



*Presents*

# **Cash-Out Options for Non-QM**

October 5<sup>th</sup>, 2023

# Broker Webinar Disclaimer

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# Agenda

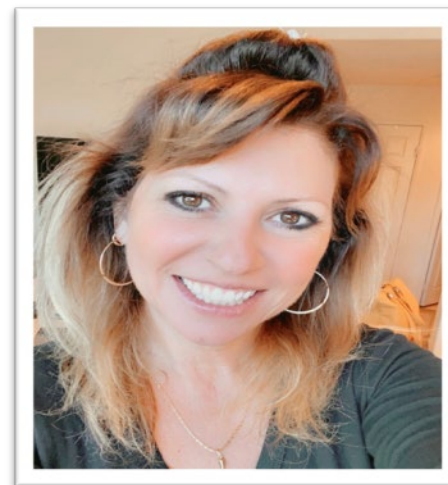
	Welcome!	
	Forecast	
	State of Consumer Debt	
	Cash-Out for Rental Property Purchases	
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# Welcome & Meet Our Presenters



**David Grider**

*Senior Vice President  
Wholesale Lending*



**Andrea Formato**

*Sales Training Manager*

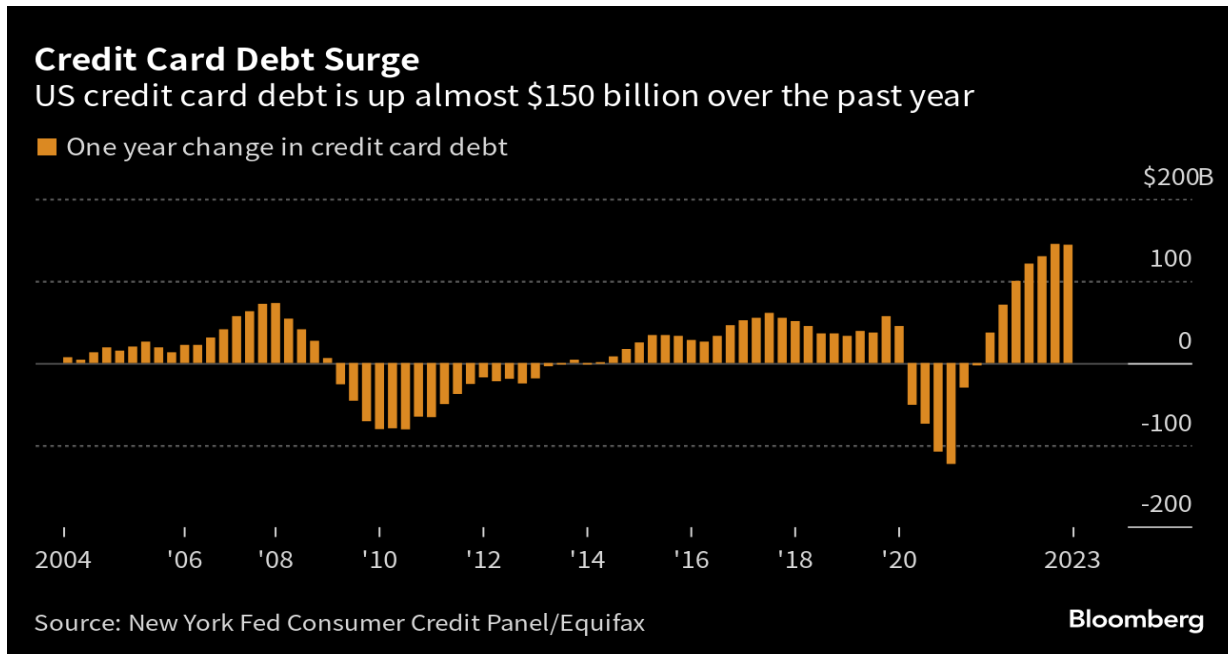
# Forecast

## MBA Mortgage Finance Forecast

September 18, 2023

	2022				2023				2024							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2022	2023	2024	2025
<b>Housing Measures</b>																
Housing Starts (SAAR, Thous)	1,718	1,636	1,446	1,405	1,385	1,443	1,465	1,462	1,470	1,462	1,471	1,502	1,551	1,439	1,476	1,584
Single-Family	1,182	1,084	901	850	834	927	995	990	1,012	1,020	1,046	1,082	1,004	936	1,040	1,154
Two or More	535	551	545	556	552	516	470	472	458	442	425	420	547	503	436	430
Home Sales (SAAR, Thous)																
Total Existing Homes	6,057	5,373	4,770	4,197	4,327	4,250	4,138	4,204	4,345	4,466	4,674	4,835	5,099	4,230	4,580	5,053
New Homes	776	609	580	598	638	694	737	747	746	753	770	763	641	704	758	801
FHFA US House Price Index (YOY % Change)	18.7	17.5	12.2	8.3	4.6	3.1	2.2	1.5	1.0	0.7	0.8	1.1	8.3	1.5	1.1	3.2
Median Price of Total Existing Homes (Thous \$)	365.8	405.9	391.5	372.8	366.7	397.5	409.3	395.9	392.5	386.7	384.3	389.5	384.0	392.3	388.2	387.7
