



\$ FINANCING INVESTMENT PROPERTY \$

Working With Real Estate Investors – Know The Rules!

With prices at record lows, the opportunities for investors are incredible. To benefit from the opportunities in today's market, it is important to have a solid understanding of the options available for your investor clients!

Highlights

- Limited to 10 properties financed in total (this includes primary residence and any other properties).
- Commercial properties or those greater than 4 units do not count toward the 10 property rule
- Properties titled to and financed by an entity (LLC, etc) do not count toward the 10 property rule
- Down payment options vary depending on number of units and number of properties financed

Qualifying

- Easier to qualify than what most people realize
- Entire down payment must come from borrowers own funds, no gifts allowed
- Seller contributions cannot exceed 2% of the sales price
- Cash Reserves Required – depending on number of properties owned
- Anticipated cash flow can often be used to offset the new payment making it easier to qualify
- Borrowers with multiple rental units can use rent to offset payments making it easier to qualify

Benefits

- Tax benefits associated with owning rental properties can be significant
- Prices are at record lows creating great buying opportunities
- Rental property buyer's don't have a home to sell giving them a negotiating advantage
- Lower prices = Lower down payment requirements and lower monthly payments
- Lower monthly payment = better cash flow

Don't let your investors miss out on an investment buying opportunity by working with a lender who may not be familiar with investment property lending.

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THE MARK TAYLOR TEAM

Loan Officer of the Year for 2007

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Fannie Updates Investor & Second Home Policy; Defines Cash Reserve Requirements (Ann. 09-02, dated Feb. 6, 2009)

Rule Synopsis:

Fannie's sweeping changes will have some serious impact for your investment property and second-home buyers. Reserve requirements are more clearly defined and their definition of PITI is now known as PITIA.

NOO - Investment Property

- LTV's vary depending on number of units the borrower **currently** has financed.
 - Borrowers with 1-4 Properties Financed:
 - 85% Max LTV on 1-2 unit properties
 - 75% Max LTV on 3-4 unit properties
 - 75% Max LTV on all limited cash out refinances – (as of 4/1/09 with DU Refi plus this will go up to 80%)
 - Borrowers with 5-10 Properties Financed:
 - Minimum 720 FICO required
 - 75% Max LTV on 1 unit properties
 - 70% Max LTV on 2-4 unit properties and all limited cash out refis
- 6 mos PITI reserves required on subject property for all loans DU or manual U/W
- Additional Requirements for borrowers financing 5-10 properties:
 - Minimum 720 FICO on all loans
 - No BK or foreclosure in last 7 years
 - Rental income must be supported by two years tax returns. Even if DU requires less.
 - Borrower must execute 4506 and lender must send it in and review prior to closing.
 - Additional reserves required for borrowers with multiple properties in addition to the 6 mos. PITI on the subject property (see below).

Reserve Requirements

- Reserve Requirements for borrowers with multiple properties
 - Must be manually applied as DU is unable to determine number of properties financed
 - Borrowers with 1-4 Properties Financed
 - Two months reserves if property is second home
 - **Six months reserves if property is investment property**, and
 - Two months reserves on each other financed second home or investment property.
 - Borrowers with 5-10 Properties Financed
 - Two months reserves if property is second home
 - Six months reserves if property is investment property, and
 - Six months reserves on each other financed second home or investment property

Definition of Liquid Financial Reserves - PITIA

- Liquid or near liquid assets available to a borrower after closing
- PITIA (PITI) includes all assessments, ground rents, taxes, co-op fees, association dues and subordinate financing payments.
- DU already takes all of these into account when determining eligibility