

# MOREIRA TEAM MORTGAGE'S SIMPLE STEPS TO A **HARP 2.0** **HOME LOAN**



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The Home Affordable Refinance Program (HARP) is a Federal program rolled out by the Obama Administration in March of 2009 to help underwater and near-underwater homeowners refinance their mortgages. It was designed to help responsible homeowners who are current on their mortgage payments take advantage of low rates, even though the value of the home has declined due the housing crisis. If you owe more than your home is worth the HARP 2.0 program can help by refinancing you into a much lower payment without having to pay extra principal or mortgage insurance (PMI).

HARP2.0 Loans offer a special opportunity for homeowners to refinance their underwater mortgages owned by Fannie Mae or Freddie Mac into a much lower payment.

**Well, now you have to ask yourself some questions:**

- I'm I eligible for HARP 2.0?
- What kind of a loan can I qualify for?
- What are the requirements to qualify?
- Who do I talk with to get a HARP 2.0?
- Where do I start?

Take a deep breath. You're not alone in your confusion with the HARP 2.0 program. Your questions will be answered, and then some.

This step by step guide is intended to give you all the quick answers you need to get started with the HARP 2.0 program, explain all the benefits of a HARP 2.0 Loans, and help you navigate the loan process.

**Some of the items we will be discussing are:**

- Defining HARP 2.0 Home Loans
- Interest Rates defined
- What you need to apply for a HARP 2.0 Loan
- Choosing your HARP 2.0 mortgage professional
- How do I find out if I'm eligible?

After reading this guide, you will have the exact step-by-step process for understanding and obtaining a HARP 2.0 Home Loan.

## Steps to Choosing The Best Local Mortgage Professional

After many years of counseling borrowers through some very rough waters with other mortgage professionals, I'm convinced there is only one smart way to find a HARP 2.0 mortgage professional:

1. **Select an experienced lender.**
2. No big box banks, dot com's or giant internet call centers from California, Michigan or Timbuktu. You know who they are.
3. A referral from a friend, family member or co-worker that has worked with the mortgage professional is a plus.
4. Ask for a specific person with HARP 2.0 mortgage experience to work with.
5. A lender with positive online customer reviews and an A+ rating from the Better Business Bureau.
6. Lastly, an authorized direct HARP 2.0 lender who also has the ability to offer brokered loans.

My reasoning is very simple. You should not be talking to a mystery voice on the phone during the most exciting yet stressful financial decision of your life! You need someone you can see face to face when things get rough. Someone you can locate easily whenever you have a question.

More importantly, you need someone you can trust.

Once you find your local HARP 2.0 mortgage professional, give them the basic information that is needed to run an accurate mortgage pre-approval. They will then give you a good faith estimate for you to review.

Once you find a good mortgage professional the next step is to interview him or her using questions like:

- Do you specialize in HARP 2.0 Home Loans?
- Are you a mortgage broker, banker or direct lender?
- Are you salaried or commission based?
- How many HARP 2.0 loans have you personally closed?
- Are you licensed by the state and have any complaints ever been filed against you?
- Is the interest rate you quoted me fixed or adjustable?
- Are you locking in the interest rate and if so then for how long?
- What is the fee for doing the mortgage?
- What additional fees will be added to the mortgage?
- What will be the total principal amount of the loan?
- How much will my monthly payments be?
- What is the length of the loan?
- Will my loan be sold?
- Will I have a prepayment penalty?

- If I pay for the appraisal will you immediately give me a copy of it when you receive it?
- If I pay for the credit report will you immediately tell me my score?
- Who do I contact to get a copy of the closing documents 24 hours before closing?
- How long will it take to get me an approval?
- Can you send me a good faith estimate showing all fees?

What you should **NOT** do is:

- **Call around for rate quotes** - There are some loan officers who will give you a low-ball rate that they cannot possibly follow through on. This is just a deceptive ploy to get your business.
- **Compare annual percentage rates** - Many lenders use several different factors to come up with APR. Very rarely do two banks use the same formula.
- **Compare ads** - The ads are to get you into the office to sign up. Mortgage companies put the most attractive information that applies for less than 1% of the population to bait and switch you.