Median Price of New Homes (Thous \$)	431.3	447.0	465.4	479.5	434.8	418.0	429.7	430.6	435.8	430.6	430.7	437.5	455.8	428.3	433.7	442.2
<b>Interest Rates</b>																
30-Year Fixed Rate Mortgage (%)	3.9	5.3	5.7	6.6	6.4	6.5	7.0	6.3	6.1	5.8	5.5	5.4	6.6	6.3	5.4	5.1
10-Year Treasury Yield (%)	1.9	2.9	3.1	3.8	3.6	3.6	4.1	3.7	3.6	3.5	3.3	3.2	3.8	3.7	3.2	2.9
<b>Mortgage Originations</b>																
Total 1- to 4-Family (Bil \$)	708	696	493	409	333	463	444	440	429	532	552	535	2,305	1,680	2,048	2,355
Purchase	391	489	398	341	267	371	363	358	324	406	405	382	1,619	1,359	1,517	1,707
Refinance	317	207	95	68	66	92	81	82	105	126	147	153	686	321	531	648
Refinance Share (%)	45	30	19	17	20	20	18	19	24	24	27	29	30	19	26	28
FHA Originations (Bil \$)													228	137	150	149
Total 1- to 4-Family (000s loans)	2,223	2,031	1,364	1,102	895	1,239	1,177	1,168	1,154	1,429	1,491	1,448	6,720	4,479	5,523	6,258
Purchase	1,110	1,334	1,054	884	686	948	923	910	824	1,033	1,029	968	4,382	3,466	3,854	4,257
Refinance	1,113	697	310	218	210	291	255	258	330	397	462	480	2,338	1,013	1,669	2,001
Refinance Share (%)	50	34	23	20	23	23	22	22	29	28	31	33	35	23	30	32
<b>Mortgage Debt Outstanding</b>																
1- to 4-Family (Bil \$)	12,708	12,989	13,217	13,381	13,430	13,554	13,652	13,733	13,793	13,855	13,916	13,971	13,381	13,733	13,971	14,255

# State of Consumer Debt

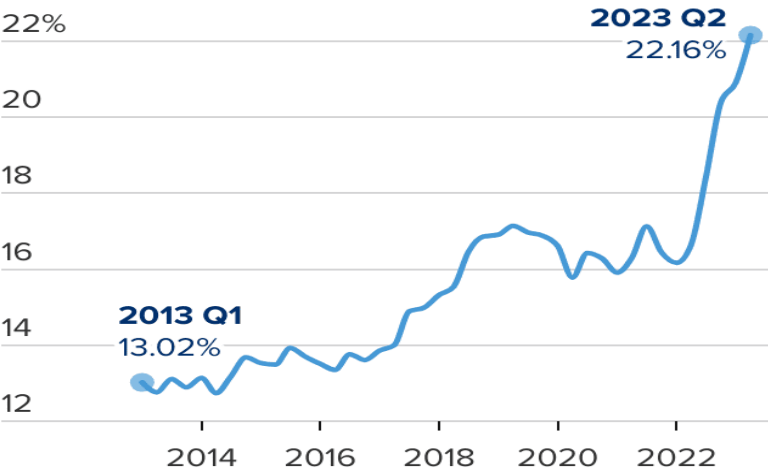


- Credit card balances shot up by \$45 billion between the first and second quarters of 2023, a 4.6% increase that pushed total credit card debt past the \$1 trillion mark, according to the [Federal Reserve Bank of New York](#).

