

How Helping Fannie Mae Is Going To Make You Wealthy...

Fannie Mae introduced their HomePath Program to help sell their Real Estate Owned (REO) properties in February 2009. This program is designed to help Fannie sell up to 10 properties to investors at an interest rate and terms similar to what owner occupants receive on their loans. The details of the program will follow, but a brief synopsis is:

1. Investors can purchase 1-4 homes with 10% down payment, there is no private mortgage insurance, no appraisal, and the interest rate is the same as what owner occupants receive, which is currently hovering around 5% for a 30-year fixed loan.
2. After purchasing 4 homes, investors can purchase 5-10 homes with 25% down payment, and the exact same terms.

What this means to you is that you can purchase any qualified Fannie Mae REO property with either 10% or 25% down, and have payments that allow the property to cash-flow. In targeting multi-family residential units for the first 1-4 homes in the \$80,000 to \$150,000 price range, the investor has to come up with very little down payment, and has properties that cash flow. In targeting properties 5-10, single-family homes and condominiums will be targeted in the \$60,000 to \$120,000 price range, and all properties will cash flow with the minimum down payment.

Here is the typical scenario:

Properties	Purchase Price	Down Payment	Total Monthly Payments
1-4	\$500,000	\$50,000	\$2416
5-10	\$480,000	\$120,000	\$1933

Properties	Total Monthly Expenses	Total Monthly Rent	Monthly Cash Flow
1-4	\$2528	\$6000	\$1056
5-10	\$2910	\$6000	\$1157

Total Investment: \$170,000 + 10% Reserves = \$187,000

Total Monthly Cash Flow: \$2,213

Total Annual Cash Flow: \$26,556

Annual Return: 14.2%

Time To Pay Back Total Investment: 7 years

Better Scenario:

Just purchasing Properties 1-4...

\$50,000 Investment + 10% Reserves = \$55,000

Monthly Cash Flow: \$1056 or Annual Cash Flow: \$12,672

Annual Return: 23%

Time To Pay Back Total Investment: 4.34 years

Now The Really Fun Part, Add In 4% Appreciation Per Year (for 5 years):

Purchasing 4 Properties – Net Value After 5 Years: \$608,326

Or Purchasing All 10 Properties – Net Value After 5 Years: \$1,192,318

So, with an extremely conservative appreciation of 4% per year for 5 years, the increase in value is:

4 Properties: \$108,326 with an initial investment of just \$55,000. Return: 197%

10 Properties: \$212,318 with an initial investment of: \$187,000. Return: 114%

Summary:

Purchasing 4 properties using Fannie Mae's HomePath loans will allow you to make over 300% on your initial investment in less than 5 years, or a return of 60% annually.

The worst case scenario is this investment decreases in value over the next 5 years, at which time the investment has already generated a net profit from operating cash-flow, and the mortgages on those properties have had their principal reduced over \$36,000 by the rental payments that were applied to principal and interest. By holding the properties for 30 years, the entire mortgage will be eliminated, and assuming that no appreciation happens in that timeframe, you are left with \$500,000 in real estate and income of \$380,160 for a grand total of \$880,160 on an initial investment of \$55,000.

THAT IS A RETURN ON INVESTMENT OF: 1,600%

But, you don't have \$55,000 to start investing...

It just so happens that we will match 50% of your initial down-payments in order to receive a 50% interest in the properties purchased. That means if you are purchasing a \$150,000 property, you will only need \$7,500 total, and we invest \$7,500 for the 10% down payment needed to purchase the property. We will continue to assist with 50% of the down payment for all properties that you choose to invest in. All properties in which we are partners will be held for a minimum of 5 years, at which time either party may choose to sell their interest in the property, or the property may be held for a longer period. All cash-flow will be split 50% / 50% and all proceeds from a sale will be split 50% / 50%.

