



MGIC

THE FUNDAMENTALS OF THE
MORTGAGE PROCESS

Session 1 – Understanding the Mortgage Cycle and How Mortgage Insurance Works



Designs for Learning

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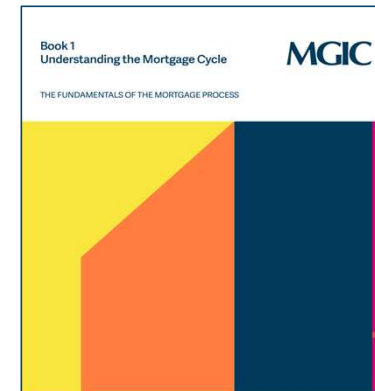
The Fundamentals 3-Part Series

- **Session 1: Understanding The Mortgage Cycle and How Mortgage Insurance (MI) Works**
 - The Mortgage Cycle & Key Players
 - Regulatory Compliance
 - What is MI?
 - Premium Plan Options
- **Session 2: Taking the Loan Application and Processing the Loan**
 - Loan Types & Programs
 - Completing the Loan Application
 - Processing the Loan
 - Automated Underwriting
 - Uniform Underwriting & Transmittal Summary (1008)
- **Session 3: Evaluating Credit, Capacity, Capital & Collateral**
 - Underwriting – 4 Cs
 - Credit, Capacity, Capital, Collateral

Today's Topics

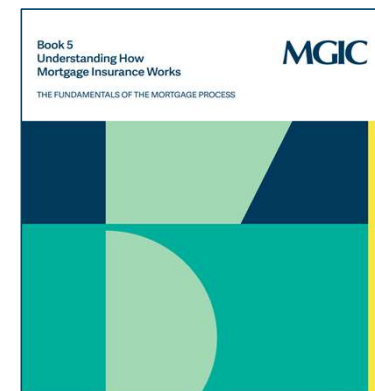
Understanding the Mortgage Cycle

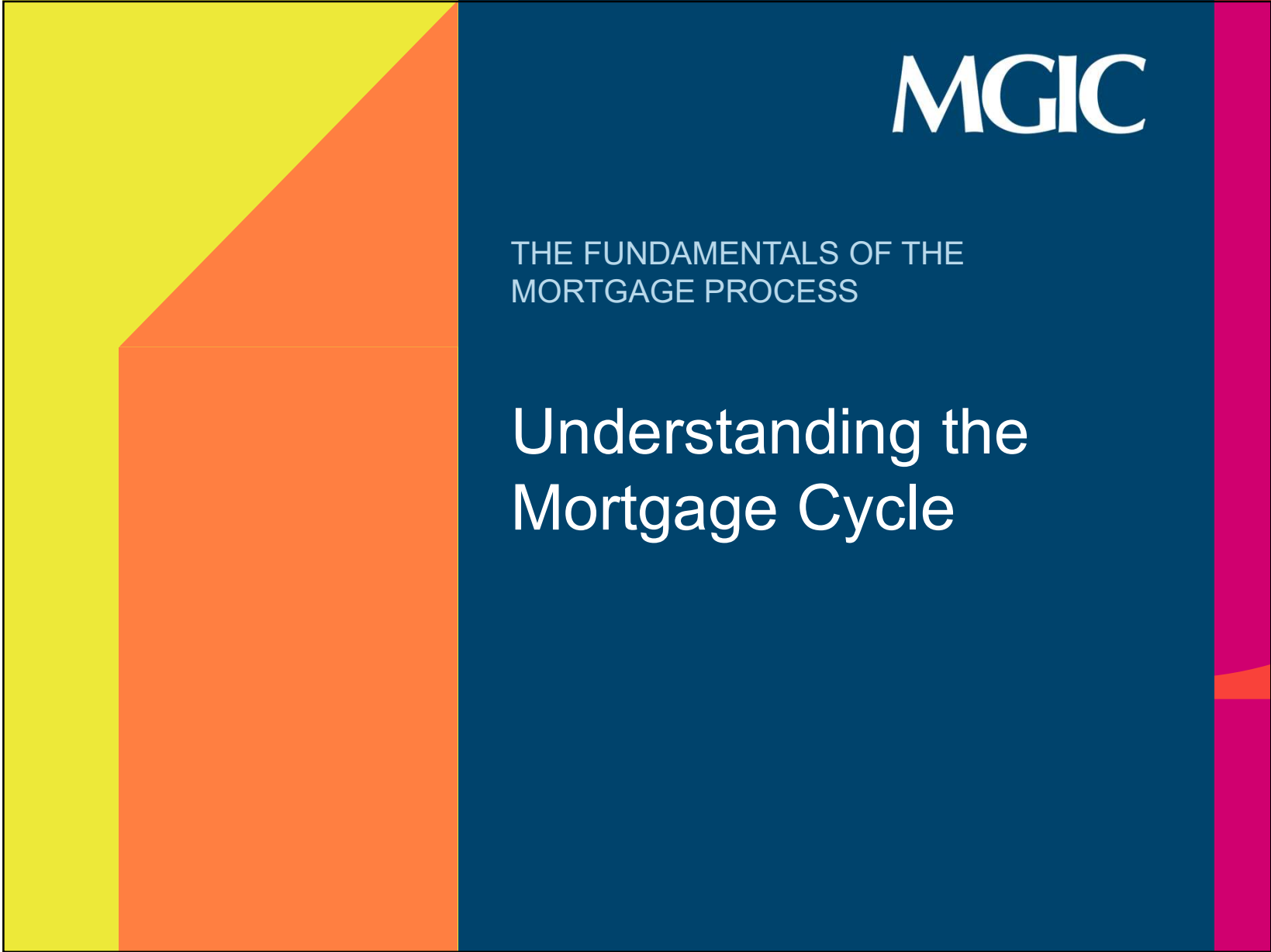
- The 8 Stages
- Key Players
- Regulatory Compliance



