

San Bernardino Valley College
Course Outline for REALST 102
Governmental and Non-Conforming Loan Processing

I. CATALOG DESCRIPTION:

REALST 102: Governmental and Non-Conforming Loan Processing

3 hour lecture each week = 3 units

This course provides in-depth training in how to process non-conforming, FHA, and VA real estate mortgages. The student will learn the basics of processing Sub-Prime Loans, Jumbo Loans, Second Mortgages, FHA, and VA mortgages. The Full Documentation, Limited Documentation, and Stated Income loan files will be covered.

Prerequisites: None.

Departmental Recommendation: REALST 100 and REALST 101.

II. NUMBER OF TIMES THE COURSE MAY BE TAKEN FOR CREDIT: One.

III. EXPECTED OUTCOME FOR THE STUDENTS:

Upon successful completion of the course, the student should be able to:

- A. Read and critically evaluate the pre-qualification of sub-prime, jumbo, seconds, FHA and VA mortgages;
- B. Analyze the validity of the different nonconforming loan products, as well as FHA and VA loans;
- C. Recognize and explore the verifying documentation that is needed to process the different loan packages;
- D. Define, analyze, discuss, and explain the FHA & VA compliance laws including how to calculate the MACAW & MIP forms;
- E. Describe and analyze the Equal Credit Opportunity Act and Fair Credit Reporting Act.
- F. Comprehend and distinguish the accurate application of FHA vs. conforming loan products.

IV. CONTENT

- A. Introduction: Definition of non-conforming loans which include Jumbo Loans, different types of Seconds, and Sub-Prime Loans;
- B. Jumbo Loan Products: Required qualifications of jumbo loan borrowers. Documentation needed to obtain loan approval with the various lenders;
- C. Sub-Prime: Understanding Sub-Prime loans. Sub-Prime loans are not only for borrowers that have derogatory credit, but they also serve a purpose for properties that might not fit into the conforming guidelines;
- D. FHA: Characteristics of FHA loans. How they help borrowers purchase a home or refinance their current home;
- E. Compliance: Applicable real estate laws for mortgage lending;
- F. Forms: FHA forms that are required by HUD, i.e., VOM, VOR, VOL, VOD, VOE, 92900 "A," 92900 "B," energy efficient mortgage disclosures, ARM disclosures and right to Privacy Act;
- G. Veteran's Administration (VA) Loans: VA loans and how they help veterans qualify for the purchase of a home or refinance;

- H. VA Forms and Documentation: DD214, VA form #1880, VA Assumption Advisement, debt questionnaire, indebtedness letter, and Interest Rate and Discount Statement;
- I. Seconds: Second mortgage loan programs available. Who benefits from a second mortgage loan. Documentation, collateral, credit, and income required to qualify for a second mortgage;
- J. Submissions and Approvals: Assessing investors to submit loan packages for approval;
- K. Compliance to the Equal Credit Opportunity Act and Fair Credit Reporting Act;
- L. Steps required to satisfy the lender's conditions.

V. METHODS OF INSTRUCTION:

- A. Lecture
- B. Demonstrations
- C. Role playing
- D. Research Project

VI. TYPICAL ASSIGNMENTS:

- A. Research the various non-conforming lenders and determine who is the ultimate secondary investor and what their guidelines mean to the consumer.
- B. Calculate the overall cost of a particular loan, the yield to the investor, and the complete cost to the consumer.
- C. Outline the steps involved in processing a government loan and the rationale for each step.

VII. EVALUATION:

- A. Methods of Evaluation
 - 1. Graded assignments
 - 2. Class participation
 - 3. Examinations (midterm, final)-OBJECTIVE AND ESSAY

Multiple choice questions;

Sample:

How do you determine a borrower's Capacity?

- a) by the number of properties they own.
- b) debt to income ratio.
- c) if they are of legal age and of sound mind.
- d) All of the above.

Fill in the blank:

Sample:

What are the five best reasons a borrower would want a FHA loan?

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____

Vocabulary

Sample:

Give the definition for the following:

- 1. DD-214
- 2. Stated income
- 3. FHA

Essay

Sample:

What does Section 32 stand for and what is the purpose of this law?

B. Frequency of evaluation

1. Six to seven graded assignments
2. One midterm examination
3. One final examination

VIII. TYPICAL TEXTS:

Clauretie, Terrence M. and G. Stacy Sirmans. Real Estate Finance: Theory and Practice, Third Edition. New Jersey: Prentice Hall, 1998.

Major, John B. and Fung-Shine Pan. Contemporary Real Estate Finance, New Jersey: Prentice Hall, 1996.

Dennis, Marshall W. and Michael J. Robertson. Residential Mortgage Lending, Fourth Edition. New Jersey: Prentice Hall, 1994.

IX. OTHER SUPPLIES REQUIRED OF STUDENTS:

Financial Calculator