

# Eagle Funding

## BROKER MEMO

Date: April 21, 2011

Subject: Conventional vs. FHA

Many of us have gotten out of the habit of considering Conventional MI due to LTV and Credit Score restrictions put in place a long time ago. However, with little fanfare, those restrictions have been relaxed. Now, as you are certainly aware, FHA adjusted its monthly MI premium on April 18...making it more expensive. This has prompted all of us to take another look at Conventional MI.

We are making available to you a 97% LTV Conventional Fixed Rate program with MI - for purchase loans only - that compares **VERY WELL** to a similar down payment FHA program for those borrowers with credit scores over 720. Please review this example:

|                        | <u>Conventional</u>                                    | <u>FHA</u>                           |
|------------------------|--|--------------------------------------|
| <b>Purchase Price</b>  | <b>\$200,000</b>                                       | <b>\$200,000</b>                     |
| <b>Loan Amount</b>     | <b>\$194,000 (97% LTV)</b>                             | <b>\$194,930 (96.5% LTV + UFMIP)</b> |
| <b>Down Payment</b>    | <b>\$6,000</b>   | <b>\$7,000</b>                       |
| <b>Interest Rate</b>   | <b>4.875%</b>  | <b>4.625%</b>                        |
|                        | <i>***rates selected have equivalent fees today***</i> |                                      |
| <b>Monthly Payment</b> | <b>\$1,169</b>   | <b>\$1,187</b>                       |
|                        | <i>***Principal + Interest + Monthly MI***</i>         |                                      |

So, in this comparison, the Conventional program offers a smaller down payment AND a smaller monthly payment...an EXCELLENT alternative to FHA.

It is important for you to note that this conventional program, with a 720 minimum credit score, has an absolute limit of 45% DTI and, of course, is not available for manufactured homes. However, it is IDEAL for high credit score buyers with reasonable qualifying ratios. Loan submissions with credit scores under 720 and/or with DTI > 45 and/or for a manufactured home will continue to be good candidates for FHA.

***Additionally, for those brokers not currently FHA approved, this program creates a way for you to offer a superior, minimum-down, purchase loan program to your qualifying buyers and agents.***

If you have any questions, please contact your Account Executive. Thank you for your business.

David Baker  
VP - Wholesale