Understanding How MI Works

- What is MI?
- Premium Plan Options



The slide features a dark blue background with a white MGIC logo in the top right. Below the logo, the text 'THE FUNDAMENTALS OF THE MORTGAGE PROCESS' is displayed in white, all-caps font. The main title, 'Understanding the Mortgage Cycle', is centered in a large, white, sans-serif font. The slide is decorated with a yellow-to-orange gradient on the left side and a vertical pink bar on the right side.

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THE FUNDAMENTALS OF THE MORTGAGE PROCESS

Understanding the Mortgage Cycle

Pre-qualification



Pre-approval

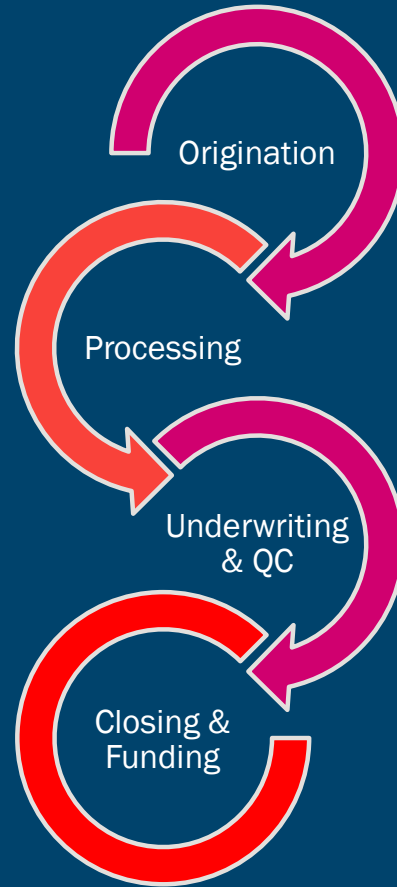


8 Stages of the Mortgage Cycle



7

The Primary Mortgage Market



Key Players

- **Borrowers**
- **Lenders**
 - Retail Originators, Mortgage Brokers, Correspondents
- **Investors**
 - Fannie Mae & Freddie Mac (GSEs), Depository Institutions (Bank, Credit Union), Insurance Companies & Pension Funds, Foreign Investors
- **Other Specialized Players**



