



**Overcoming  
the Low  
Appraisal**

Presented by:  
Rebecca Chase  
MGIC – National Trainer



## **Before we get started...**

*The information presented in this presentation is for general information only, and is based on guidelines and practices generally accepted within the mortgage finance industry and is not intended to be all-inclusive. MGIC makes no representations or warranties of any kind with respect to the accuracy, completeness or suitability for any purpose of the information contained in this presentation. MGIC expressly disclaims any and all warranties, express or implied, including without limitation warranties of merchantability and fitness for a particular purpose regarding these materials and this presentation. In no event will MGIC be liable for any direct, indirect, incidental, punitive or consequential damages of any kind with respect to the presentation or materials provided. All examples are hypothetical and are for illustrative purposes only. This presentation is not intended and should not be interpreted or relied upon as legal advice. We encourage you to seek advice from a qualified professional.*

**Legal yada yada yada yada**

Monthly Supply of Houses in the United States, Months' Supply, Monthly, Seasonally Adjusted



Source: St. Louis Federal Reserve Bank

# Monthly Supply of Homes

## Record low housing inventory

- Highly competitive bidding
- Appraised value sometimes < sales price

**Impact of low housing inventory**

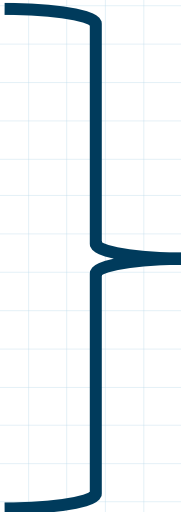
# What can the borrower do when the appraised value comes in low?

- Renegotiate with the seller
- Walk away from the transaction
- Pay the difference out-of-pocket

**Impact of low appraisal**

# What can the borrower do when the appraised value comes in low?

- Renegotiate with the seller
- Pay the difference out-of-pocket
- Walk away from the transaction



This is the real estate agent's frame of reference

## **Impact of low appraisal**

**You can change the narrative**

**Provide effective solutions with  
Private Mortgage Insurance**



## For the Borrower(s)

Allow flexibility to:

- Greatly reduce the need to pay extra out-of-pocket
- Keep the same monthly payment, or only slightly higher
- Save the transaction, close on the home

## For the Loan Officer

- Establishes you as the expert
  - For the borrower
  - For the Real Estate Agent
- May maintain the same loan amount

# Benefits of using MI

## Sample Home Purchase Scenario

- List Price: \$379,500
- Accepted Offer: \$400,000
- Down Payment: \$80,000 (20%)
- Loan Amount: \$320,000

**Consider & compare**

# OH NO!!! Appraisal = \$380,000

- Appraised Value: \$380,000
- Original Down Payment: \$80,000 (20%)
- Loan Amount: \$320,000
  
- New LTV: 84%
- OR
- Additional Down Payment of **\$16,000**

**Impact of low appraisal**

What if you could:

Keep loan amount at \$320,000

**AND EITHER...**

Keep the payment at \$1,437

OR

Reduce closing costs

**Options you can provide**

OK, but wouldn't the borrower(s) need MI?

Yes, and that makes ALL the difference!

**Options you can provide**

**One of the many advantages  
MGIC MI provides:**

Reduced GSE Loan Level Price Adjustments (LLPA)

**Table 1: All Eligible Mortgages – LLPA by Credit Score/LTV Ratio**

Representative Credit Score	LTV Range									
	Applicable for all mortgages with terms greater than 15 years									
	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	>97.00%	SFC
≥ 740	0.000%	0.250%	0.250%	0.500%	0.250%	0.250%	0.250%	0.750%	<b>0.750%</b>	N/A
720 – 739	0.000%	0.250%	0.500%	0.750%	0.500%	0.500%	0.500%	1.000%	<b>1.000%</b>	N/A
700 – 719	0.000%	0.500%	1.000%	1.250%	1.000%	1.000%	1.000%	1.500%	<b>1.500%</b>	N/A
680 – 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.500%	<b>1.500%</b>	N/A
660 – 679	0.000%	1.000%	2.250%	2.750%	2.750%	2.250%	2.250%	2.250%	<b>2.250%</b>	N/A
640 – 659	0.500%	1.250%	2.750%	3.000%	3.250%	2.750%	2.750%	2.750%	<b>2.750%</b>	N/A
620 – 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.500%	<b>3.500%</b>	N/A
< 620 <sup>(1)</sup>	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.750%	<b>3.750%</b>	N/A

