

Preparing Your Cohousing Community for Mortgage Success

Adesina Cameron
Mortgage Planning
Specialist

NMLS # 1482412

13221 SW 68th Parkway, Suite
310

Tigard, OR 97223

Hello.adesina@gmail.com



ABOUT ME

- Licensed Mortgage Planning Specialist
- Reverse Mortgage Planner
- Lived in Co-housing for 4 years
- Cohousing Mortgage Specialist

Adesina Cameron



Fairway at a **GLANCE**

**OVER
20**

YEARS OF SERVICE, SPEED &
SATISFACTION **SINCE 1996**

LICENSED IN ALL
50 STATES



by Mortgage Executive
Magazine 2018

7,300+
TEAM MEMBERS

670+
BRANCHES*



2,700+
PRODUCERS

\$39.15B
VOLUME IN 2019



Providing **HOPE,**
ENCOURAGEMENT AND
RELIEF in time of need.
Find out more information
at www.fairwaycares.org!



Established the **EMPLOYEE**
STOCK OWNERSHIP PLAN
(ESOP) that gives employees
ownership of the company.



In collaboration with the
American Warrior Initiative, **WE**
HAVE RAISED MORE THAN
3.5 MILLION to help wounded
warriors in need.

Company Accolades

#1

**IN USDA PURCHASE
UNITS AND VOLUME**

Fiscal Year 2019

#1

**IN FHA PURCHASE
VOLUME**

Fiscal Year 2018

#4

**IN VA PURCHASE
UNITS**

Fiscal Year 2019

#4 OUT OF THE TOP 100 MORTGAGE COMPANIES IN THE NATION
by Mortgage Executive Magazine 2018 (based on volume)

NAMED ONE OF THE BEST MILITARY LENDERS
by National Mortgage Professional Magazine 2018

NAMED THE BEST MORTGAGE LENDER FOR FHA LOANS
by NerdWallet 2020

*Includes satellite locations

Today's Agenda

- What I do for co-housing
- The Bank's Perspective on Cohousing
- The Bank's Misconceptions
- Fairway's Project Approval & Consulting Team
- Starting out strong with the right legal documents
- What the heck is "Condo Desk"
- Appraisals and Comps
- Is 20% Down "Affordable" in your community
- The role of reverse mortgage during construction and beyond
- Preferred Lender relationships - why do you need at least two
- Educating the Community about Pre-Approval
- Sample Mortgage Education Session
- Loan Programs
- Why you need FHA approval – and maybe VA too
- Financially mentoring diverse buyers
- Final thoughts



What I do

1. Help the bank understand Cohousing
2. Help forming Cohousing communities secure mortgages
3. Educate individuals about mortgage and originate loans
4. Assist FSBO owners in getting pre-approved buyers
5. Work with companies to support Diversity, Equity and Inclusion through financial literacy, mindset and mortgage education www.AdesinaCameron.com
6. I originate loans for communities in Oregon, Washington and California
7. Consultation and Pre-approval education in other states and for non-client communities

THE BANKS PERSPECTIVE

1. What happens if there is a foreclosure
2. Are reserves, budget and maintenance adequate for self managed HOA
3. Just too much unknown to take the risk when there is other business



BANK MISCONCEPTIONS

1. It's a commune or co-op
2. Individual units not solely owned
3. Fannie and Freddie won't approve them
4. Participation is mandatory and legally enforceable
5. Property value won't be maintained by non-professionals



PROJECT APPROVAL & CONSULTING TEAM

- Our Project Approval and Consulting Team is composed of highly experienced Loan Officers, Underwriters, Consultants and Expeditors.
- We consult with developers and other marketing partners during the early stages of planning to avoid any potential compliance issues that could delay closing units once construction and marketing is complete.
- We save the developer time and money by providing a pre-review of all aspects and documentation of the project with a streamlined plan for obtaining all necessary approvals.
- We analyze whether any forward project approvals by Fannie Mae, Freddie Mac, FHA or VA would benefit the project and guide the process through each of these approvals.