Lender Choices

Keep and service the loan

Keep servicing rights and sell the loan

Sell both the loan and servicing rights

8 Stages of the Mortgage Cycle



Mortgage Servicing



Collect Payments

Maintain Escrow Accounts

Communicate with Borrowers

FCRA HMDA ATR
Dodd-Frank Act
Gramm-Leach Bliley Act
USA Patriot Act
LE CD TRID
ECOA QM
CFPB HPA
FAIR HOUSING ACT
Regulatory Compliance

Looking at the **LE**,
which used to be called
the early **TIL** and **GFE**,
it's now integrated with
the **CD**, which used to
be called the final **TIL**
and **HUD-1**, the **APR** is
different than the **TIP**,
and it looks like you
meet **ATR...**





Regulatory Compliance

- **Fair Housing Act -**
 - Prohibit denial of housing based on discriminatory nature
- **Fair Credit Reporting Act (FCRA) -**
 - Promote accuracy, fairness & privacy of credit file information
- **Equal Credit Opportunity Act (ECOA) -**
 - Make credit equally available to all creditworthy applicants
- **Homeowners Protection Act (HPA) -**
 - Automatic cancellation of mortgage insurance
- **USA Patriot Act -**
 - Record and verify account owners to aid in money laundering/terrorism activities



Regulatory Compliance

- **Gramm-Leach Bliley Act (GLB) -**
 - Protect the privacy of nonpublic consumer information
- **Home Mortgage Disclosure Act (HMDA)**
 - Required data collected by lenders for monitoring and reporting purposes regarding loan approvals and declines
- **Dodd-Frank Act**
 - Enforces transparency and accountability within financial industry
 - From this legislation came:
 - CFPB
 - QM
 - TRID

Regulatory Compliance

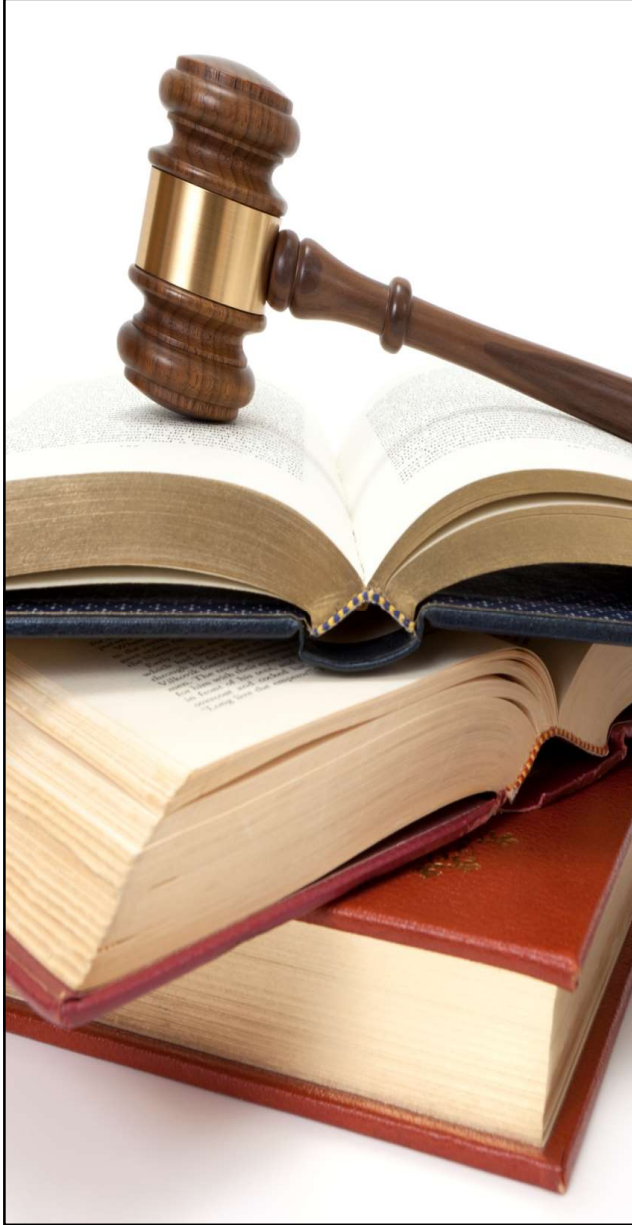
CFPB – Consumer Financial Protection Bureau