# Fannie Mae LLPA Matrix

# Focus on the shift from 80% to 85% LTV

Table 1: All Eligible Mortgages – LLPA by Credit Score/LTV Ratio

Representative Credit Score	LTV Range									
	Applicable for all mortgages with terms greater than 15 years									
	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	>97.00%	SFC
≥ 740	0.000%	0.250%	0.250%	0.500%	0.250%	0.250%	0.250%	0.750%	0.750%	N/A
720 – 739	0.000%	0.250%	0.500%	0.750%	0.500%	0.500%	0.500%	1.000%	1.000%	N/A
700 – 719	0.000%	0.500%	1.000%	1.250%	1.000%	1.000%	1.000%	1.500%	1.500%	N/A
680 – 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.500%	1.500%	N/A
660 – 679	0.000%	1.000%	2.250%	2.750%	2.750%	2.250%	2.250%	2.250%	2.250%	N/A
640 – 659	0.500%	1.250%	2.750%	3.000%	3.250%	2.750%	2.750%	2.750%	2.750%	N/A
620 – 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.500%	3.500%	N/A
< 620 <sup>(1)</sup>	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.750%	3.750%	N/A

## Fannie Mae LLPA Matrix



INDICATOR SCORE / LOAN-TO-VALUE FOR MORTGAGES OTHER THAN RELIEF REFINANCE MORTGAGES <sup>1, 2, 3</sup>									
Effective for Settlement Dates on or before December 31, 2018									
Product	Credit Score <sup>1, 2</sup>	LTV Ratios							
		All Eligible							
		≤ 60%	> 60% & ≤ 70%	> 70% & ≤ 75%	> 75% & ≤ 80%	> 80% & ≤ 85%	> 85% & ≤ 90%	> 90% & ≤ 95%	> 95% & ≤ 97%
All Eligible Product	≥ 740	0.00%	0.25%	0.25%	0.50%	0.25%	0.25%	0.25%	0.75%
	≥ 720 & < 740	0.00%	0.25%	0.50%	0.75%	0.50%	0.50%	0.50%	1.00%
	≥ 700 & < 720	0.00%	0.50%	1.00%	1.25%	1.00%	1.00%	1.00%	1.50%
	≥ 680 & < 700	0.00%	0.50%	1.25%	1.75%	1.50%	1.25%	1.25%	1.50%
	≥ 660 & < 680	0.00%	1.00%	2.25%	2.75%	2.75%	2.25%	2.25%	2.25%
	≥ 640 & < 660	0.50%	1.25%	2.75%	3.00%	3.25%	2.75%	2.75%	2.75%
	≥ 620 & < 640	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.50%
	< 620	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.75%

**Same applies with Freddie Mac**



\$400,000 purchase	80% LTV as originally expected	Low appraisal, additional down payment	Borrower Paid Single MI premium paid at closing	Borrower Paid Single MI premium financed	Borrower Paid Monthly MI Premium
Appraised Value	\$400,000	\$380,000	\$380,000	\$380,000	\$380,000
Down Payment	\$80,000	\$96,000	\$80,000	\$80,000	\$80,000
Loan Amount	\$320,000	\$304,000	\$320,000	\$321,408	\$320,000
MI Premium	n/a	n/a	\$1,408	\$1,408	\$43/month
GSE LLPA Decrease*	n/a	n/a	(\$800)	(\$800)	(\$800)
Additional Closing \$	n/a	\$16,000	\$608	(\$800)	(\$800)
Monthly MI Payment	\$0	\$0	\$0	\$0	\$43
Monthly P&I + MI	\$1,437	\$1,365	\$1,437	\$1,443	\$1,480

