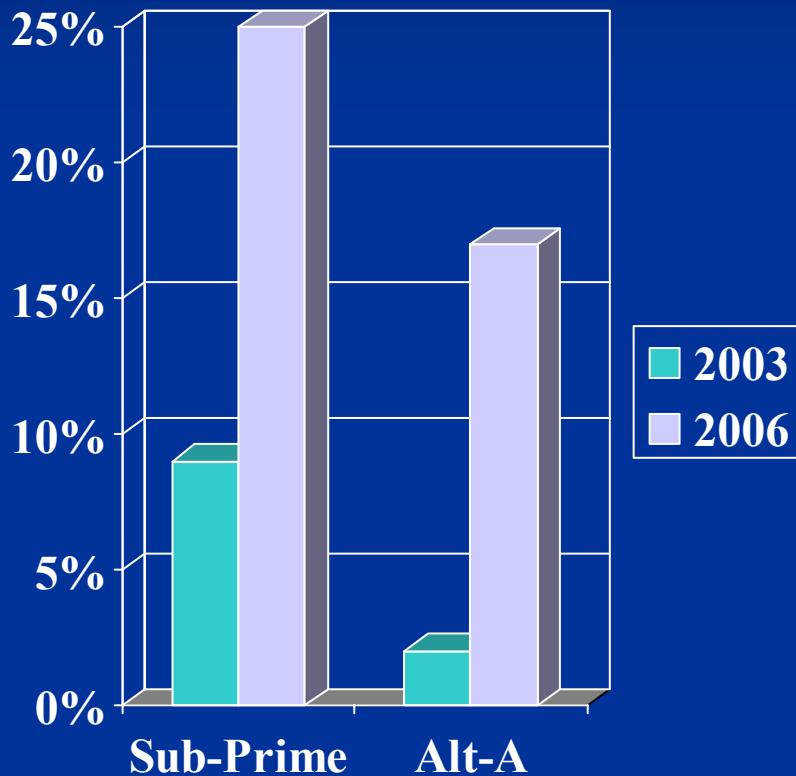


“Mortgage Mysteries”

Defining Mortgage Products and Classifications

- A. Conforming – Loan amounts to \$417k
- B. Jumbo – Loan amounts \$417k - \$1 million
- C. Alt-A – Less than perfect credit, less documentation
- D. Sub- Prime – Typically poor credit – below 600

Mortgage Product Statistics



- In 2003 only 9% (in dollars) of loans were sub-prime
- In 2006 sub-prime was 25%
- In 2003 only 2% of loans were Alt-A
- In 2006 Alt-A was 17%
- Last year ½ of homebuyers paid 5% or less down

Mortgage Product Statistics (contd.)

- By October 2007 16% of sub-prime loans were 90 days
- Keep in mind only 7% of all mortgages outstanding, but they are 43% of all foreclosures
- Risk-based pricing – FNMA and FREDDIE MAC are going to delivery fees for loans based on credit/LTV's. This can add ½ % or more to a loan.

“Subprime” named 2007’s Word of the Year



- named by the American Dialect Society
- “It’s affecting all kinds of people in all kinds of places.”
- “The choice signifies the public’s concern for a deepening mortgage crisis.”

Associated Press. “Subprime named Word of the Year”
<http://www.cnn.com>. 5 January 2008.

Defining Mortgage Products and Classifications

- E. Conventional vs. FHA vs. VA
- F. Amortizing vs. Interest Only vs. Balloon
- G. Fixed vs. ARM
- H. Full-doc vs. Reduced doc vs. No-doc
- I. First and Second Mortgages vs. PMI

“It Appraised for What? That Can’t Be Right!!”



Appraisals



- A. Comparables
- B. Age
- C. Adjustments
- D. Location
- E. Seller Contributions vs. Seller Concessions
- F. How does an appraisal impact loan request?