6 WAYS TO OVERCOME HIGH INTEREST-RATES

PREMIA
RELOCATION MORTGAGE
www.premiarelocationmortgage.com

Our passion has always been making the mortgage process easier and faster through our high-touch, high-tech approach. A team of professionals with more than 17 years in the industry, combined with our DigitalMove™ mortgage platform, provides you with the best mortgage experience. **That includes finding solutions to overcome high-interest rates - making homeownership more attainable**.

1. Seller-Funded Buydown
2. Lender-Funded Buydown
3. Mortgage Interest Differential Assistance
4. Mortgage Subsidy
5. Discount Points
6. Sliding Scale

1 Seller-Funded Buydown

Two options available:
1) Year 1 @ 2% rate reduction/year 2 @ 1% rate reduction
2) Year 1 @ 1% rate reduction

Available on conventional conforming, FHA and VA loan products

Customer must qualify at the note rate

How does it work?

To incentivize the purchase of their home, a seller can make a financial contribution toward the customer's interest payments, reducing the interest rate for the first two years of the loan. The Premia loan officer calculates the contribution amount based on the loan amount and interest rate.

SAMPLE CALCULATION - 2/1 BUYDOWN

Loan amount: $400K / Rate: 6.50% / Term: 30 yr

YEAR	RATE	PAYMENT	MONTHLY SAVINGS	YEARLY SAVINGS
1	4.50%	$2,026.74	$501.53	$6,018.37
2	5.50%	$2,2271.16	$257.12	$3,085.39

TOTAL SAVINGS

$9,103.76

PROS

Typically saves the buyer more than negotiating a lower purchase price

Less interest paid over the life of the loan due to initial savings

Can help customers qualify for a bigger mortgage

CONS

Seller buydown contribution is subject to investor 3rd party contribution limits

Contribution amount needed to qualify may be more than the seller is willing to provide

Customer pays higher rate after reduction period, could put mortgage at risk if not prepared

2 Lender-Funded Buydown

Year 1 @ 1.5% rate reduction / Year 2 @ 0.5% rate reduction

Available on conventional conforming and FHA loan products

Customer must qualify at the note rate

How does it work?

As the name suggests, Premia Relocation Mortgage provides a financial contribution toward the customer's interest payments, reducing the interest rate for the first two years of the loan.

SAMPLE CALCULATION - 1.5/0.5 BUYDOWN

Loan amount: $400K / Rate: 6.50% / Term: 30 yr

YEAR	RATE	PAYMENT	MONTHLY SAVINGS	YEARLY SAVINGS
1	5.00%	$2,147.29	$380.99	$4,571.83
2	6.00%	$2,398.20	$130.07	$1,560.84

TOTAL SAVINGS

$6,132.67

PROS

Less interest paid over the life of the loan due to initial savings

Can help customers qualify for a bigger mortgage

CONS

Funded at a slightly higher rate than the current market rate

Customer pays higher rate after two-year reduction period, could put mortgage at risk if not prepared

3 Mortgage Interest Differential Assistance (MIDA)

Available for all loan products

How does it work?

Having a MIDA provision as part of your relocation policy helps ease the burden of higher mortgage interest costs relocating employees will face when interest rates are rising. The basis for calculating a MIDA benefit is an Interest Rate Differential, which is determined by comparing today's prevailing interest rate to the departure home interest rate for the same mortgage program and loan term (e.g., 30-Year Fixed to 30-Year Fixed).

SAMPLE CALCULATION

1) Departure home mortgage balance: $400,000 / Rate: 3.25% / Term: 30 Yr-Fixed **2)** 2.00% minimum differential threshold **3)** Today's prevailing interest rate: 6.50% / Term: 30-yr Fixed **4)** 3-yr payout

INTEREST RATE DIFFERENTIAL	TOTAL MIDA BENEFIT	MONTHLY MIDA BENEFIT
6.50% - 3.25% - 2.00% = 1.125%	$400,000 X 1.125% = $5,000	$5,000 ÷ 36 = $138.89

PROS

Can be administered through Premia at no charge or through payroll

A formula-driven solution directly addressing the challenges of higher interest rates

Can be considered as qualifying income if the benefit is paid for at least three years

Better cost control compared to making lump sum payments or paying Discount Points if employment status changes, as any unused funds are saved/returned

Does not have to be grossed up

CONS

May increase relocation costs, but this can be mitigated with well-defined criteria in your MIDA policy

Need to monitor employment status

Employees may challenge the minimum Interest Rate Differential threshold

4a Mortgage Subsidy - Interest Driven

Available for all loan products

Eligibility is at the discretion of the employer and investor

How does it work?

There are two types of mortgage subsidies designed to reduce payment shock over a specified period of time, typically one to five years.