Eligible to cancel in 2 years with 5% annual appreciation

\*For all mortgages except HomeReady® and Home Possible® loans

# Consider & compare

Based on 30-year fixed rate of 3.5% and MI rates as of 04/1. Assumes owner-occupied, primary residence; 2 borrowers; 35% DTI; credit score of 760 in 53201 zip code. Find your right rate, right now at [www.mgic.com/miq](http://www.mgic.com/miq)

**“Yet, however, my market  
is even more competitive.”**



\$400,000 purchase	80% LTV as originally expected	Low appraisal, additional down payment	Borrower Paid Single MI premium paid at closing	Borrower Paid Single MI premium financed	Borrower Paid Monthly MI Premium
Appraised Value	\$400,000	\$360,000	\$360,000	\$360,000	\$360,000
Down Payment	\$80,000	\$112,000	\$80,000	\$80,000	\$80,000
Loan Amount	\$320,000	\$288,000	\$320,000	\$322,464	\$320,000
MI Premium	n/a	n/a	\$2,464	\$2,464	\$56/month
GSE LLPA Decrease*	n/a	n/a	(\$800)	(\$800)	(\$800)
Additional Closing \$	n/a	\$32,000	\$1,664	(\$800)	(\$800)
Monthly MI Payment	\$0	\$0	\$0	\$0	\$56
Monthly P&I + MI	\$1,437	\$1,293	\$1,437	\$1,448	\$1,493

Eligible to cancel in 2 years with 5% annual appreciation

\*For all mortgages except HomeReady® and Home Possible® loans

# Consider & compare

Based on 30-year fixed rate of 3.5% and MI rates as of 04/1. Assumes owner-occupied, primary residence; 2 borrowers; 35% DTI; credit score of 760 in 53201 zip code. Find your right rate, right now at [www.mgic.com/miq](http://www.mgic.com/miq)

**There is a broader opportunity**

# MGIC's 15>20 Strategy



 Extra  
\$67 a month  
& \$408 due  
at closing

It would  
take almost  
**19 years**  
to replace that  
\$15,000 in  
savings at \$67 a  
month!

MGIC Non-refundable Single Premium	20%	15%
Purchase price	\$300,000	\$300,000
Down payment	\$60,000	\$45,000
Amount borrower keeps	\$0	\$15,000
Loan amount	\$240,000	\$255,000
Monthly P&I	\$1,078	\$1,145
Difference in GSE loan-level price adjustment or discount points*	0	-.25%
MGIC borrower-paid non-refundable single MI premium	0	+.41%
Net difference, including MI	0	+.16%

\*For all mortgages except HomeReady® and Home Possible® loans

Based on 30-year fixed rate of 3.5% and MI rates as of 04/1. Assumes owner-occupied, primary residence; 2 borrowers; 35% DTI; credit score of 760 in 53201 zip code.  
Find your right rate, right now at [www.mgic.com/miq](http://www.mgic.com/miq)

**Who would be interested  
in this strategy?**





**Within the first year...**

new homeowners spend

**\$8,233 - \$10,601**

on average on appliances,  
furnishings and home  
improvements

*National Association of Home Builders special study,  
Spending Patterns of Home Buyers, July 2017*



**68% of  
parents**

of college-bound students are  
more worried about paying for  
child's education in wake of  
pandemic





**49% of U.S.  
workers**

believe they'll need to use  
money in their retirement  
plans prior to retirement



## **42% of U.S. workers**

are most likely to seek financial help or guidance when making an important decision like buying a home

*PWC Employee Financial Wellness Survey May 2020*

- [mgic.com/contact](https://mgic.com/contact)
- Customer Service 800.424.6442

**Thank you for joining us!**