If you have the ability to own all properties 100%, then we strongly suggest that you do so, but if you prefer to partner with us, we are glad to provide assistance, and in turn receive a 50% share in the investment. We strongly support our investors and investments, and welcome the ability to participate in this amazing opportunity.

Let's Get Started

Please contact us directly for a current list of available HomePath qualified homes. We will discuss which homes make the best investments, provide down-payment assistance (if needed), and create an investment opportunity that provides incredible returns.

San Diego Investor Real Estate

(800) 656-5334

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Credit Policy & Underwriting	Subject: HomePath Initiative	Supersedes:	Section: MPP 09-03
		Date: 01/23/09	Page: 1 of 5

Purpose

The policy provides the parameters for originating and underwriting loans under FNMA's HomePath Initiative.

Responsible Parties

The following individuals are stakeholders in this policy:

Name	Title
Candis Duke	Chief Credit Officer
Ned Payant	National Operations Officer
Ron Bergum/John Johnston	Chief Production Officers

Policy – General

Prospect Mortgage has been approved as a preferred lender for FNMA's HomePath Initiative, a program that promotes the sale and financing for FNMA-owned properties with expanded underwriting guidelines.

Program Benefits

As a preferred lender, Prospect Mortgage originates HomePath mortgages with the following expanded eligibility parameters:

- No appraisal required - value is based on sales price
- Expanded LTVs (up to 97% LTV with no MI required based on occupancy – see eligibility guidelines below)
- Up to 6% seller contributions allowed for principal residences/second homes
- For second homes or investment properties, borrowers may own up to 10 financed properties (max LTV 75%)

Important: All FNMA and Loan Risk Grid parameters apply to HomePath loans unless specifically addressed in this policy.

Eligibility Guidelines

Property Eligibility

Subject Properties	<ul style="list-style-type: none"> • Mortgages must be secured by properties that are acquired from Fannie Mae and designated by Fannie Mae as eligible for HomePath financing on the HomePath website at: www.homepath.com. <p>The processor is responsible for accessing the website and verifying property eligibility and for printing the appropriate web page to be made a part of the loan file. (See the section below for the steps to verify and print property eligibility on the website.)</p>
Property Types	<ul style="list-style-type: none"> • All property types eligible per FNMA selling guide except manufactured housing (prefabs and modular acceptable)
Occupancy/# of Units	<ul style="list-style-type: none"> • 1-4 unit principal residence • 1 unit second home • 1-4 unit investment property

Value/Appraisals

Appraisals	<ul style="list-style-type: none"> • No appraisal required • Prospect Mortgage is not required to represent and warrant the value or condition of the property. • If the borrower chooses to obtain an appraisal, then: <ul style="list-style-type: none"> ○ The borrower must order the appraisal from an appraiser selected by the borrower (and not one recommended by the Lender), and the appraisal must be paid for by the borrower outside of the loan transaction. ○ Lender must not request a copy of the appraisal, but if a copy is provided by the borrower, it must be included in the loan file with a note that the appraisal was ordered by the borrower outside of the loan transaction and was not reviewed or approved by the lender ○ The property value shown on the appraisal will not impact the LTV calculation. ○ Lender must inform the borrower that the purpose of the borrower-ordered appraisal and its contents are for the use and information of the borrower only, and will not be considered for purposes of the loan transaction.
Valuation Method	<ul style="list-style-type: none"> • Property value for purposes of origination and determination of LTV/CLTV is the sales price as evidenced by the sales contract between Fannie Mae and the buyer/borrower (“Contract Sales Price”).