The first is an interest-driven subsidy. The employer pays the difference between the mortgage payment at the note rate and the subsidized rate. Each year the employee's rate will increase by approximately 1.0%.

SAMPLE CALCULATION

1) Interest-driven subsidy for three years **2)** Mortgage loan amount of $400,000 at 6.50% with Principle & Interest (P&I) payment at $2,528.27

MORTGAGE YEAR	RATE DIFFERENTIAL	MONTHLY CUSTOMER PAYMENT	MONTHLY SUBSIDY PAYMENT	TOTAL ANNUAL SUBSIDY PAYMENT
1	3.00%	$1,796.18	$732.09	$8,785.12
2	2.00%	$2,026.74	$501.53	$6,018.37
3	1.00%	$2,271.16	$257.12	$3,085.39

PROS

Makes homeownership more affordable

Easy to communicate and describe to employees

Amount of assistance is typically not challenged

CONS

Limitations may apply in lower interest rate environments

Cost of the subsidy is not known until the employee finds a home.

Dual-income households typically buy bigger homes, resulting in an increase in the cost of the subsidy

4b Mortgage Subsidy - Dollar Driven

Available for all loan products

Eligibility is at the discretion of the employer and investor

How does it work?

The second type of Mortgage Subsidy is dollar driven. The total amount of financial assistance is determined in advance. Premia will build a subsidy schedule based on the employer's program parameters.

SAMPLE CALCULATION

1) Dollar-driven subsidy for three years **2)** $15,000 declining benefit spread over three years **3)** Mortgage loan amount of $400,000 at 6.50%

MORTGAGE YEAR	ANNUAL SUBSIDY	MONTHLY CUSTOMER PAYMENT	MONTHLY BENEFIT AVAILABLE	TOTAL ANNUAL SUBSIDY
1	$7,500.00	$1,903.27	$625.00	$7,500.00
2	$5,000.00	$2,111.61	$416.67	$5,000.00
3	$2,500.00	$2,319.94	$208.33	$2,500.00

PROS

Makes homeownership more affordable

Cost is determined at the time of relocation

The cost of the subsidy can be customized to meet corporate requirements/needs

CONS

Need to determine a method for calculating the amount of assistance

Employees may challenge the method of calculating the assistance

5 Discount Points

Available for all loan products

No minimum credit score, down payment, income, assets, or debt-to-income ratio requirements

How does it work?

Mortgage points, also called discount points, are fees that the customer pays the lender. In essence, some interest is paid upfront in exchange for a lower interest rate. Each point purchased costs 1% of the total loan amount.

SAMPLE CALCULATION - 1 POINT PURCHASED

Loan amount: $400K / Rate: 6.5% / Term: 30 yr

COST TO BUY POINTS	NEW INTEREST RATE	MONTHLY SAVINGS	YEARLY SAVINGS
$4,000	6.125*	$97.83	$1,173.96

*One discount point can decrease the interest rate by 0.125%-0.5% depending on the mortgage product and pricing on the day of lock.

TOTAL SAVINGS
$35,218.80

PROS

No additional pre-move calculations needed once eligibility is determined

Interest rate is reduced for the life of the loan

Can help customer qualify for a bigger mortgage

CONS

Will increase closing costs that could deplete customer savings and lessen down payment amount

Could lose money if refinancing or moving in the near future before breaking even

6 Sliding Scale

Available for all loan products

No minimum credit score, down payment, income, assets, or debt-to-income ratio requirements

How does it work?

This employer benefit provides discount points to the customer only when the interest rate exceeds a certain threshold, usually based on the Fannie Mae 30-year, 60-day yield. No discount points are applied if the current interest rate is below 6.00%. One discount point applies if the current interest rate is 6.00% or higher.

SAMPLE CALCULATION - 1 DISCOUNT POINT

Loan amount: $400K / Rate: 6.5% / Term: 30 yr

NEW INTEREST RATE	MONTHLY PAYMENT WITH POINTS	MONTHLY SAVINGS	YEARLY SAVINGS
6.125%*	$2,430.44	$97.83	$1,173.96

*One discount point can decrease the interest rate by 0.125%-0.5% depending on the mortgage product and pricing on the day of lock.

TOTAL SAVINGS

$35,217.80

PROS

Easily managed within a relocation policy

Based on FNMA 30/60 as the index, rather than the mortgage rate, providing consistency among all customers

Flexibility for the employer to set tiers

CONS

Not many employers offer this benefit

Short-term benefit if refinancing or moving in the near future

These calculations are tools for learning more about mortgage products for informational purposes only. This does not constitute actual estimates, offers, or approval of credit. Contact a Premia Relocation Mortgage for actual estimates.

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