- Educate consumers
- Protect consumers
- Regulate lending practices

Regulatory Compliance

QM – Qualified Mortgage

- Part of ATR rule (Ability to Repay)
- Credit granted based on good faith determination
- QM loan has none of the following:
 - Negative amortization
 - Interest-only payments
 - > 30-year term
 - Excessive points and fees



Regulatory Compliance

TRID – TILA-RESPA Integrated Disclosures

- Loan Estimate (LE)
- Closing Disclosure (CD)

Regulatory Compliance

LE – Loan Estimate

- Key loan features
- Costs
- Risks
- Issued within 3 business days of receiving loan application

CD – Closing Disclosure

- Issued at least 3 business days before closing

Reviewing Regulatory Compliance

1. If your company does not provide you with a printer in your home office, they are most likely concerned about what regulation?
2. If you feel you are receiving unfair consideration from a landlord, you could check your rights under what act?
3. Your loan has been denied. What act requires your lender to provide the reason for denial?



Summary

- **Eight Stages of the Mortgage Cycle**
- **Key Players**
- **Regulatory Compliance**

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THE FUNDAMENTALS OF THE
MORTGAGE PROCESS

Understanding How Mortgage Insurance Works



What Is Mortgage Insurance?

- **Borrower: a credit enhancement**
- **Originator: a way to close loans**
- **Investor: a financial guaranty**



Why MI?

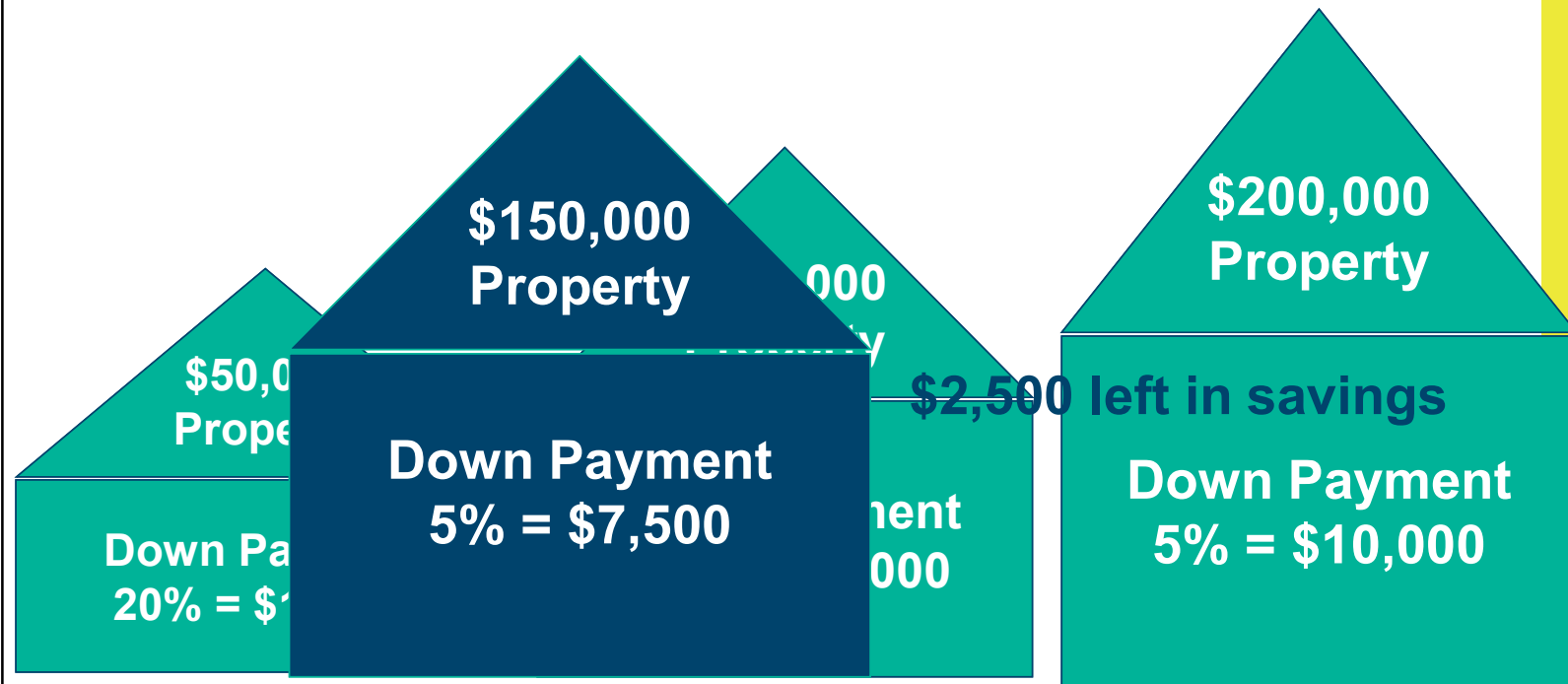
- **Provides homeownership with <20% down**
- **Secondary market requires MI on loans with <20% down**



