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Fannie Program Helps Disabled/Seniors' Families Purchase Homes

By: Ted Rood | Fri, Jul 10 2015, 1:01 PM

One of the biggest challenges (and greatest opportunities) loan officers face today is the maze of constantly changing guidelines, programs, and policies. The rewards of these opportunities can be life changing though, and I was privileged to see that twice this year. I wrote on this topic in 2013, and it's clearly still relevant today. Here are two recent examples (While these accounts are completely factual, the names have been changed for privacy purposes):

1st Case Study: Jackie

Jackie had a problem. She was **desperately** seeking a way to help her son, Scott, purchase a home near hers in North Carolina. Scott* and his family lived in a high-crime apartment complex, and he had been shot in a robbery on his job. The injuries left him unable to work, so Scott was taking college classes to gain new skills, but in the meantime, his family was in an untenable position. They had inadequate income to qualify for a mortgage, and the lenders Jackie called told her she'd need 20% or more down, since the home would be considered an investment property. In addition, the interest rate and payment would both be higher, making it unlikely Jackie could qualify.

As she explained her situation, I realized it fit one of Fannie Mae's definitions of an owner-occupied home: "parents wanting to provide housing for their **physically handicapped** or developmentally **disabled** adult child, or children wanting to provide housing for their **elderly parents**."

We had to do some legwork for her loan: provide evidence of Scott's injuries, prove he had been unable to work since, and fully document Jackie's retirement income plus the rental income from the other half of the duplex she lived in. The IRS was hacked during the process, which made verifying both their prior tax returns challenging, but with their help, we got it done.

On June 3rd, Jackie closed on "Scott's" house, allowing his family to **escape a risky area** and move into a home of their own. The payment is affordable, since it was based on owner occupied interest rates, and Jackie, Scott, and family couldn't be happier.

2nd Case Study: Kurt

Kurt was perturbed with the lenders he spoke with this February. His senior parents wanted to buy a home near him in Florida. Kurt was being told if he bought the home, it would be an investment property, with correspondingly higher costs, rate, and payment.

After discussing Kurt's parents income, I realized that they, too, didn't earn enough to qualify for a mortgage, so the situation fit Fannie's definition of "owner occupied" as well. Rather than having to put 20% down, and endure a higher payment, we closed his loan with just 5% down, and a rate significantly lower than he'd been quoted by lenders treating it as an investment home.

Some lenders place **additional restrictions** (overlays) on top of Fannie/Freddie/FHA requirements, potentially eliminating options like I used for Jackie and Kurt. Many times, however, loan officers and underwriters simply fail to grasp the opportunities for "non-textbook" solutions, causing borrowers to pay higher rates and costs, or potentially even leaving folks like Scott and family in a dangerous situation.

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