The reason why you should not use those three methods is because they leave too much wiggle room for unscrupulous loan officers to trick you

into giving your information which leads us right into...

### *7 Reasons Why You Should Work With An Experienced HARP 2.0 Mortgage Professional or Risk Disaster*

1. You can meet face to face to interview your experienced HARP 2.0 mortgage professional.
2. You can talk to the experienced HARP 2.0 mortgage professional face to face if there is a problem.
3. Your experienced HARP 2.0 mortgage professional can attend the closing and help with any errors that show up last minute.
4. Your experienced HARP 2.0 mortgage professional will be familiar with local real estate market trends.
5. Your experienced HARP 2.0 mortgage professional will have relationships with the attorney and title company actually performing your closing.
6. Your experienced HARP 2.0 mortgage professional will know the standard local fees that are charged.
7. Your experienced HARP 2.0 mortgage professional is more likely to have a visible and easily reachable team to help out during the process

## HARP 2.0 Program Updates

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Since the implementation of the Home Affordable Refinance Program (HARP) it has gone through many changes some good some bad. Recently many of the negative barriers that were keeping many homeowners from refinancing through the HARP 2.0 program have been lifted. Below are some of these key elements that have been removed to help more homeowners take advantage of historic low rates.

### Appraisal Waivers

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Both Fannie Mae and Freddie Mac have adjusted their automated underwriting system (AUS) to allow for more homeowners to qualify for what's called an appraisal waiver. Just like it sounds by qualifying for the waiver a traditional appraisal will not be required in order to refinance. This makes the process very quick and simple for a homeowner to lower their interest rate or even their mortgage term.

### Loan To Value Limits Eliminated

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By far the biggest change to the HARP 2.0 program that has had the most positive impact is the elimination of loan to value caps. In other words, there is no longer a limit to how much negative equity you can have. Until this recent change anyone who had negative

equity greater than 25% would not be able to qualify for the program. This of course was a major obstacle especially in hard hit markets like Atlanta, Georgia and Miami, Florida where some homeowners who purchased homes before the bubble burst saw their home values fall 40% to 100%. This update has helped many homeowners refinance into a much more affordable payment.

### Mortgage Insurance Transfers

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You can now transfer your current mortgage insurance from your current servicer to your new servicer by refinancing through HARP 2.0. Previous to this update some mortgage insurance companies would not allow homeowners to transfer their mortgage insurance in order to refinance. This prevented many homeowners from taking advantage of the program and refinancing into a lower payment.

## Subordination of 2nd Mortgages

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Many homeowners who can benefit the most from HARP 2.0 purchased their home prior to June 2009 which in many cases means they have a combo loan or a 1st and 2nd mortgage. The change to allow subordinations of a 2nd mortgage allows homeowners to refinance their 1st mortgage by getting permission from the 2nd lien holder to keep their mortgage in place. In the past this was a challenge and disqualified many borrowers. Luckily this was revised and has increased the number of eligible homeowners considerably.

## Affordability and Cost

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The cost of participating in the HARP 2.0 program has also been going down since it was first released back in March 2009. Recently caps were put in place to limit the fees and rate increases banks can charge for borrowers that qualify. This has made the program more affordable, reduced the overall cost and has increased the net tangible benefit for many borrowers. Especially homeowners that have lower credit scores, loan amounts, or that have a 2nd mortgage they need to subordinate in order to refinance.



## Getting The Answers

As a HARP 2.0 borrower, you should be aware of how this process works. These questions and answers will help educate you on the process, and how this applies to a HARP 2.0 loan.

### What type of guidelines do I have to meet for a HARP 2.0 loan?

You must have:

1. At least two years of steady employment, preferably with the same employer.
2. Income over the last two years that has been steady or has increased.
3. No late payments in the last 12 months.
4. A mortgage payment that equals approximately 36% of your gross income or less, which is based on the purchase price of the house, your other monthly bills, income, and current interest rates.

### After I fill out the mortgage application, how long do I have wait for an answer?

Getting an answer on whether or not you are accepted for the loan you applied for can take anywhere from 7 to 21 days. If you are required to provide the loan officer additional documentation such as an explanation of items on your credit report, this could affect the time it takes to get an answer. The faster you provide the information, the faster you will get an answer. The lender reviewing your application will also be requesting

an appraisal of the property, a copy of your credit report, verification of your employment information and banking records.