Legal Documents

1. Should you separate legal docs and “participation guidelines”
2. How do you define your legal phases
3. Are you following Fair **Housing** Rules

WHAT IS “CONDO DESK”

- **A department within underwriting specific to condos**
- **Full or partial review based on % of down payment (LTV)**
- **Reviews Declarations, CC&Rs, By-laws, reserves and budget**
- **Checks for “non-warrantable” status – That’s the condo black list!**
- **Reviews insurance requirements**

FANNIE ON COHOUSING



Fannie Mae®



Project Standards Requirements

Frequently Asked Questions

What are cohousing communities and are cohousing units eligible for Fannie Mae financing?

Co-housing communities are typically characterized by private unit ownership within a community that has

explicit arrangements for shared community life and the responsibility for and ownership of common elements and amenities. While these types of communities are often marketed to consumers as cohousing communities, they are typically legally organized as a condominium, co-operative, or PUD project. Other legal structures may also exist for co-housing communities, which may not meet Fannie

Mae eligibility requirements such as common interest apartments. Mortgages secured by units in cohousing communities may be eligible for delivery to Fannie Mae provided the co-housing project and the

subject property unit meet all *Selling Guide* provisions including any applicable policies related to project

standards, deed restrictions, and insurance. Lenders may contact the Project Standards team (project_standards@fanniemae.com) with questions about project eligibility for co-housing communities.

APPRAISALS AND COMPS

1. Fannie Mae Rules
2. FAQ for Lenders and Appraisers
3. How to guide the Appraiser
4. Local appraisal library

IS 20% DOWN “AFFORDABLE”

1. Most first time buyers and families put down 3%-10%
2. Is there a way to make up the gap or offer other options
3. Plan in efforts during resale to support affordability
4. Target 100 of AMI as well as “low-income”

REVERSE MORTGAGE

Paradigm Shift - A change in one's perspective of thinking

The Old Days:

- ✓ The loan of last resort
- ✓ For people who are in financial distress

Today:

- ✓ Increased cash flow
- ✓ Best used at age 62 with line of credit to assist with future home equity value*

This advertisement is not financial advice. You should consult a financial expert for your specific situation.

