

MONTHLY MORTGAGE LOWDOWN

Pricing Strategies That Will Win You More Buyers in 2022!



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OWNER OF PRICE MORTGAGE

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Mortgage Expert, 20+ years of Experience

PRESENTED BY
**PRICE MORTGAGE &
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TOPICS COVERED

- **Mortgage Rate Update** - October 18, 2022
- **Year over Year Trends** - Rates and Loan Values
- **Loan Limits** - Loan limits for 2022 and beyond
- **Pricing Strategies** - Which loan programs fit which price ranges?
- **Seller Concession Limits** - Broken down by loan type
- **Get More prospects** - Marketing the 2/1 buydown!
- **Bonus** - 2/1 Buydown calculator

MORTGAGE RATE UPDATE: OCTOBER 18, 2022

PROGRAM	DOWN	RATE	APR
Conventional 30 YR	20%	6.999%	7.359%
Conventional 30 YR	5%	6.999%	7.786%
Conventional 30 YR	3%	7.250%	7.8796%
FHA 30 YR	3.5%	6.25%	7.345%
VA 30 YR	0%	6.25%	6.237%
Jumbo 30 YR	20%	7.250%	7.658%
Jumbo ARM 10/1	20%	5.550%	5.674%

**The above table is for informational purposes only and rates are not locked. Numbers based on a borrower with a FICO score of at least 740.*

YEAR OVER YEAR TRENDS

	2020	2021	2022
AVG RATE	3.17%	2.97%	4.76%
AVG LOAN AMOUNT	\$282,235	\$321,979	\$376,151

Data is pulled from Price Mortgage loan data.

2022 QUARTERLY TRENDS

	Q1 2022	Q2 2022	Q3 2022
AVG RATE	3.59%	4.84%	5.86%
AVG LOAN AMOUNT	\$356,351	\$390,310	\$387,934

Data is pulled from Price Mortgage loan data.

2022 LOAN LIMITS BY PROGRAM

PROGRAM	1 UNIT	2 UNIT	3 UNIT	4 UNIT
Conventional	\$715,000	\$916,000	\$1,107,000	\$1,376,000
FHA	\$441,600	\$565,300	\$683,350	\$849,250
VA	Up to \$4,000,000 <i>Technically no limit, lender specific.</i> <i>* Cap is if they have a current VA loan that won't be paid off before closing.</i>			
USDA	\$647,200 <i>* Must be in an eligible area, see more at https://bit.ly/3Cy1eec</i>			
Jumbo	No limit <i>* Requires 20% down. Some lenders cap out at \$2-5M.</i>			

LOAN PROGRAMS BY PERCENT

CONVENTIONAL	FHA	VA	JUMBO	USDA
78%	9%	8%	4%	1%

Data pulled from Price Mortgage loan data from June 1, 2021 - June 30, 2022

\$350,000

SALES PRICE

LOAN PROGRAMS THAT FIT

- *Conventional: 3% Down*
- *FHA: 3.5% Down*
- *USDA: \$0 Down*
- *VA: \$0 Down*

\$500,000

SALES PRICE

LOAN PROGRAMS THAT FIT

- *Conventional: 3% Down*
- *FHA: 12% Down*
- *USDA: \$0 Down*
- *VA: \$0 Down*

Any price point above a \$457,616 loses the standard 3.5% down FHA option. Any FHA borrower will need to make up the difference with their down payment.

\$650,000

SALES PRICE

LOAN PROGRAMS THAT FIT

- *Conventional: 3% Down*
- ~~FHA: 32% Down~~
- *USDA: \$2,800 Down*
- *VA: \$0 Down*

At this price point most FHA borrowers are priced out. Very rarely do we see FHA borrowers make up this difference.

USDA Borrowers are now slightly priced out, though only by \$2,800.

\$750,000

SALES PRICE

LOAN PROGRAMS THAT FIT

- **Conventional: 5% Down**
- **USDA: 14% Down**
- **VA: \$0 Down**
- **Jumbo: 20% Down**

At this price point we are in Jumbo loan territory. The max conforming loan limit is \$715,000.

With 20% down the max sales price on a conventional loan is \$893,751

\$1,000,000

SALES PRICE

LOAN PROGRAMS THAT FIT

~~• Conventional: 29% Down~~

- VA: \$0 Down
- Jumbo: 20% Down

At this price point, we are firmly in Jumbo loan territory. Jumbo loans come with different guidelines and higher rates than conventional loans.

VA loans still enjoy \$0 down options.

SELLER CONCESSION LIMITS BY LOAN TYPE

The restrictions on seller concessions vary by loan type. The lesser of the sale price or the appraised value usually dictates how much your seller can pay in concessions.

For example, say you offer \$155,000 for a home. The home appraises for \$150,000. If the seller concessions max out at 3%, the seller can contribute up to 3% of \$150,000, or \$4,500, to help with closing costs.

Here are the seller concession limits for some common loans.