### How much income do I need to qualify for a HARP 2.0 loan?

The HARP 2.0 program requires a debt to income ratio of 45% or less in order to qualify to refinance.

### What will the annual percentage rate on my loan be? Is it the same as the interest rate on my loan?

The annual percentage rate (APR) is not the same as the interest rate on your loan. The interest rate on your loan is the percentage you pay per so many dollars you borrow. This is the fee the lender charges you to borrow the money. The APR is a value that reflects the actual cost of borrowing the money and it includes all of the fees that go with purchasing your home. Because each loan is different, your APR will be different than someone else's. There is no set number because the government uses a special formula to calculate this number. This number is determined by taking the amount of money you are borrowing and adding the closing costs on the loan and any other fees accumulated to the borrowing amount. All of the interest that you will



be paying over the length of the loan, usually 30 years for a HARP 2.0 loan, is added into the figure and it is then broken down into the rate, reflected as percentage.

Say you borrow \$250,000 to refinance your home. Your closing costs are \$2,000, and additional fees equal \$3,700. Your APR will be determined by how much interest is paid on \$255,700 over 30 years, and then broken down into a percentage.

#### **What about the interest rate on my loan? Is it locked in place until I close or will it change?**

The interest rate you received as your initial quote may be different from your final closing, unless you submit a complete mortgage application, a purchase and sales contract, and all your financial documents upfront. The interest rate can fluctuate with the market and most companies will no longer lock a rate into place until they have all of these documents on file. If you want to get the best rate, then you should submit the necessary items as soon as possible.

#### **Will an appraisal be required to refinance through HARP 2.0?**

Well it depends. In most cases an appraisal waiver will be granted once your file is run through the automated system by your mortgage

professional. In this case an appraisal will not be required. In the event the appraisal waiver is not granted an appraisal will be required.

#### **What could delay the approval of my mortgage loan?**

There are many things that could delay your approval and most of them are usually in your control. Make sure you provide your mortgage lender with any documentation requested quickly in order to meet your timelines. Not having your tax filings up to date is a common issue that can delay mortgage approvals.



## The Truth About HARP 2.0 Mortgages

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Anyone who is interested in securing a HARP 2.0 mortgage for their home may hear a bunch of things about HARP 2.0 loans that are not necessarily true. There are a ton of untrue rumors, such as: HARP 2.0 mortgages have difficult requirements to meet, you need perfect credit, or you can't be underwater too much on your mortgage to refinance.

Hearing these types of things could make a potential borrower nervous about refinancing their home. Let's debunk these myths so that you truly understand how easy it really is to refinance and lower your monthly mortgage payment:

### **Myth #1 – You will have to wait longer for a HARP 2.0 loan approval.**

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This is a big, resounding no. Thanks to the Internet, computers allow for automated underwriting and paperless processing, so it does not take any longer to approve a HARP 2.0 loan. If you are under the care of a HARP 2.0 educated mortgage professional, the process could even go faster as the paperwork and any documentation needed is submitted all at once, instead of piecemeal.

### **Myth #2 – Your credit score does not matter when it comes to a HARP 2.0 loan.**

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HARP 2.0 lenders base their decision mainly on your FICO or credit score, but on your actual credit history over the last two or more years. The state of your credit history is more important, and they are looking for the way you make your payments: if they are on time or late, or if there is a specific pattern of payment. The lender will also take into consideration work history and assets on reserve that can help determine your credit worthiness.

### **Myth #3 – There's a ton of extra paperwork with a HARP 2.0 loan.**

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This is another big resounding no. HARP 2.0 loans have much less paperwork required vs. other types on loans. Essentially it's a streamlined conventional refinance. Plus, with the ability to print off most of the documents with your demographic information – address, phone number, income, etc. – already filled in, the most you will need to do is initial a few more pages.

### **Myth #4 – You get a better deal with a HARP 2.0 loan.**

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Well, like most things, it depends. Yes, this type of loan carries fewer risks for your lender and you get charged less by them. HARP 2.0 loans are the better deal if you have good income, a low debt to income ratio and a good credit rating. Since these types of loans are based on risk the lower the risk the better the deal you get.