Reverse Mortgage Benefits

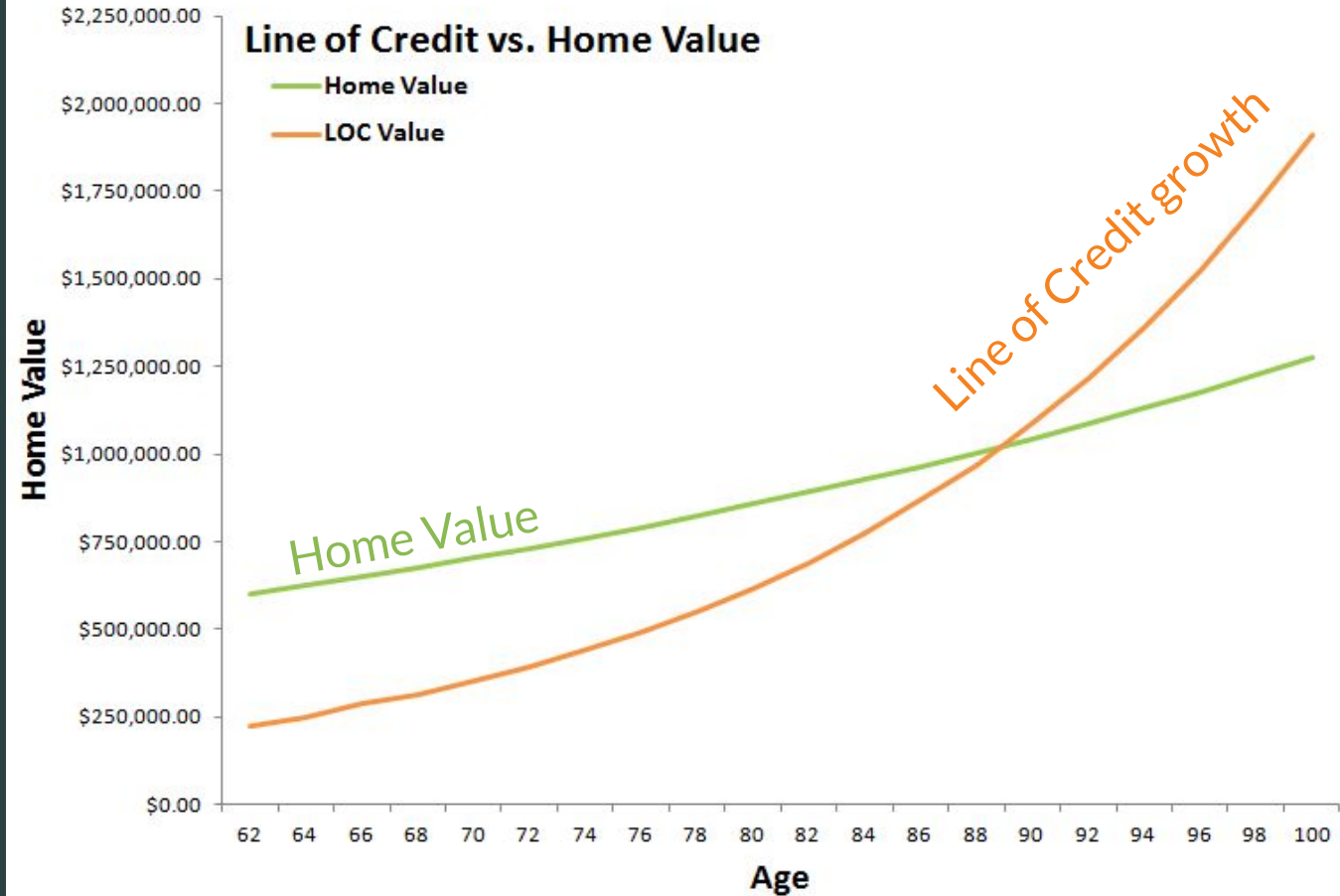
- ✓ Does NOT require repayment until*
 - ✓ The last living borrower permanently leaves the home
 - ✓ Borrower chooses to sell the property
- ✓ Never owe more than home value with FHA-insured Reverse Mortgages
- ✓ Able to purchase a home for 30–70% down of new residence sale price**

*Heirs will have 6 months with two 90-day optional extensions to either refinance the home if they want to purchase it at 95% of the appraised value; keep any net proceeds; or walk away if property is upside down. **Percentage of down payment required is determined by borrower's age, interest rates, and the lesser of the home's appraised value or purchase price.

NOTE: There are some circumstances that will cause the loan to mature and the balance to become due and payable. Borrower is still responsible for paying property taxes, insurance and maintenance. Credit is subject to age, property and some limited debt qualifications. Program rates, fees, terms and conditions are not available in all states and subject to change.

PLANNING FOR FUTURE NEEDS

1. Upgrades for aging
2. Community contribution
3. Assessments
4. Increasing property taxes and HOA dues
5. In-home care



REVERSE 4 PURCHASE LOANS

Deborah is looking to purchase a home for \$600,000 and is looking into several loan options. The graph above shows the total amount Deborah, would pay over the 30 year life of the loan. The payments on the graph do not include taxes, insurance, and maintenance costs.

*Negative Amortization could cause the total amount due at the end of the loan to increase if optional** reverse mortgage payments are not made.

The example is used for illustration purposes only. This information is provided as a guideline; the actual reverse mortgage available funds are based on current interest rates, current charges associated with the loan, borrower date of birth, the property sales price and standard closing cost.

