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New Loan Options Are Making Homeownership Possible for Many More Borrowers

Over coffee recently, my colleague, **Jaxzann Riggs**, owner of **The Mortgage Network**, mentioned one of the challenges in her business… that there are prospective purchasers who don't know about changes happening in the lending world. There are ***new loan programs that are making homeownership a reality*** for people who were previously turned down for a loan.

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Most conventional, FHA and VA loans are sold to FNMA, FHLMC or GNMA. These are quasi government agencies that are supervised by the Federal Housing Finance Agency (FHFA) and the Consumer Financial Protection Bureau (CFPB). In January 2013, the CFPB created a specific set of regulations that lenders must follow when making loans that will be sold to any of the government agencies. The rules are referred to as the "ability to repay" of ATR rules. Loans that meet the regulations are called "Qualifying Mortgages" or "**QM loans**." The rules are enforced by the CFPB.

There are many people who are able to afford the monthly payment associated with a new mortgage but who cannot meet the ATR rules. Loans that don't meet ATR standards are referred to as Non-Qualifying Mortgages (**Non-QM loans**). While this loan type typically requires a 15% or 20% down payment, Non-QM loans can be a perfect solution for borrowers who are newly employed, self-employed, commissioned or who have variable income.

"**Bank statement loans**" use the deposits made into a borrower's personal or business account, or the combination of both, as the basis for income. The monthly average dollar amount of deposits that you have made into your bank account for the previous 12-24 months is considered as income. Underwriters still calculate debt-to-income ratios, but borrowers do not have to produce paystubs, W2s, or tax documents to prove income.

Borrowers applying for an **"Asset Depletion loan"** must document their total assets. This is done by providing copies of their asset statements. The total assets are divided by 240 months and that result is the income that underwriters use to calculate the borrower's debt -to-income ratio.

"No Ratio loans" may be reminiscent of the "stated income loans" that were offered in the early 2000s. Those loans only required the borrower to state their monthly income and required no down payment. They had adjustable rates and the potential for negative amortization – that is, for the loan principal to increase rather than decrease. Stated income loans contributed to the 2008 housing crisis.

While the No Ratio loan, like the former stated income loan, does not require a borrower to provide employment or income documentation of any kind, it does require a minimum credit score of 720, a 25% down payment and, perhaps more importantly, is offered only with a fully amortizing term.

For individuals wanting to create a real estate portfolio, a **"Debt Service Coverage Ratio loan"** may be a possibility. The loan is available for the purchase of investment properties only. Instead of relying upon the borrower's income for qualification, the net rental value of the property compared to the monthly mortgage determines loan eligibility. The projected rental value is adjusted by expected expenses to calculate "net rental income." When the net rental income is 1.1% or greater than the proposed monthly payment, the loan is "approvable." The loan requires a solid credit history and a 25% down payment.

If you are dreaming of homeownership but think that you don't fit into the traditional lending box, ***I encourage you to reach out to Jaxzann.*** She has 30+ years of experience as a lender (twice named Mortgage Broker of the Year by the Colorado Association of Mortgage Professionals), and her company enjoys the highest rating that the BBB offers. Reach her at **303-990-2992** or **Jaxzann@TheMortgageNetworkOnline.com**.