# State of Consumer Debt, cont.

## Average interest rates on U.S. credit cards are at historic highs

Commercial bank interest rate on credit card plans, accounts assessed interest

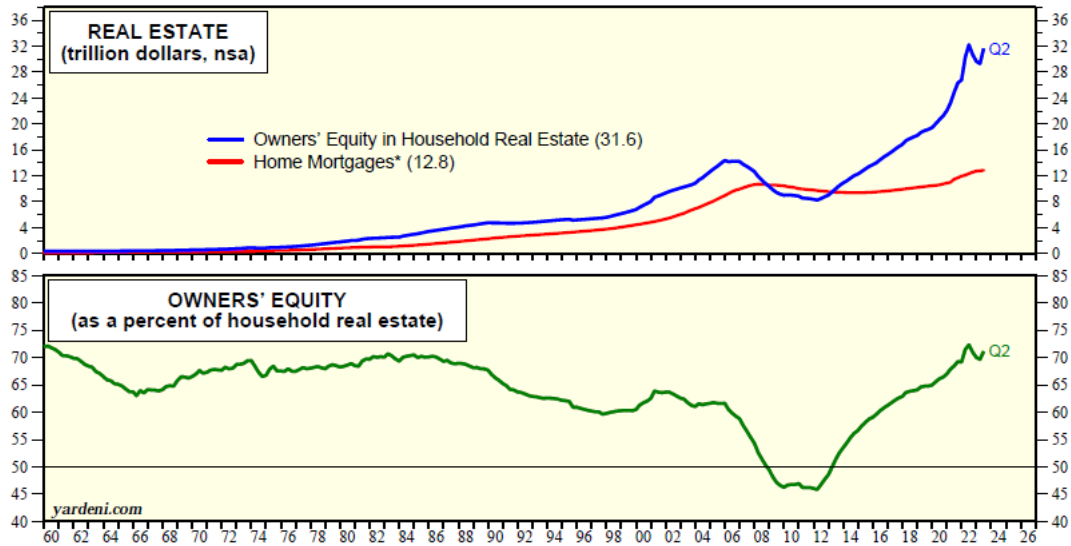


Source: U.S. Federal Reserve Board via FRED



- Equity in Real Estate

Figure 4.



\* Includes home equity loans and second mortgages.  
Source: Federal Reserve Board Flow of Funds Accounts.





# Cash-Out for Rental Property Purchases

**Barriers to homeownership.** Prospective homeowners remain renters for longer as they face high demand and low inventory of existing homes, rising mortgage interest rates, as well as supply chain disruptions that have made it more expensive and difficult to construct new homes.

<https://www.nerdwallet.com/article/finance/rental-market-trends>

**Lack of inventory.** There is a shortage of vacant rental properties in general, and of affordable ones in particular.

**Despite a recent slump, home prices are expected to continue to rise in 2024, according to a number of research firms that specialize in real estate forecasts, including Freddie Mac, Zillow and the National Association of Realtors.**

**That's because homes aren't being built fast enough to keep up with demand, which puts upward pressure on prices, says Lawrence Yun, NAR chief economist at the National Association of Realtors. With too few homes for too many buyers, NAR expects home prices to rise by 2.6% in 2024.**

<https://www.cnbc.com/2023/09/20/us-home-prices-to-rise-in-2024-there-are-simply-not-enough-homes.html>

- Estimated 2.3 to 3.3 Million shortage of Homes available for FTHB and Rentals



# Cash-Out Options: Non-QM

- Consumer Purpose
  - Debt Consolidation - high interest consumer credit
  - Home Improvements
  - Purchase Investment/2<sup>nd</sup> Home
  - High Ticket Items: College Tuition
- Business Purpose
  - Cash out on Investment Properties
  - 51% must be used for Business Purpose
  - Improvements for Investment Properties
  - Down Payment on additional new Investment Properties

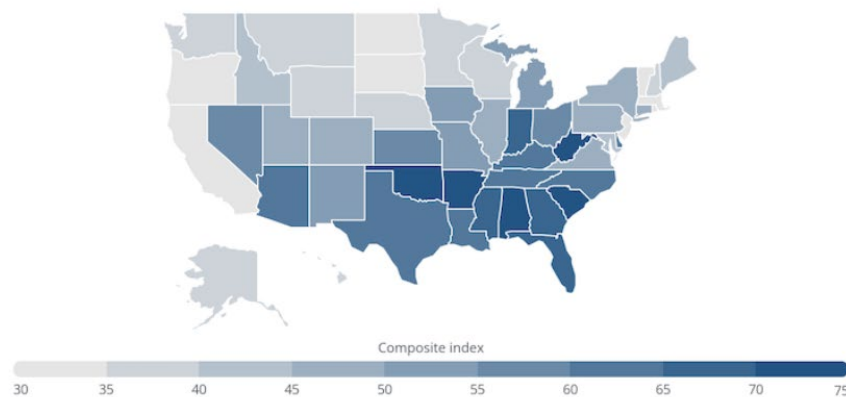
# Consumer Cash-Out Programs

- NON-QM Solutions for Consumer Purpose Cash Out
  - FICO scores down to 620
  - Bank statements for Self-Employed (no tax returns)
  - DTI up to 55% (high residual income)
  - Programs for Credit events
  - Cash out to 80% LTV (Primary)
  - NOO properties – Consumer Purpose cash out to 75%
  - Interest only available
  - Competitive interest rates (given LLPAs with agency)

