

# SOURCES OF FINANCING IN INDIANA

## STUDY SHEET

### Summary

The primary mortgage market is made up of lenders who originate and fund mortgage loans to consumers. Less common, but still used in certain situations, are seller financing and financing through real estate investment trusts.

### Top Takeaways

- Lenders in the primary mortgage market include commercial banks, credit unions, and mortgage brokers and bankers.
- Commercial banks offer traditional mortgage loans as well as shorter-term home improvement, home equity, and construction loans.
- Mortgage brokers and bankers play an important role in mortgage lending.
- The SAFE Act protects consumers from unscrupulous mortgage loan originators.
- Credit unions provide traditional mortgage funding as well as other real-estate-related loans.
- Seller financing is sometimes an option for buyers and includes land contracts, purchase money mortgages, and seller second mortgages.
- Real estate investment trusts (REITs) are a less common source of funding for real estate loans and are used primarily to fund larger multiple-family and commercial properties.

### Take a look back at your notes for these items:

- How the primary mortgage market makes money
- Where commercial banks get most of the money to fund loans
- The types of real-estate-related loans made by commercial banks
- The difference between and functions of mortgage bankers and brokers
- Requirements of the SAFE Act
- The primary function of credit unions in real estate financing and how they compete in the mortgage market
- The difference between land contracts and purchase money mortgages
- How security interest in the property is held in seller-financed transactions