



Homeownership with the HEART Loan Program

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HEART of San Mateo County
Meriwest Mortgage

Special Thanks:
Lee Ginsburg, Berkshire Hathaway CA Realty





Today's Agenda

- **HEART – Housing Endowment and Regional Trust of San Mateo County**
 - Boris Vatin, HEART
- **The HEART Down Payment Assistance Program**
 - Boris Vatin, HEART & John Souza, Meriwest Mortgage
- **The Finance Process**
 - John Souza, Meriwest Mortgage
- **How your realtor can help you find a property for \$908,156 and make a successful offer**
 - Lee Ginsburg, Berkshire Hathaway CA Realty





What is HEART?

- “Housing Endowment and Regional Trust of San Mateo County”
- Nonprofit organization that is a public/private partnership between all 20 cities of San Mateo County, the County, and the business and nonprofit communities
- Mission: to address the critical housing needs in San Mateo County





What is HEART?

What do we do?

- Finance the development or rehab of affordable or workforce multi-family housing
- Provide assistance to cities, school districts, and faith-based institutions to help them develop affordable or workforce housing
- First Time Homebuyer Program





What is the First Time Homebuyer Program?

- Downpayment Assistance Program
- Geared for moderate/middle income people
- Market rate homes – not Below Market Rate (BMR)
- 5% downpayment and no PMI
 - What is PMI? → Private Mortgage Insurance (\$\$\$)
 - How? → HEART provides a 2nd loan of up to 15%, to get borrower to 20%, with Meriwest providing conventional 80% 1st loan
- Total Accomplishments: 88 families able to stay in San Mateo County as homeowners





What is the First Time Homebuyer Program?

- Can use up to extra 5% during bidding
- Move-closer exception – 50% closer to work and near Priority Development Area (PDA)
- Completely free to apply
- Lending Partner is only Meriwest
- Can use any Realtor you want
- Limited Time: Closing Costs Grant up to \$3,000





Loan Details

- Maximum purchase price: \$908,156
- 5% down payment (up to \$45,407), 80% conventional first mortgage (up to \$726,525), and 15% HEART second mortgage (up to \$136,223)
- HEART 2nd Lien will have a 15-year term with a balloon payment and amortized over 30-years.
- Interest rate for 1st and 2nd loans



Income to Home Price Estimate

Sample home prices in San Mateo County - Estimated minimum income needed			
Home Type	Low Sales Price Range	Estimated Monthly Cost	Estimated Required Annual Income* (assumes no debt)
Studio Condo	\$410,000	\$2,990	\$75,000
1 Bedroom Condo	\$520,000	\$3,700	\$90,000
2 Bedroom Condo	\$650,000	\$4,500	\$110,000
Single Family Home	\$795,000	\$5,281	\$132,000
Single Family Home	\$908,000	\$5,690	\$144,000
*Estimated Minimum Required Annual Income is assuming no other debt and good credit			
Estimated Monthly cost is assuming HOA dues of \$350 for Condos			
Estimated Monthly Cost includes principal, interest, property tax, HOA dues, and insurance			

Underwriting Criteria & Guidelines

- Residence Status:
 - US Citizen
 - Permanent Resident Aliens: Provide evidence of Green Card.
 - Non-Permanent Resident Aliens: Provide acceptable evidence of legal residency issued by the USCIC (U.S. Citizenship and Immigration Services) with legal permit to work in the U.S.
- Property Type: Single Family Residential Detached and attached PUDS (Condos and Townhomes)
- Household Income limit of \$170,000
- Maximum debt to income ratio of 50%
- Minimum FICO score of 680
- Impounds will be required for all transactions.
- Underwriting will be based on Meriwest Mortgage Company, LLC guidelines

Advantages of the Program

Borrower Benefits

- No PMI
- No resale restrictions
- Fast and Efficient Process Compared to FHA loans
- Lowest Payment Option compared to FHA and Conventional First Mortgage with PMI
- Acts as 20% Down Program
- More Purchasing Power



Fannie Mae Underwriting Guidelines

- **DEBT TO INCOME RATIO**
 - What is a debt to income ratio?
 - What ratio is acceptable under Fannie guidelines?
- **CREDIT SCORE**
 - What is a credit score?
 - What scores do you need to get approved for a loan?
 - How does your credit score affect the cost of your loan?
- **LOAN TO VALUE**
 - What does loan to value mean?
 - How does down payment affect loan to value?
 - How much down payment is required to get a loan?
- **RESERVES**
 - What are reserves? PITI = principle, interest, tax and insurance
 - How much reserves do you need to qualify?



Loan Preparation

- Preparing to purchase a home – Importance of a pre-approval letter
- 4 key parts of the equation:
 - Income from all sources
 - Debt: Anything that comes from your credit report plus legal obligations
 - Assets: Bank Accounts, CDs, Retirement Accounts, 401Ks, Cash, Stocks, Investments Anything of Value
 - Credit History

Please note that Meriwest pays the credit check and all pre-approval fees before closing, and if you don't close, Meriwest will eat the costs (most lenders make the borrower pay these costs up front)

How do you apply?