Purpose, Product and Maximum LTV/CLTV

Loan Purpose	<ul style="list-style-type: none"> • Purchase transactions only
Product Types/Features	<ul style="list-style-type: none"> • 15 & 30 Year fixed rate products • High Balance mortgages <p>Products must meet the standard eligibility requirements for the specific mortgage type per FNMA Guidelines</p> <p>Note: Loans are to be coded as follows: Investor: MMC Agency Program Name : HomePath 15 (15 year fixed) HomePath 30 (30 year fixed)</p>
Maximum LTV/CLTV	<ul style="list-style-type: none"> • Maximum LTV/CLTV allowed per the FNMA Selling Guide, except: <ul style="list-style-type: none"> ○ 90/90 Max LTV/CLTV for 1-2 unit investment properties ○ 75/75 Max LTV/CLTV for second homes and investment properties where the borrower owns more than 4 financed properties (as described in the Underwriting Eligibility section, below) • All High Balance loans (including 1-2 unit investments) are subject to maximum LTV/CLTVs in the FNMA Selling Guide • Mortgages with LTVs over 95% and CLTVs over 95% must meet Flexible Mortgage requirements

Underwriting Eligibility

AUS	<ul style="list-style-type: none"> • Fannie Mae Desktop Underwriter (DU) must be used. The following findings are acceptable: <ul style="list-style-type: none"> ○ Approve ○ EA-I ○ EA-II (on an exception basis only) • Eligible recommendation required with the following exception: <ul style="list-style-type: none"> ○ Ineligible recommendation is acceptable if the only reason is for an LTV greater than 85% for 1-2 unit investment properties. • Loans must not be submitted to DU as My Community mortgages.
Minimum FICO Scores	<ul style="list-style-type: none"> • Minimum FICO score of 660 for loans with LTV/CLTV greater than 80% • Minimum FICO score of 580 for loans with LTV/CLTV less than or equal to 80%
Mortgage Insurance	MI is not required (with a pricing adjustment)
Interested Party Contributions (IPC)	<ul style="list-style-type: none"> • Max allowed is 6% of sales price for principal residences & second home with LTVs 75 – 97% • Per FNMA guidelines for investment properties

Underwriting Eligibility

Number of Financed Properties owned	<ul style="list-style-type: none"> • Principal residences – per FNMA guidelines • Second homes & investment properties, borrowers are limited to no more than 10 financed properties provided that: <ul style="list-style-type: none"> ○ If more than 4 properties are owned, the maximum LTV/CLTV is 75%
Subordinate Financing	<ul style="list-style-type: none"> • Permitted per FNMA guidelines • Approved Community seconds
Documentation	Must use documentation levels as issued by DU, except for the level of fieldwork recommendation (appraisal requirements)
DU Messages	<p>The following DU messages may be disregarded:</p> <ul style="list-style-type: none"> • Any message relating to ineligibility due to 1-2 unit investment property with LTV/CLTV greater than 85% • Any message relating to amount of MI required • Any message advising that the maximum allowable IPC has been exceeded on principal residences or second homes with LTV greater than 90% • Any message related to the number of financed properties for second homes or investment properties • Any message relating to field work or appraisal requirements
Special Feature Codes	<ul style="list-style-type: none"> • 057 - All HomePath mortgages • All standard special feature codes per FNMA guidelines, including: <ul style="list-style-type: none"> ○ 206 – (Flexible mortgages with LTVs of 97% or less) for all HomePath mortgages with LTVs of 95.01 – 97% ○ 446 – (Flexible mortgages with subordinate financing) for all HomePath mortgages with LTVs of 95% or less and CLTVs of 95.01 -97% (105% with Community Seconds) ○ 716 – (Expanded approval mortgages) for all Homepath mortgages with an EAI or EAll recommendation from DU.

Steps for Verifying Property Eligibility

Use the following steps to access the HomePath website and verify property eligibility

1. Access the website at www.homepath.com.
2. Click on the link to search eligible properties



3. On the map, click on the state where the subject property is located. A list of cities is displayed with eligible properties.



4. Click on the city (and zip code if there are multiple selections for the city) to select the city for the subject property. Press the CTRL button to select multiple cities.
5. Click on the Search button for a list of properties within the city you selected to see the list of eligible properties.
6. If the subject property is listed on the page, use the print button on the browser to print the page. The printout is to be kept in the loan file (in the Appraisal section)