

A Complete Guide to the CalSTRS 80/17 Purchase Loan

Homeownership Education Resources Workbook & Notes





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CalSTRS 80/17 Purchase Loan

Topics We Will Cover In This Class

- A Complete Guide to CalSTRS 80/17
- "Red Flags" – What to watch out for
- What's the next step?
- Wrap Up and Take Aways
- Upcoming Classes

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How CalSTRS benefits by the 80/17

- CalSTRS pension fund invests in mortgage notes as mortgage backed securities
 - CalSTRS is not a lender and does not do loans
- Payments go back into CalSTRS pension fund
- Contributes to the growth and stability of your retirement system as a member of CalSTRS
- Broadview Mortgage is an approved Lender on CalSTRS website - See link on site

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CaISTRs 80/17 Purchase Loan

Loan Structure

- Max 1st Loan Amount - 80%
 - Qualify on 80% Only
 - Increases your purchasing power
- Max 2nd Loan Amount - 17%
 - No payments for first 5 years
- 30 Year fixed rate loan only
- Same interest rate for both loans
- One time free float down – both loans
 - If the rates go up – you're protected
 - If the rates drop – you may lower your rate

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CaISTRs 80/17 – Second Mortgage

- Second Mortgage Loan
 - Deferred payments for 5 Years
 - Simple interest accrues for deferred period
 - Accrued interest added to principle balance
 - Fully amortized over remaining 300 months
- No surprises guarantee - You will know exactly what your payments will be
 - Although you qualify on first mortgage only, we will always send you a good faith estimate with total payment

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CalSTRS 80/17 Purchase Loan
Understanding the Second Mortgage

Calculating Monthly Payment – Based on \$300,000 Purchase Price

\$51,000	loan amount
x 5.375%	interest rate
\$2,741.25	annual accrued interest
x 5	years deferral period
\$13,706.25	total accrued interest for 5yrs
+ \$51,000	original loan balance
\$64,706.25	61 st month new total principle with deferred interest
+ \$144,920	15 days interim interest – attend "Closing Costs"
\$64,841.17	

\$64,841.17 Amortized for 25 years = \$393.42 payment

*Interest rates change daily – Rate as of 5/8/2009

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Down Payment & Closing Costs

- Down payment requirements
 - 3% down payment
 - 1% from buyer's own funds
- Sources of Down Payment and Closing Costs
 - Down Payment - Borrower's own funds
 - Down Payment - Gift from relative
 - Down Payment – Grant from government agency
 - Closing Costs - Seller contributions up to 3%
 - Closing Costs - Borrower's own funds
 - Closing Costs - Gift from relative

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Additional Low and No Down Payment Options for CalPERS Members

- Maximum purchase price \$350,000
- Use CalPERS FHA 1st - Maximum 96.5% LTV
- Personal loan secured by PERS
 - Not borrowed from PERS account
- Can borrow up to 5% of value of home
- Up to 50% of Member's current contribution
 - Maximum \$18,421
- Minimum loan term is 1 year / Max is 15 years
- Must be primary residence
- Can be used toward down payment only
- Attend 100% Financing for CalPERS class

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CaISTRs 80/17 Highlights

- No Income limits
- You do not have to be a first time homebuyer
- You cannot own any other properties
- Minimum FICO Scores
 - 620 for Loan Amounts up to \$400,000
 - 680 for Loan Amounts up to \$650,000
 - Combined 1st & 2nd Loans
- Interest Rate lock requires Property Address
 - Typically rate is locked when offer is accepted
- If offer falls out – Rate lock is lost as well

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Costs Controlled by CalSTRS

- Cannot buy interest rate down
 - Below market / Set by CalSTRS
- Cannot “roll in” closing costs into rate
- Fannie Mae – Pricing Adjustments
 - Declining Market - .25%
 - High LTV Flex 97 - .5% - Gone as of 5/8/09
 - Risk based credit score pricing
 - None at 740 FICO
- Potentially lower cost than FHA - may require more money brought to the closing table

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CalSTRS 80/17 – Review

- Only 3% down payment required
- No upfront mortgage insurance premium
- No monthly mortgage insurance premium
- Qualify for 80% first mortgage only
- 17% second mortgage deferred for 5 years
- No income or first time home buyer limits
- Up to 3% seller concessions for closing costs
- Rates set by CalSTRS
- One time Free float down
- Interest rate can be locked once offer accepted

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“Red Flags” - What to watch out for

- Community programs designed to benefit specific members of the education community
- CalSTRS loans have fixed rates and fees
 - Interest rates set daily by CalSTRS
 - Origination fees set by CalSTRS
 - Can not charge discount points for rate
- There have been many instances of lenders / real estate agents misleading or misinforming buyers
 - Ignorance is ok – Not knowing is not unethical
 - Pushing FHA to make more money is common

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“Red Flags” - What to watch out for

- Agent recommends lender but not program
 - All of our agent partners know about CalSTRS
- FHA is presented as an option/solution
- GFE doesn't have LLPA's
 - Declining Market - .25%
 - Flex 97 High LTV - .50% - Or does still have it!
 - Credit Score 740 or less - ?%
- Interest Rates do not match website
 - Ask what today's rate is – then check the site

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What's the Next Step?

- Very First Step – Get pre-approved for financing
- Work with a Real Estate Agent that is familiar with these special home purchase programs
- Continue to educate yourself! Take your time, make informed and empowered decisions throughout the home buying process

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Wrap up and Take Aways

- We are a direct Lender that specializes in CalSTRS, CalPERS, CalHFA, FHA, VA, USDA and Community based down payment assistance programs
- We are more than happy to be your "second opinion" if you are already working with someone
- We are more than happy to refer you to a qualified Real Estate Agent that shares our values and passion for education - familiar with CalSTRS

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Wrap up and Take Aways

- You will receive a "Thank you" email with links to the information we've talked about here today including
 - Copy of power point presentation
 - Secure on-line loan application
 - Links to all the topics we discussed in class
 - Dream Home Finder request
 - Link to more information about Tax Credit
 - A schedule of all upcoming classes

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Scott Schang, Homeownership Educator

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Thank You for Attending
If you enjoyed this class – Tell a friend ☺

Your input is Valuable
Please complete 2 question survey when you log off

For more information
1-866-667-6724

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Homeownership Educator
Scott Schang
Branch Manager

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