

## School of Loan Origination Instructor-Guided Online Course

### Course Outline

Below please find the topics we will cover in this course. After each session, homework will be assigned to you in Blackboard. The assignments vary each session, and are a combination of a homework activity, a quiz, or reading. There is also a case study and a book report assignment.

### History of Mortgage Lending

- Overview of course and expectations for completion
- Participating in class
- Blackboard tour
- Why this course and why now
- The current regulatory environment
- 1980 to the present (S&L crisis, high inflation, IRs through the Great Recession)
- Overview of how banks originate and underwrite (manual vs. automated)
- Impact AUS has had on underwriting
- How subprime affected the entire mortgage market
- Why MLO competency is so important

### The Role of the Mortgage Loan Originator

- How MLOs originate and agencies that oversee origination activities
- Different mortgage channels
- Skill sets required for successful origination
- SAFE Act defined MLO and origination activities
- Prequalification vs. preapproval
- Differences between refinances and purchases
- Approval process and timing transactions
- Anticipating issues and preventing them
- How to deliver bad news
- Avoidable MLO issues

### Taking a Complete 1003

- Gaining trust and credibility – building rapport
- Setting expectations – timing, costs and rates
- Application checklists – doing things consistently
- MLO activities on “taking” a complete application
- Clarifying borrower’s needs and wants
- Identifying viable options
- Determining necessary documentation to support 1003
- Art of the cover letter
- Effects that poor 1003s have on repurchases

## **Originating a Compliant 1003 – The Laws**

- Federal disclosures
- Credit authorization
- FACTA
- ECOA – prohibited questions
- HPA – appropriate MI disclosure
- TRID – Loan Estimate and Closing Disclosure
- Customer representations
- Fraud
- Improper disclosures relative to repurchases
- Qualified Mortgage Rule (QM)
- Ability to Repay (ATR)
- LO compensation
- Disparate impact
- Violations

## **Evaluating the 1003 – Loan Options**

- Calculate LTV, CLTV & DTI
- Where did the customer come from?
- Personal referrals vs. paid for leads
- Long and short term goals
- Offering appropriate options
- Disclosing advantages and disadvantages of options
- Support recommendations with MLO logic

## **Analyzing Credit Reports**

- How credit history is reported
- Understanding components of credit scores
- Identify key areas MLOs must review
- Credit scoring impact on mortgage application and costs
- Areas of concern
- Rapid rescore
- Appropriately advising about credit scores
- Can the loan be approved?
- Discuss affect inaccurate scoring has on repurchases
- Identify representative credit score

## **Case Study and Homework Review**

- Jones Case Study 1003 Initial and Final
- Loan Estimate
- Cash to close spreadsheet
- Net proceeds calculation
- Summarize case Q & A

## Supporting Documentation

- What are supporting docs
- Documenting the transaction
- Documenting the borrower
- Letters of explanation (LOX)
- Cover letters
- VOE-VOM-VOR-VODs
- Unique documentation for bankruptcy, non-arms length, non-occupying
- Documenting the property
- Appraisal overview
- Discuss how improper documentation can result in repurchases

## Tax Returns and Qualifying Income

- Review of personal 1040 return and supporting schedules A-B-C-D-E
- Review of business 1120-1120S-1065 returns
- Discussion of 4506-T requirements
- Discussion of 2106 unreimbursed expenses
- Understanding how self-employed income is reported
- Calculations of hourly, salaried and variable income
- Identifying key areas on tax form that cause issues in underwriting

## Nontraditional Mortgage Products

- Terminology
- Amortization schedules
- Fixed vs. ARMS
- Components of an ARM
- Advantage and disadvantages of ARMS
- Calculating ARM payment and adjustments
- HELOCs vs. HE Loans
- Predatory behavior
- Full product disclosure
- Managing nontraditional risk

## Pricing and Rate Locks

- Pricing terminology
- Importance of accurate pricing
- Price and rate factors
- Loan-level pricing adjustments
- What's on a rate sheet?
- Analyzing transaction risk
- Analyzing borrower risk
- Analyzing property risk
- Analyzing product risk
- Interest rate buy-downs

- Lender-paid transactions
- Borrower-paid transactions
- Lock issues
- Unlocked loan risk
- Float downs

## **Packaging Mortgage Transactions**

- Reviewing program guidelines
- Purchase vs. refinance
- Transaction risk
- Credit scores
- Calculating LTV & CLTV
- Calculating DTI
- Changing variables
- Restructuring with compliance
- Basics of an appraisal

## **Marketing in a Purchase Environment**

- Finding the target customers
- The marketing-originating cycle
- Consumer direct vs. business to business
- Prospect to closing conversion ratios
- Molecular Marketing™ - Developing business networks
- Supporting real estate agents
- Builders, CPAs, financial planners, attorneys
- Social media and staying in touch