthly Income

Back Ratio = Other Debt + **PITIMI**

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$?????

Other Debt = \$?????

Rental Income = \$?????





Income

For FHA Mortgage

Front Ratio = PITIMI

Divided By **Gross Monthly Income**

Back Ratio = Other Debt + PITIMI

Divided By **Gross Monthly Income**

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$?????

Other Debt = \$?????

Rental Income = \$?????

Gross Monthly Income

Income = \$40,000 Per Year

\$40,000 Divided By 12 = **\$3,333**





Income

For FHA Mortgage

Front Ratio = PITIMI

Divided By **Gross Monthly Income**

Back Ratio = Other Debt + PITIMI

Divided By **Gross Monthly Income**

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$?????

Rental Income = \$?????

Gross Monthly Income

Income = \$40,000 Per Year

\$40,000 Divided By 12 = \$3,333





Income

For
FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = **Other Debt** + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$?????

Rental Income = \$?????

Other Debt

Loans – Student Loans = 125

Leases – Car Payment = 280

Revolving Debt – Cr Cards = 120

Total = **525**



Income

For FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = **Other Debt** + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = **\$525**

Rental Income = \$?????

Other Debt

Loans – Student Loans = 125

Leases – Car Payment = 280

Revolving Debt – Cr Cards = 120

Total = **525**



Income

For
FHA Mortgage

Front Ratio = PITIMI	PITIMI = \$1,295
Divided By Gross Monthly Income	Gross Monthly Income = \$3,333
Back Ratio = Other Debt + PITIMI	Other Debt = \$525
Divided By Gross Monthly Income	
Other Debt = Loan's, Leases, Revolving Debt	Rental Income = \$?????
Rental Income = 85% of Market Rent	

Rental Income

$$\begin{aligned} \text{Two Unit - Market Rent} &= \$1,000 \\ \$1,000 \times 85\% &= \mathbf{\$850} \end{aligned}$$





Income

For **FHA Mortgage**

Front Ratio = PITIMI	PITIMI = \$1,295
Divided By Gross Monthly Income	Gross Monthly Income = \$3,333
Back Ratio = Other Debt + PITIMI	Other Debt = \$525
Divided By Gross Monthly Income	
Other Debt = Loan's, Leases, Revolving Debt	Rental Income = \$850
Rental Income = 85% of Market Rent	

Rental Income

$$\begin{aligned} \text{Two Unit - Market Rent} &= \$1,000 \\ \$1,000 \times 85\% &= \mathbf{\$850} \end{aligned}$$



Income

For
FHA Mortgage

Front Ratio = PITIMI

Divided By **Gross Monthly Income**

Back Ratio = Other Debt + PITIMI

Divided By **Gross Monthly Income**

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

Front Ratio

$$\$1,295 \div \$3,333 = 38\%$$



Income

For
FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = **Other Debt** + **PITIMI**

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

Front Ratio

$$\$1,295 \div \$3,333 = \mathbf{38\%}$$

Back Ratio

$$\$525 + \$1,295 \div \$3,333 = \mathbf{54\%}$$



Income

For FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = Other Debt + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

Front Ratio

$$\$1,295 \div \$3,333 = 38\%$$

Debt To Income

$$\text{DTI} = 38/54$$

Back Ratio

$$\$525 + \$1,295 \div \$3,333 = 54\%$$





31/43
42/50 >PAL

Income

For
FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = Other Debt + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

Front Ratio

$$\$1,295 \div \$3,333 = 38\%$$

Debt To Income

$$\mathbf{DTI = 38/54}$$

Back Ratio

$$\$525 + \$1,295 \div \$3,333 = 54\%$$





31/43
42/50 >PAL

Income For FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = Other Debt + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

"New" Gross Monthly Income = \$?????

Front Ratio

$$\$1,295 \div \$3,333 = 38\%$$

Back Ratio

$$\$525 + \$1,295 \div \$3,333 = 54\%$$





31/43
42/50 >PAL

Income

*For
FHA Mortgage*

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = Other Debt + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

"New" Gross Monthly Income = \$?????

Gross Monthly Income + Rental Income = **"New" Gross Monthly Income**

Front Ratio

$$\$1,295 \div \quad = \quad \%$$

Back Ratio

$$\$525 + \$1,295 \div \quad = \quad \%$$





31/43
42/50 >PAL

Income For FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = Other Debt + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

"New" Gross Monthly Income = \$?????

Gross Monthly Income + Rental Income = **"New" Gross Monthly Income**

$$\mathbf{\$3,333 + \$850 = \$?????}$$

Front Ratio

$$\mathbf{\$1,295 \div \$????? = ??\%}$$

Back Ratio

$$\mathbf{\$525 + \$1,295 \div \$????? = ??\%}$$





31/43
42/50 >PAL

Income For FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = Other Debt + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

"New" Gross Monthly Income = \$4,183

Gross Monthly Income + Rental Income = **"New" Gross Monthly Income**

$$\mathbf{\$3,333 + \$850 = \$4,183}$$

Front Ratio

$$\mathbf{\$1,295 \div \$????? = ??\%}$$

Back Ratio

$$\mathbf{\$525 + \$1,295 \div \$????? = ??\%}$$





31/43
42/50 >PAL

Income

For
FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = Other Debt + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

"New" Gross Monthly Income = \$4,183

Gross Monthly Income + Rental Income = **"New" Gross Monthly Income**

$$\mathbf{\$3,333 + \$850 = \$4,183}$$

Front Ratio

$$\mathbf{\$1,295 \div \$4,183 = ??\%}$$

Back Ratio

$$\mathbf{\$525 + \$1,295 \div \$4,183 = ??\%}$$





31/43
42/50 >PAL

Income

For
FHA Mortgage

Front Ratio = PITIMI

Divided By Gross Monthly Income

Back Ratio = Other Debt + PITIMI

Divided By Gross Monthly Income

Other Debt = Loan's, Leases, Revolving Debt

Rental Income = 85% of Market Rent

PITIMI = \$1,295

Gross Monthly Income = \$3,333

Other Debt = \$525

Rental Income = \$850

"New" Gross Monthly Income = \$4,183

Gross Monthly Income + Rental Income = **"New" Gross Monthly Income**

$$\mathbf{\$3,333 + \$850 = \$4,183}$$

Front Ratio

$$\mathbf{\$1,295 \div \$4,183 = 30.9\%}$$

Back Ratio

$$\mathbf{\$525 + \$1,295 \div \$4,183 = 43\%}$$

DTI =

31/43



Reserves

*For
FHA Mortgage*

❖ Cash To Close

❖ Down Payment

- ❖ In Bank For 2 Months
- ❖ 401K
- ❖ Any Other Liquid Asset
- ❖ Gift From A Relative
- ❖ Down Payment Assistance (PAL)

❖ Closing Costs (PAL)

- ❖ Seller Can Pay Up To 6%





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Q & A