### **Myth #5 – The HARP 2.0 mortgage insurance is unaffordable.**

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This is simply not the case. If you currently pay mortgage insurance than the same mortgage insurance premium per month will be transferred to your new HARP 2.0 loan. Not to worry, if you currently do not pay mortgage insurance than you will not have this expense on your HARP 2.0 mortgage.



## Are You Eligible for HARP 2.0?

The Home Affordable Refinance Program (HARP) is one of the most powerful tools for underwater homeowners today. It is often the only refinance option for homeowners who lost equity in the recent housing crisis.

A HARP loan allows borrowers to be upside down on their mortgage and still refinance. Regardless of how upside down you are, if you have mortgage insurance, or if you have a 2nd mortgage you can benefit from the HARP 2.0 program.

The most important requirement is that Fannie Mae or Freddie Mac must own your loan and be endorsed previous to 06/2009.

If your loan is owned by Fannie Mae, you may check your potential eligibility for HARP 2.0 by clicking on the link below.

If your loan is owned by Freddie Mac, you may check your potential eligibility for HARP 2.0 by clicking on the link below.



## Applying For HARP 2.0

### HARP 2.0 Loan Ready Checklist

When you are meeting with your HARP 2.0 mortgage professional, you should come prepared. I have seen it take weeks for some buyers to get their paperwork together for an appointment and I have seen other people do it in minutes. Generally speaking, here is the information you want to bring to your appointment:

1. W2's from the last two tax years
2. Last two years of complete tax returns
3. Two most recent paystubs
4. Most recent assets statement (all pages)
5. Be sure to ask your HARP 2.0 mortgage professional of the specific documents needed for your unique mortgage request

Once your mortgage professional has this information in hand and you complete the mortgage application, you will receive your pre-approval and a Good Faith Estimate. The Good Faith Estimate is a form that gives you all of the fees and important information about your mortgage.

### The Four Factors Of Getting Your Mortgage Approvals Fast And Easy

There are four major factors that will determine your mortgage approval and the interest rate you will be paying:

#### Income

Have you had continuous employment for the last twenty-four months and if so, how much have you averaged per month? Remember to keep your base salary separate from over-time and bonuses, because lenders calculate those two numbers very differently as they are not stable and reliable enough to merit the same weight as salary.

- **High Income Earners** - Just because you make \$150,000 per year does not mean you are not hourly. Take a look at your paystub and you will find that your employer graciously took the time to break it down for you.
- **Self-Employed** – All the hard work you and your tax professional put into minimizing your tax liability could really hurt you. Here is why: lenders look at your net taxable income for the tax year, not your gross income. Meaning if your half a million dollar a year business deducted every possible penny you could and only showed you with a net taxable income of twenty five thousand dollars for the tax year, then that is all lenders can use to qualify you for a mortgage

**Credit**

Do your credit reports reflect steady payment history and the ability to manage your finances, or does it show a person who rarely pays bills on time? Lenders want to see at least a 620 middle credit score.

**Loan-To-Value (LTV)**

Are you looking to essentially finance every single penny that you can? Even though most HARP 2.0 lenders have unlimited loan to value requirements this could affect the rate and closing costs you qualify for due to the increase risk of these loans.

**Assets on Reserve**

Can you show assets on reserve in a checking, savings, 401K or IRA account? This can be beneficial when you are trying to qualify for HARP 2.0. Generally speaking the lower the risk to the lender the better deal you can qualify for.





## Why Am I Getting A Different Interest Rate?

Over the years there have been many times when HARP 2.0 borrowers have become upset because they were promised an interest rate from another mortgage professional who couldn't deliver on his promise. When I dug a little deeper, I discovered that the interest rate they "thought" they were getting was actually quoted over the phone or seen in an online advertisement and did not accurately reflect their true income, credit and overall risk level from a lender's perspective.