**Housing expenses must continue to be paid, such as property taxes and insurance (and homeowner association fees, if applicable), and home must be maintained

20% DOWN PAYMENT

\$120,000

Required 360
payments cash flow
\$2,577/MONTH

5% Interest Rate,
5.0885% APR

\$1,047,628

CASH PURCHASE

\$600,000

REVERSE MORTGAGE LOAN DOWN PAYMENT

62 year old
\$369,000

\$231,000* Loan

WHY HAVE PREFERRED LENDER RELATIONSHIPS

- No lender will take 100% of your mortgages, even if the Loan Officer says so at first
- You need to help the lender understand your project and GET IT APPROVED to assure that you members can get mortgages
- Relationship, relationship, relationship!!!
- Help members understand current equity and how to access it for the project
- Bulk discount on rates and closing costs

PRE-APPROVAL REQUIRED

- Mortgage education should be a part of your community planning just like design meetings
- Just because a member has 20% **DOES NOT** mean they can get a mortgage
- Pre-Approval should be a REQUIREMENT to participate past ground-breaking
- All members need to understand how to STAY pre-approved for years



HOME FINANCING PROCESS

Step 1: Initial Consultation

Step 2: Pre-Qualification*

Step 3: Processing

Step 4: Underwriting

Step 5: Pre-Closing

Step 6: Closing

**A pre-qualification is not an approval of credit and does not signify that underwriting requirements have been met.*



QUALIFYING FOR A MORTGAGE

There are **6 major factors** a lender will consider when reviewing your loan application:

1. INCOME
2. DEBTS
3. CREDIT
4. EMPLOYMENT HISTORY
5. ~~PROPERTY~~
6. DOWN PAYMENT, CLOSING COSTS, PREPAIDS, & CASH RESERVES



5 BIGGEST MYTHS THAT PREVENT PEOPLE FROM BUYING A HOME

1. I NEED PERFECT CREDIT
2. I NEED A 20% DOWN PAYMENT
3. I WON'T QUALIFY
4. I CAN'T AFFORD THE MONTHLY PAYMENT INCREASE
5. HOME REPAIRS ARE TOO EXPENSIVE



THE WRONG QUESTIONS



- X What is the interest rate?
- X What are the closing costs?