# Rental Properties Cash-Out Programs

- Business Purpose – DSCR and Full/Alt Doc
  - Down payment to expand rental portfolio
  - Upgrade existing rentals for market rents
  - Opportunity to purchase rentals before rates fall and prices climb

Southern states offer the best conditions for investing in rental properties



Source: U.S. Census Bureau; Zillow; Department of Housing and Urban Development

# Expanded Cash-Out Guidelines

- Seasoning
  - Seasoning for NON-QM is a valuation concern not necessarily a title event
  - Programs for less than 6 months on Title – Delayed Financing and Fix & Hold
- Property Types Allowed
  - Rural, STR, Non-Warrantable, High-Rise, Condotels
- Cash Out Limits
  - Unlimited under 65% LTV (will require good LOE over \$1 MM)
  - \$500K higher LTVs
- LTVs
  - 80% LTV for higher FICOs (both Primary and Rental Properties)

# Cash-Out – Needs-Based Examples

- Example 1 : Purchase more Rental Properties
  - Cash Out; State of TN – Rental Property
  - FICO 765; purchased property with cash in early August 2023 for \$143,000
  - Remodel Kitchen and Bathrooms
  - New appraisal end of September \$217,500 (value supported)
  - Recoup Initial Cash Investment and Upgrade Costs
  - New Loan \$170,000; recouped their cash investment and cash out proceeds to purchase another Rental Property
- Example 2: Consolidate Consumer Debt
  - CA Primary Refinance
  - 656 FICO; Full Doc
  - 70% LTV paid off \$50,000 in credit cards and \$100K in cash out
  - Saved over \$500 a month

# Questions



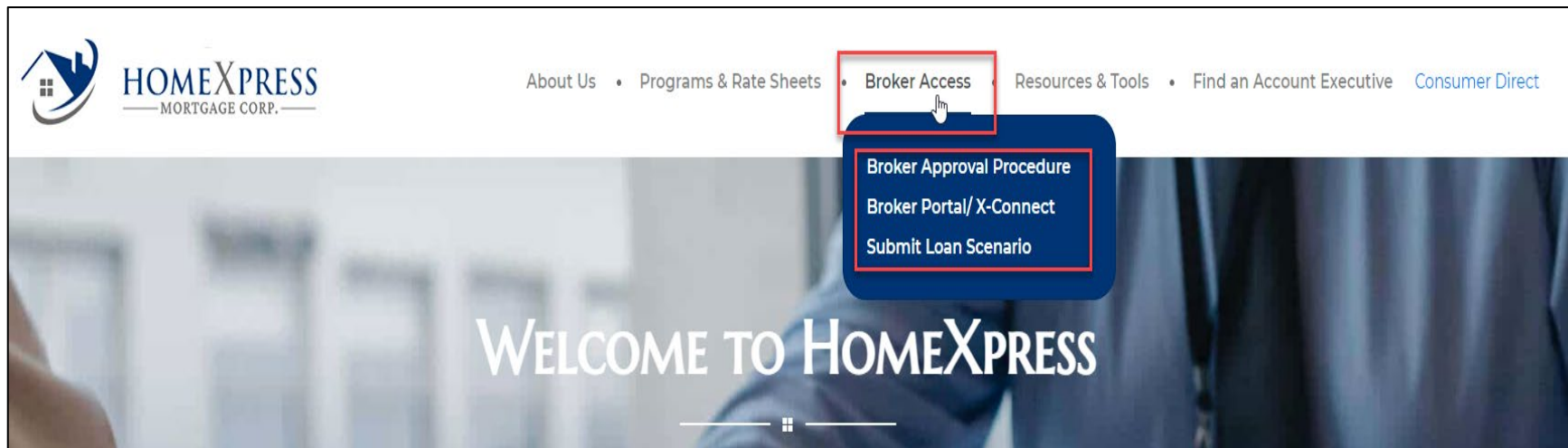
# Next Month's Webinar

- Thursday, 11/9/23, at 10AM PST
- *“Citizenship/Residency Review for Non-QM Borrowers”*



# HomeXpress Website

- Reach Out For More Information
  - Become An Approved Broker
  - Submit A Loan Scenario
- [www.homexmortgage.com](http://www.homexmortgage.com)



# Contact Information

- **David Grider** – *SVP, Wholesale Lending*
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  - 408-603-5671

# Appendix

Why HomeXpress?