So here are some of the occasions in which you might find yourself getting a dramatically different interest rate than what you heard on the radio, saw online or read in the newspaper:

- **On paper you look risky.** There is no substitute for having good credit and consistent income. If you do not have either, then you may have a good story to tell, but on paper you look risky.
- **You chose a different mortgage type.** Many times lenders will put the most attractive rates in their ads. However, they neglect to mention less than one percent of the population qualifies for these programs.
- **You are extremely upside down on your home (High LTV).** This means if you are financing 125% - 175% of the property value expect to pay a higher interest rate and closing costs. The only exception to this rule is if you have excellent credit above 750.
- **Your loan cannot be resold on the secondary market.** Banks view mortgages as investments, so they will package ten or twenty mortgages together and sell them as an investment package to other banks. So, if they have a group of ten thirty-year fixed mortgages with six percent interest rates they will expect a six percent return each year for thirty years. However, if you are viewed as risky, then they might not be able to sell your mortgage to other investors so you represent more risk to them.
- **Your loan has points.** The mortgage rate you saw online or were told likely included paying points in order to advertise a lower rate. However, if you stated you did not want to pay points to your mortgage professional then you may get a higher interest rate. The points are used to buy down and lower the interest rate, which increases your cost.

## HARP 2.0 Refinancing Options

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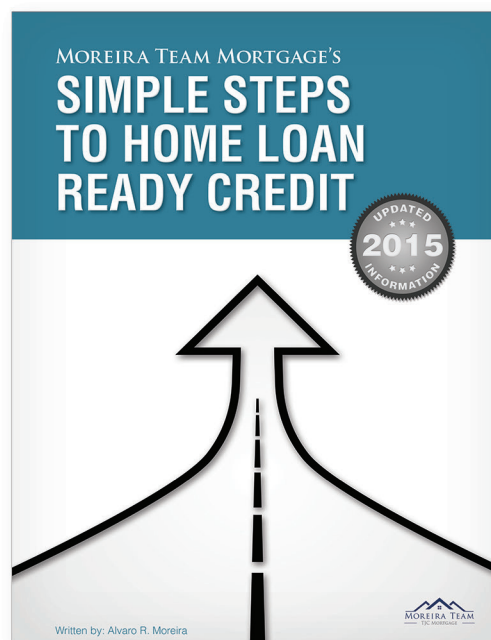
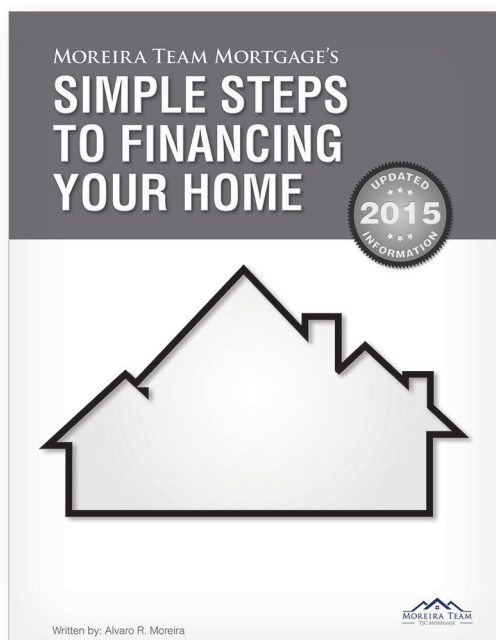
The HARP 2.0 program has one main refinance option to help borrowers lower their monthly mortgage payment. This is the HARP 2.0 rate and term refinance; it's designed to lower your interest rate or term by refinancing your existing conventional Fannie Mae or Freddie Mac loan. If you are currently in a conventional loan owned by Fannie Mae or Freddie Mac and would like to lower interest rate or term this option may be the right program for you.

### Benefits of a HARP 2.0 Refinance

- Primary, 2nd home, or investment OK
- Refinance to get a lower rate or term
- Refinance regardless of equity







### Who We Are

The Moreira Team is one of the fastest growing HARP 2.0 mortgage lenders. We make the mortgage loan process easy by offering you three ways to apply for your loan: online, over the phone, or at one of our convenient locations.

We employ mortgage professionals operating in a team environment to make sure you get the right loan at the right price...and our Mortgage Pro's are compensated based on their ability to get you to an error-free closing faster than anyone else!

Our fully-integrated, streamlined process lets you start and finish the application process in any way that you choose, while giving you the comfort and convenience of knowing that an experienced loan consultant is right there with you throughout the entire process.

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