Advantages for Borrowers

- **Become homeowners sooner**
- **Increase buying power & expand options**
- **MI may be cancelled**

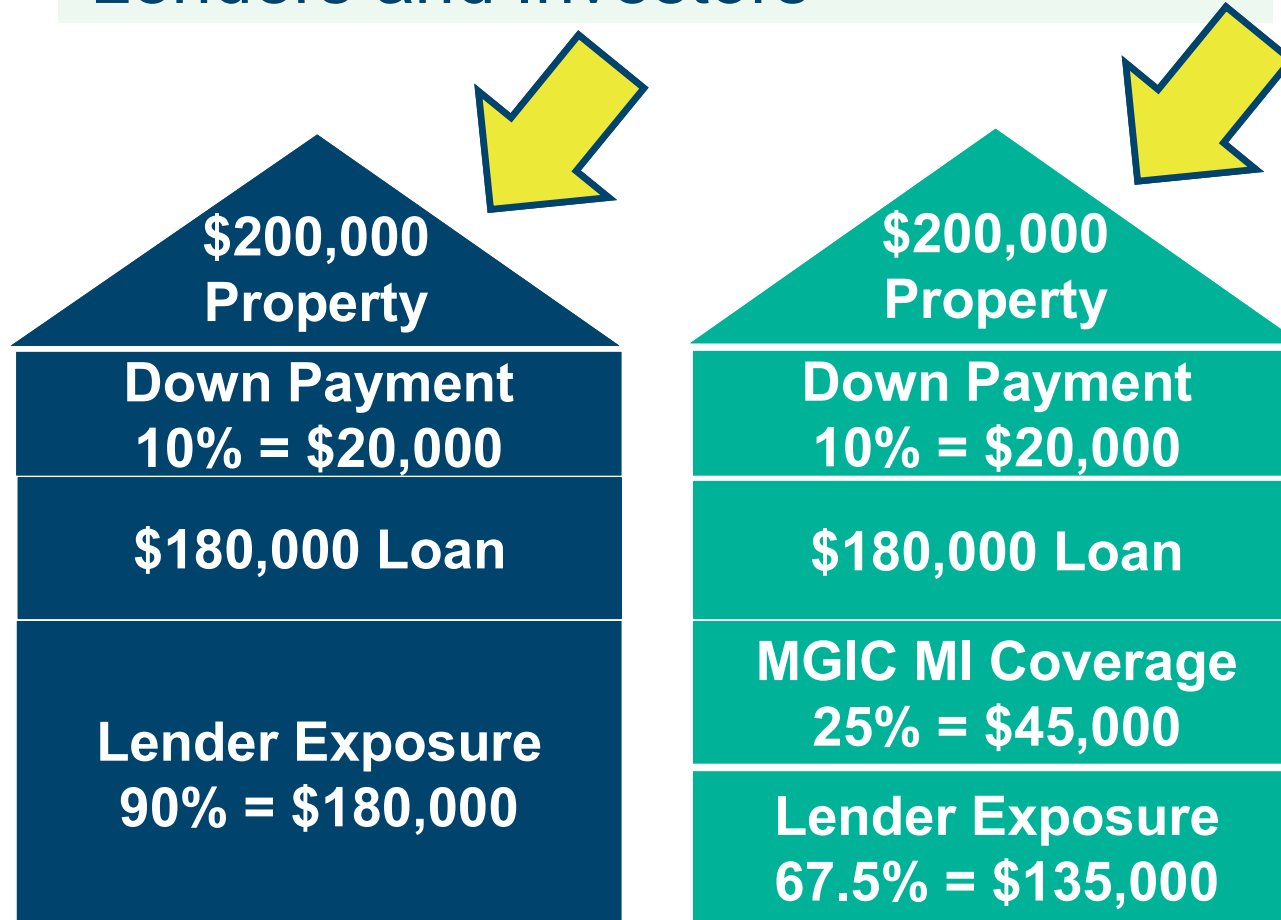
How MI works for Borrowers



Advantages for Lenders

- **MI = Risk Protection**
- **Increase customer base**
- **Better serve community**

How MI works for Lenders and Investors



Coverage Requirements Standard Agency

LTV	Coverage
95.01 – 97.00%	35%
90.01 – 95.00%	30%
85.01 – 90.00%	25%
80.01 – 85.00%	12%

Claim Example

With 25% MGIC Coverage

Unpaid Balance:	\$180,000
Delinquent Interest, Fees, Costs, Other Expenses and Positive Escrow Balances:	19,000
Total Calculated Loss:	\$199,000

Percentage Option

MGIC pays the lender
25% of the calculated
loss = \$49,750

Lender sells the property

Acquisition Option

MGIC pays the lender the
entire calculated loss
= \$199,000

*MGIC buys the property and
sells it*




MGIC MI Premium Plans

- **Borrower-Paid Monthly**
 - Borrower pays monthly
- **Borrower-Paid Single**
 - Borrower pays up front
 - Borrower may finance into loan
- **Choice Monthly Premiums**
 - Borrower pays part of MI up front with lower monthly premium
- **Lender-Paid Monthly & Single Premium (LPMI)**
 - Premium paid by a third party

MGIC MI Premium Plans

MGIC MI options comparison

Use this side-by-side comparison as a quick reference to help determine the best option for your borrowers.

				
Plan Features	BPMI Monthly Premiums	BPMI Single Premiums	BPMI Choice Monthly Premiums	LPMI Single Premiums
Refundable option	●	●	●	
Cancellable by borrower	●	●	●	
Low monthly payment	●	●	●	●
Financeable*		●	●	
3rd-party-paid option		●	●	●
No monthly MI payment		●		●

*While base LTV is used to determine MI coverage requirements, financing the premium into the loan amount may increase the total LTV/CLTV. Check investor guidelines.