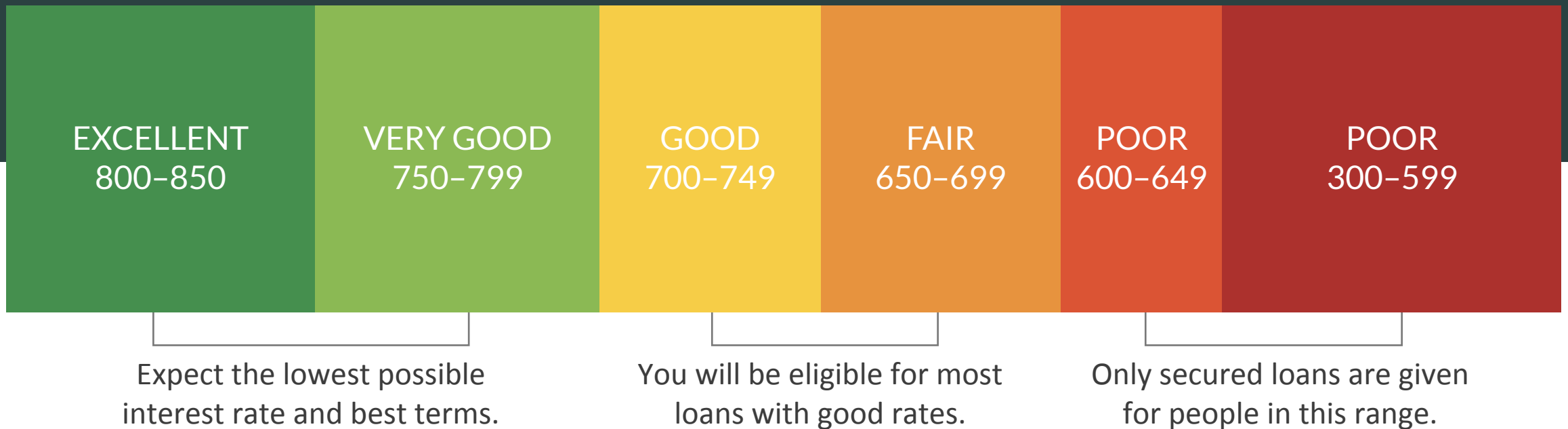
THE RIGHT QUESTIONS

- ✓ What am I trying to accomplish with my housing situation?
- ✓ Why is it better to buy a home right now vs. renting a home?
- ✓ How can I make sure this fits into my short-term and long-term budget?
- ✓ How will this financial decision impact other areas of my life (marriage, children's college fund, care of elderly parents, etc.)?
- ✓ What mortgage and home-buying strategy will result in less overall financial risk?

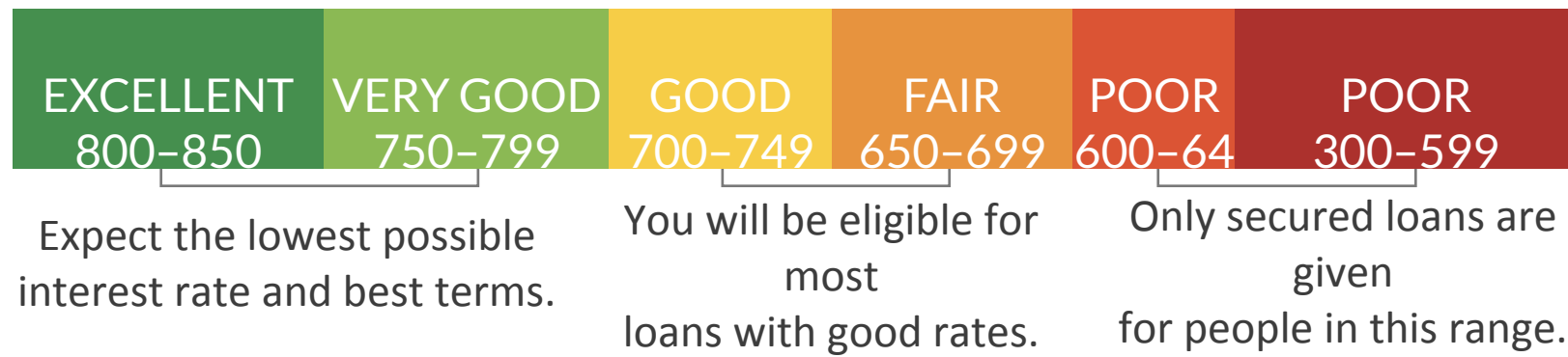


WHAT IS A CREDIT SCORE?

Your credit score is a numerical representation of your statistical likelihood to repay the credit that is extended to you. A credit score is a snapshot of a specific moment in time but can and will change with new actions and the passage of time.



CREDIT SCORE BREAKDOWN



Payment History = 35%

- On-time or late payments
- Length of positive credit history
- Severity & quantity of delinquencies

Amount Owed = 30%

- Too many credit cards with balances can lower a score

Length of Credit History = 15%

- The longer the history, the better
- How long have your credit accounts been established?
- How long has it been since you used certain accounts?