- Go to the HEART of San Mateo County Website: www.heartofsmc.org
- Click on “Homebuyer Loans” Link
- Choose the “Apply Now” Link
 - When prompted on drop down bar click on John Souza as loan consultant



Estimated True Cost of Home Ownership (Single Family Home)

Purchase Price:	\$ 795,187
Down Payment:	\$ 39,760
First Loan	\$ 636,150
Monthly Mortgage Payment at 4.5%	\$ 3,224 (\$2,386 int & \$838 Principal)
Second Loan	\$ 119,277
Monthly Mortgage Payment at 6%	\$ 715 (\$ 596 int & \$119 Principal)
Monthly Property Tax @1.10%	\$ 730 (\$ 8,747 annually)
Monthly Homeowners Insurance	\$ 75
Total Monthly Cost	\$ 4,744
Interest tax deductible	\$ 2,982
Monthly Tax Savings (Fed & State) @ 25%	\$ 745 (verify with tax preparer)
Property Tax Savings on State income tax @ 9%	\$ 66
Monthly out of pocket cost	\$ 3,933 (This will remain the same as rent increases)
Monthly Principal Pay down – (Forced Savings)	\$ 957
True cost of monthly home ownership -	\$ 2,976

This is only an estimate. It is recommended that you speak with a tax preparer



Estimated True Cost of Home Ownership (Condominium)

Purchase Price:	\$ 600,000
Down Payment:	\$ 30,000
First Loan	\$ 480,000
Monthly Mortgage Payment at 4.75%	\$ 2,504 (\$1,900 int & \$ 604 Principal)
Second Loan	\$ 90,000
Monthly Mortgage Payment at 6.25%	\$ 554 (\$ 469 int & \$ 85 Principal)
Monthly Property Tax @ 1.10%	\$ 550 (\$ 6,600 annually)
Monthly Homeowners Insurance	\$ 40
HOA Dues	\$ 400
Total Monthly Cost	\$ 4,048
Interest tax deductible	\$ 2,369
Monthly Tax Savings @ 25%	\$ 592 (verify with tax preparer)
Monthly Property Tax Savings in State Return	\$ 50
Monthly out of pocket cost	\$ 3,406 (This will remain the same as rent increases)
Monthly Principal Pay down – (Forced Savings)	\$ 689
True cost of monthly home ownership -	\$ 2,717

This is only an estimate. It is recommended that you speak with a tax preparer

Reality Check

- Limited Inventory
- Property Type restricted by \$908,156 Purchase Price Limitation (Condos and Townhomes and few Single Family)
- Home Prices Rising Quickly



What and Where can I find a
home for \$908,156?

*How can I compete with all these
multiple offers?*

The Purchase Contract:

Major Components are Time and Money

- **Money for Offer Price**
 - Money for Deposit – 3%**
- **Time to close – 25-30 days is standard**
 - Time for Contingencies –**
 - I am going to buy this home if??? Time to decide.
 - Major contingencies are loan, appraisal and inspections.
(0-17 days are standard)

Disclosure package – consists of Seller Disclosures and Inspection Reports

- **Seller Disclosures** - Boiler plate legalese disclosures but also 5-10 pages of questions the sellers complete. It answers all of the questions you were afraid to ask or did not know to ask. Odors, death, pets, leaks, noise, etc
- **Inspections** - Many different inspections you can do: mold, lead, foundations, home, termite, HOA review. Home and termite are the most common
 - Home Inspection:** A review foundation, electrical, plumbing, heating, roof, doors, windows, etc. Costs about \$500.
 - Termite:** Looks for termites, beetles and dry rot not overly important for condos. Costs about \$300.
 - HOA Documents** –Contains financials, rules, minutes, CC&R's of the Association.
- Many sellers are performing inspections before but you have the right to do your own. Due to offer competition you may choose to waive your right.



Closing Costs - About 1.25%

- Title Insurance – Insures that all previous liens are paid off
- Escrow Fee – Cost to act as Neutral 3rd party & to manage the paperwork
- Lender Fee - John's cost
- Prorated Property Tax - Your share of property tax
- Prepaid Interest – Interest from the time you close to the end of the month
- Home Owners Insurance
- Impound/Escrow Account – Puts money into your Property Tax and Insurance Account.



What to Look For in a Realtor

- Find a Realtor who knows the HEART program and can communicate with John well.
- Understands your needs.
- Available to your schedule to show homes not just open houses and responds quickly to your questions.
- Network of the local agents for properties not on the market, recent activity, local laws, and for offer
- Good idea of remodeling costs and a team of tradespeople help you.
- Good knowledge, experience, and communication skills to explain the purchase contract and disclosures.
- Good successful reputation amongst local agents and clients. Read reviews on Yelp.
- Do Not use Out of the Area Realtors.
- Do Not use Part Time Realtors



How can I get my offer accepted, with multiple bids?

- Realtor presents your offer in person to seller & agent.
- Have John Souza call the agent.
- Good negotiator for price and offer acceptance.
- **Good reputation and relationship with other agents for offer acceptance.**
- Quick time to Close
- Offer a fair price. Don't try for a "deal".
- Submit your offer before offer date.



How can I get my offer accepted, continued:

- Write a letter to seller and enclose a photo.
Mention what you like about the home, your occupation, your relationship with the area, and any connection to the seller such as hobbies or organizations.
- Sign all Disclosures
- Offer the seller rent back
- Low or no Contingency Time Frames for loan and inspections
- Large good faith deposit with a copy of the check
- Proof of down payment



Good Luck!

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For more info, please contact:

Meriwest Mortgage

John Souza jsouza@meriwest.com
(408) 849-7115

HEART of San Mateo County

Boris Vatin info@heartofsmc.org
(650) 204-5640

Special Thanks:

Lee Ginsburg, Berkshire Hathaway HomeServices
lee@leesellsmore.com
877- Lee - Sells (877) 533-7355