SELLER CONCESSION LIMITS BY LOAN TYPE

Conventional Loans

The limit for conventional loans depends on how much you're putting down:

- If your down payment is less than 10%, the seller can contribute up to 3%.
- If your down payment is 10 – 25%, the seller can contribute up to 6%.
- If your down payment is more than 25%, the seller can contribute up to 9%.
- If you're buying an investment property, the seller's contribution is limited to 2%, no matter what your down payment is.

SELLER CONCESSION LIMITS BY LOAN TYPE

FHA Loans

For all FHA loans, the seller can contribute up to 6%.

USDA Loans

For USDA loans, the seller can contribute up to 6% of the buyer's loan amount. This is the one loan type where the seller concessions are not based on the home price or appraised value.

VA Loans

VA loan rules dictate that the seller can contribute up to 4%. Seller concessions on VA loans may include payments toward a buyer's judgments and debts, as well as VA funding fees.

- VA Entitlement worksheet: <https://bit.ly/3MBuJk1>

2/1 BUYDOWN MARKETING IDEAS

\$399,999 19395 N SAN PABLO ST, MARICOPA, AZ 85138



Sales Price \$399,999
 Loan Amount \$387,999 (3% Down)
 Interest Rate (Annual) 6.875% (7.374% APR)
 Loan Period 30 Years
 Monthly Payment \$2,967
 Total Payments 360

The 2/1 Buy down program drops the buyer's interest below the Note rate for the first year, and then 1% which saves them THOUSANDS

The rate returns to the original locked note rate third year through the life of the

BUYDOWNS 101 2-1 BUYDOWN VS PERMANENT

Sales Price \$600,000
 Loan Amount \$570,000 (5% Down)
 Interest Rate (Annual) 6.500% (6.944% APR)
 Loan Period 30 Years
 Monthly Payment \$3,971
 Total Payments 360

Enjoy reduced mortgage payments by getting the seller to temporarily buy down the rate either permanently or up to 24 months!

This is a great way to **SAVE THOUSANDS** in the first 12-24 months of your mortgage. The rate returns to the original locked note rate as the buy down expires.

2/1 BUY DOWN					
Interest Rate	Payment	New Payment	Monthly Savings	Payments at Rate	Total Savings
4.875%	\$2,967	\$2,472	\$495	12	\$4,404
5.875%	\$2,967	\$2,714	\$253	12	\$6,580
2/1 BUY DOWN COST (SELLER PAID) \$12,984					

2/1 BUY DOWN					
Interest Rate	Payment	New Payment	Monthly Savings	Payments at Rate	Annual Savings
5.500%	\$3,971	\$3,604	\$367	12	\$4,404
4.500%	\$3,971	\$3,256	\$715	12	\$8,580
2/1 BUY DOWN COST (SELLER PAID) \$12,984					

PERMANENT BUY DOWN					
Interest Rate	Payment	New Payment	Monthly Savings	Payments at Rate	Total Savings
6.125% (6.796% APR)	\$2,967	\$2,776	\$191	360	\$194,400
PERMANENT BUY DOWN COST \$11,731					

PERMANENT BUY DOWN					
Interest Rate	Payment	New Payment	Monthly Savings	Payments at Rate	Total Savings
5.999%	\$3,971	\$3,431	\$540	360	\$194,400
PERMANENT BUY DOWN COST (SELLER PAID) \$11,731					

Price Mortgage scenario based on Rate Quote from 09/29/2023 for a 30 Year Fixed Conventional Mortgage, with 95% Loan-to-Value, loan amount of \$570,000 and Credit Score of 740+. Rates, terms and fees may vary and are subject to change without notice. Not all will qualify. *Savings calculated over buy down period.



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Marketing rate buydown programs is a great way to increase leads and prospects in the current market!

We have a number of different co-branded marketing flyers we would love to put together for you, just reach out after this call!

We have general and property specific flyers.

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BUY DOWN CALCULATOR

2/1 BUYDOWN CALCULATOR

2/1 Buydown is a temporary interest rate reduction of 2% less in Year 1 and 1% less in Year 2.
The total monthly savings are combined into an escrow account funded by seller at closing

Loan amount	\$ 350,000	
Term	360	
Interest Rate	7.500	
1st yr buydown	5.500	this will calculate as 2% less than the Interest Rate
2nd yr buydown	6.500	this will calculate as 1% less than the Interest Rate

Months	12	12	Buydown Cost
Full payment	1st year	2nd year	
	\$2,447.25	\$1,987.26	\$2,212.24
Monthly difference	(\$459.99)	(\$235.01)	
Annual savings	(\$5,519.88)	(\$2,820.12)	(\$8,340.00)
			2.383% total buydown cost (bps)

<https://bit.ly/3ESYSJB>

Instructions: Enter the Loan Amount and the Interest Rate (locked / disclosed rate) in the yellow fields above. The rest of the fields will calculate automatically.



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