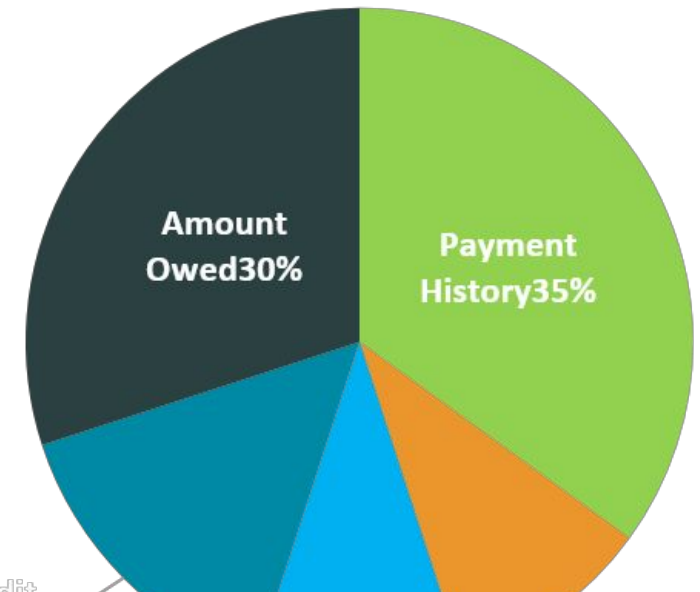
New Credit = 10%

- Research shows that opening several credit accounts in a short period of time represents greater risk, especially for people who do not have a long established credit history

Types of Credit in Use (Healthy mix) = 10%

Example of ideal credit mix:

- 2 installment loans
- 3 revolving accounts with balances
- Balances on revolving debt below 30% of the high credit amount
- No collection accounts
- No public records
- No foreclosures
- No late payments



5 CREDIT MYTHS



1. Paying off and closing out a credit card will increase your score.
2. Paying a collection will raise the score immediately.
3. Paying off an auto loan or student loan will improve your score.
4. Opening a new account will hurt your score.
5. Having too much credit available hurts your score.



PRE-QUALIFICATION DOCUMENT CHECKLIST

- ☐ W-2s for the previous two years
- ☐ Paycheck stubs for the last 30 days
- ☐ Documentation supporting monies received from Social Security, retirement, or disability
- ☐ Employment history for the last two years (address any gaps of employment)
- ☐ Checking and savings account statements for the last two months (all pages);
- ☐ Most recent statements for 401(k)s, stocks and other investments
- ☐ Signed federal tax returns from the last two years
- ☐ Residency history over the last two years with name, phone number, address and account number of landlord or mortgage company
- ☐ Photo identification (valid driver's license or passport) for applicant and co-applicant

Additional Documents Needed from Self-Employed Borrowers:

- ☐ Copies of most recent two years of corporate tax returns (with all schedules)
- ☐ Year-to-date profit & loss statement and balance sheet
- ☐ Copy of business license or CPA contact information
- ☐ 1099s or K-1 forms

Additional Documents That May Be Required:

- ☐ Divorce Decree
- ☐ If you paid off a mortgage in the last two years, copies of settlement statement



FIXED- VS. ADJUSTABLE-RATE MORTGAGES

	FIXED-RATE <i>Mortgages</i>	ADJUSTABLE-RATE <i>Mortgages (ARM)</i>
P R O S	<ul style="list-style-type: none">• Consistent monthly payments and interest rates• Protection from rising interest rates• Mortgage tax interest deduction*• Different term length options (30-, 20- or 15-year term)	<ul style="list-style-type: none">• Lower initial monthly payments• Possibility to qualify for higher loan amounts• Interest rates and payments may decrease based on the index rate
C O N S	<ul style="list-style-type: none">• Cannot take advantage of falling interest rates• Your interest rate may be locked in when the market is high• It can initially be more expensive• The rate cannot be customized to a borrower's needs	<ul style="list-style-type: none">• Your interest rates could unexpectedly increase• Your interest rates are dependent upon the market• Risk of defaulting if interest rates dramatically increase• Terms and conditions of the loan program can be more difficult to understand

*This advertisement does not constitute tax advice. Please consult a tax advisor regarding your specific situation.