Which premium plan should your borrower consider?

1. Seller is willing to pay closing costs and borrower wants to minimize their monthly payment
2. Borrower needs to minimize closing costs
3. Borrower would like to have the option to pay some MI upfront to lower monthly MI payment





MiQ Highlights

- Rate quotes honored for 90 days
- Compare multiple premium plans
- Quick, user friendly
- Backed by best-in-class customer service

mgic.com/MiQ

Mobile App

- Obtain quote(s) instantly
- Minimal data entry
 - As little as 4 fields
- Compare quotes
- Share quotes
 - Text
 - Email



The image shows a mobile app registration screen. At the top left is the MiQ logo and at the top right is the MGIC logo. The main heading reads 'Get the right rate, right now, from MiQ'. Below this is a form with a text input field for 'Individual NMLS ID -or- Registered Email Address'. A blue button with a white right-pointing arrow says 'Continue to MiQ'. Below the button, there is a link that says 'Don't have an NMLS ID?' and a grey button that says 'Register your Email Address'.

MI Cancellation

- Two ways to cancel:
 - Automatic termination
 - Borrower-initiated cancellation





It's Possible For You To...

- **Structure higher-LTV loans in today's market**
- **Finance higher loan amounts**
- **Expand borrower options**

Summary

- **How MI fits into the big picture**
- **What is mortgage insurance?**
- **MGIC premium plans**
- **Calculating MI premium**

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Special Events



MiQ[™]

Get a free MI quote:
mgic.com/MiQ

Explore training:
mgic.com/training

Connect with your rep:
mgic.com/contact

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Thank You.
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