Company Overview

Program Guide

# Why HomeXpress

- Our Commitment to our Partners
- Leading Edge Pricing and Programs
- Highly Trained Account Executives
- Responsive and Transparent
- Always Honor Locks
- Great Turn Times – Posted Daily
- Commitment to Close your Purchase on Time
- State of the Art Technology
- Industry Leading Pull-thru Ratio



# Company Overview

- Funded 2022: Over \$1.6 Billion
- Two Operation Centers (East Coast and West Coast)
- Executive Management: Industry leaders with a proven track record
- Top 3 Non-QM Wholesale Lender
- Underwrite to our guidelines and fund with our own money
- Service oriented – Fast turn times and responsive Operations staff
- High Pull-Thru (One of the highest closing ratios in the industry)
- Focus on training and providing the best Account Executives in Non-QM



# Program Guide

Rev. 08.16.2023



## HomeXpress Mortgage Program Guide

NMLS#: 1446044

www.HomeXmortgage.com

Name  
Phone  
Email

SPEED   EASE   CONVENIENCE	PrimeX	CoreX	InvestorX-Full/Alt Doc	InvestorX-DSCR
PRODUCT DESCRIPTION:	For your just missed Prime borrower	Unique borrower situations down to 620 score	Investor programs with income documentation down to 620 score	No pre-pay option available
INCOME DOCUMENTATION TYPE:	Full doc, 12 / 24 months personal or business bank statements, 1 yr full doc, 1099	Full doc, 3 / 12 / 24 months personal or business bank statements, and PNL only, lease agreements, 1 yr full doc, 1099	Full doc, 12 / 24 months personal or business bank statements, lease agreements	Rents from 1007 or 1025 (units) actual rents for refinance transactions allowed, STR with 12 month history
ASSET DEPLETION:	Asset Xpress	Asset Xpress / Asset Assist	N / A	N / A
MINIMUM CREDIT SCORE:	660	620	620	620
MINIMUM LOAN AMOUNT:	\$150K (\$25K in gross equity required)	\$100K (\$25K in gross equity required)	\$100K (\$25K in gross equity required)	\$100K (\$25K in gross equity required)
MAXIMUM LOAN AMOUNT:	\$3.5M	\$3.0M	\$2.5M	\$2.5M
FC & BK SEASONING:	48 months	24 months, < 12 months must be settled	48 months	48 months
SS & DIL SEASONING:	48 months	24 months, < 12 months must be settled	48 months	48 months
MORTGAGE HISTORY:	1 x 30 last 12 months, no rolling lates	1 x 90 last 12 months	1 x 30 last 12 months with 700+ FICO, no rolling lates	1 x 30 last 12 months with 700+ FICO
RESERVES:	6 months	6 months < 75%, none required ≥ 75%	6 months ≥ 65% none required < 65%	6 months ≥ 65% none required < 65%
MAX LTV's:	90%	90%	80%	80%
DEBT TO INCOME (DTI):	Up to 50%	Up to 55%	Up to 50%	N / A
INTEREST ONLY:	85% LTV	85% LTV (no units)	80% LTV	80% LTV
CASH OUT:	\$500k max 65% LTV ≤65% unlimited	\$500k max 65% LTV ≤65% unlimited	\$1M ≥ 65%	\$1M ≥ 65%
PROPERTY TYPE:	SFR, Condo (Warrantable), PUD, Townhouse, 2 <sup>nd</sup> Home	SFR, 2-4 unit, Condo (Warrantable & Non-Warrantable), Townhouse, Condo/otel 2 <sup>nd</sup> Home, NOO – Consumer Purpose	SFR, 2-4 unit, Condo (Warrantable & Non-Warrantable), Townhouse, Condo/otel	SFR, Condo (Warrantable & Non-Warrantable), PUD, Townhouse, Condo/otel, Up to 8 Units, STR
LENDER FEES:	\$1,595 underwriting fee, \$99 admin fee	\$1,595 underwriting fee, \$99 admin fee	\$1,695 underwriting fee, \$99 admin fee	\$1,695 underwriting fee, \$99 admin fee
VESTING INFO:	Individual(s)	Individual(s)	Individual(s), LLC, Corp	Individual(s), LLC, Corp
CITIZENSHIP REQUIRED:	U.S. Citizen, Permanent Resident Alien	U.S. Citizen, NPRA, Permanent Resident Alien, ITIN	U.S. Citizen, NPRA, Permanent Resident Alien, ITIN, Foreign National	U.S. Citizen, NPRA, Permanent Resident Alien, ITIN, Foreign National

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