LOAN PROGRAMS

Loan Option	HIGHLIGHTS	BEST IF YOU...
Conventional Mortgage	<ul style="list-style-type: none"> • Lower interest rates • Fewer penalties and fees • Second home purchase options 	Have good credit and a larger down payment to possibly receive lower rates with more flexible terms
Jumbo Mortgage	<ul style="list-style-type: none"> • Ability to purchase a more expensive property • Variety of terms available 	Purchase a property above the conforming loan limits (\$453,100 in most areas)
FHA	<ul style="list-style-type: none"> • Low down payment options • Flexible income and credit requirements 	Are a first-time homebuyer or have a limited amount of funds for a down payment
USDA	<ul style="list-style-type: none"> • No down payment* • Low credit score requirements • Flexible credit underwriting requirements 	Purchase a home in USDA designated rural area
VA	<ul style="list-style-type: none"> • Low to no down payment** • Low income and credit requirements • No mortgage insurance 	Are active-duty military, a veteran or military spouse

*USDA Guaranteed Rural Housing loans subject to program stipulations and applicable state income and property limits. **A down payment is required if the borrower does not have full VA entitlement, or if the loan amount is greater than \$453,100. VA loans subject to individual VA Entitlement amounts and eligibility, qualifying factors such as income and credit standards, and property limits. Fairway is not affiliated with any government agencies. These materials are not from VA, HUD or FHA, and were not approved by VA, HUD or FHA, or any other government agency.





LOAN PROGRAMS: FHA

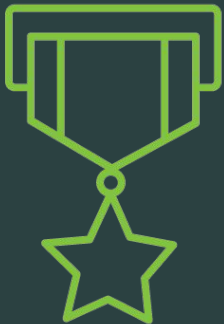
Home loans provided by the Federal Housing Administration (FHA) can make it easier for you to buy a home.

Product Highlights:

- Low down payment options
- Flexible income and credit requirements
- Fixed- and adjustable-rate mortgages
- Loans for 1- to 4-unit properties and condos may be available
- Down payment funds can be a gift from a relative or employer*
- Home sellers can contribute up to 6% of the closing costs

*Subject to underwriting review and approval.





LOAN PROGRAMS: VA

Home loans backed by the Department of Veterans Affairs (VA) provide affordable home financing options for eligible service members, veterans and surviving spouses.

Product Highlights:

- No prepayment penalties
- No **private mortgage insurance** (PMI)
- 100% financing with full VA entitlement*
- Fixed- and adjustable-rate mortgages
- VA financing fees can be “rolled” into the loan amount
- Variety of eligible property types, including townhomes and VA-approved condos

Loan Eligibility:

- Valid **Certificate of Eligibility** (COE) - based on length of service or service commitment, duty status and character of service

*A down payment is required if the borrower does not have full VA entitlement, or if the loan amount is greater than \$453,100



MENTORING THE NEXT GENERATION OF BUYERS

How can your community cultivate diverse buyers through financial mentorship

- Why you need a re-sale team
- Consider having preferred lenders and real estate agents
- Allow and encourage renters in your community
- Ask people on your interest list to get pre-approved
- Get to know local Housing Centers
- Outreach even when you don't have vacancies
- Maintain your FHA approval



DEED RESTRICTIONS FOR AFFORDABILITY

Could your community create
a fund to help the next seller
create permanent affordability?

PERSONAL THOUGHTS

- Time is money and time poverty is real
- FSBO – having a preferred lender and consider using an agent
- How lender's get paid in regards to affordability

RESOURCES

1. FAQ for Lenders & Appraisers
2. Fairway Project & Approval flyer
3. Cohousing Mortgage Specialist flyer
4. Condo questionnaire

[Adesina's Cohousing resources](#)

Click here the link to download these resources



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Adesina Cameron Mortgage Planning Specialist

NMLS # 1482412

13221 SW 68th Parkway, Suite
310

Tigard, OR 97223



503-994-4724



adesina.cameron@fairwaymc.com

Or

[Hello.Adesina@gmail.com](mailto>Hello.Adesina@gmail.com)

