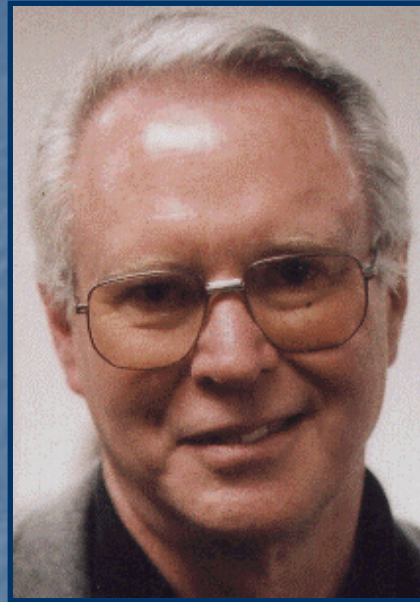


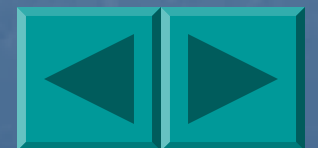
What's New With FHA?





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FHA Calculator

- Calculates everything needed to quote or qualify FHA loans
- Click to Open:
 - http://www.themtgmentor.com/FHA_Mortgage_Calculator.html



Housing Bill Allows Up To \$7,500 Tax Credit

Amount of Credit	Ten percent of cost of home, not to exceed \$7,500
Eligible Property	Any single family residence (including condos, co ops) that will be used as a principal residence.
Refundable	Yes. Reduces income tax liability for the year of purchase. Claimed on tax return for that tax year.
Income Limit	Yes. Full amount of credit available for individuals with adjusted gross income of no more than \$75,000 (\$150,000 on a joint return). Phases out above those caps (\$95,000 and \$170,000, respectively).
First time Homebuyer Only	Yes. Purchaser (and purchaser's spouse) may not have owned a principal residence in 3 years previous to purchase.
Recapture	Yes. Portion (6.67 % of credit) to be repaid each year for 15 years. If home sold before 15 years, then remainder of credit recaptured on sale.
Effective Date	Purchases on or after April 9, 2008
Termination	July 1, 2009



FHA

Federal Housing Authority

- FHA was established in 1934.
- FHA 97% Financing was instrumental in the creation of our real estate industry.
- FHA is not a lender.
- FHA insures lenders against foreclosure using a premium paid by borrowers.



MIP

Mortgage Insurance Premium

There are two MIP premiums on each FHA Loan



Up Front MIP (UFMIP)

- Paid cash or financed in loan amount.
 - Currently, 1.25% - 2.25% of the loan amount.
 - Varies depending on LTV and Credit Score
 - Typically financed by Borrower.
 - Can also be paid by Seller as part of their 6% maximum contribution.
- UFMIP can cause the loan amount to exceed local FHA maximum loan limits.



Up Front MIP (UFMIP)

- UFMIP Refund
 - Loans insured prior to 12-08-04,
 - UFMIP can be partially refunded when the home is purchased or refinanced within 5 years.
 - For loans insured after 12-08-04
 - only refinances with a new FHA loan, within 3 years, are eligible for partial refund.



Monthly MIP

- MIP is also paid monthly
 - Currently risk based: .50% to .55%
 - Beginning 10/01/08 MIP will be .55% (.0055)
 - Formula: $\text{Percentage} \times \text{loan amount} / 12$
 - Monthly MIP may be waived after:
 - 5 years *and...*
 - Current LTV must be 78% or less.



Maximum Loan Amounts

- Maximum loans are subject to *current* FHA limits.
- Limits Can Vary in every County.
- Current maximum loan is \$729,750 to 12/31/08.
- As of 01/01/09 maximum will be \$625,000
- In California, currently FHA LTV is 97.15%
- As of 10/01/08 FHA LTV will be 96.50%
- Local FHA Loan Limits can be found at:
<https://entp.hud.gov/idapp/html/hicostlook.cfm>



Current Maximum Loan Amounts

- FHA Jumbo – Lenders have different guidelines
 - Most lenders add .375% to rate.
 - Most lenders start Jumbo pricing at \$362,790 on 1 unit.
 - Minimum credit scores are 580 to 640.
 - Loan-To-Value
 - 95% to 97.15% depending on lender.



FHA Loan Types

- Fixed 15 and 30 year Amortization.
- ARMs fixed for 1, 3 and 5 years
 - Caps: 1 Initial/1 Periodic /5 Lifetime
 - Margin is Rate dependent and varies
 - 1.75% to 2.25%
- Reverse Mortgages (HECM)
- Title 1 Home Improvement Loans
- 203k Rehabilitation Loan.



FHA 203(k)



Go from this.....to this

With an FHA 203(k) Loan



FHA Loan Types

- FHA Loan Types Not Available
 - No Interest Only
 - No 40 year
 - No Stated Income



Assumability

- FHA Loans are assumable with lender approval of the creditworthiness of the new buyer.
- For the borrower to be released of liability the lender must sign a Release of Liability.
- If an investor or unapproved borrower attempts to assume the FHA loan the original borrower remains liable and the lender will accelerate the loan.



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Property Qualification

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Minimum Requirements

- FHA has eliminated their long list of required repairs.
- The property must be free of health and safety hazards.
- There is no limit FHA to loans for owner-occupant borrowers when their previous FHA loans are paid off.
- Under certain conditions borrowers can have more than one FHA loan.



Single Family

- 1 to 4 living units
 - 1-2 units
 - NO lender cash reserve required.
 - 3-4 units
 - 3 months cash reserves required.



Manufactured Homes

- Built after June 15, 1976, to the Federal Manufactured Home Construction and Safety Standards (MHCSS) as evidenced by an affixed certification label.
- Property must be classified and taxed as real estate.
- Permanent foundation must be built to FHA specifications.
 - Producing the original engineering report may save the cost of a new report.
- Not every Lender has FHA Mfg home loans.



Condominiums

- Must be approved by FHA or,
- Lenders can issue Spot FHA Approvals.
 - No open Class Action suits.
 - 51% or greater owner occupancy.
- FHA Approved Condo list
 - <https://entp.hud.gov/idapp/html/condlook.cfm>

Note: PUDs do not require FHA approval.



Homes with Acreage

- FHA can insure loans on more than 10 acres IF the acreage is *common* for the area.
- All weather road adjacent to property.
- Excess land (splittable portions) cannot be used in the appraised value.



Second Homes

- One Living Unit
- *Must* be required for employment.
- Area must have limited rental availability.
- No Vacation Homes.
- No Resort Areas



Investors

- Investors are generally not allowed for purchases except for Non-Profits and to finance FHA REOs.
- Investors can refinance to max 85% LTV if they purchased as an owner-occupant.



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Borrower Qualification



It Must Make Sense

- Borrower's application must make sense.
- Full Doc Only
- Underwriter reviews ALL aspects.
 - Credit
 - Income
 - Employment Stability
 - Cash Reserves
 - Considered even when not required.



Traditional Credit

- Guidelines state FHA is not FICO driven.
 - Individual Credit Items are evaluated
 - Effectively allows Scores down to 530.
 - 580 Scores required above \$362,790.
- Outstanding Judgments Are Paid.
- Collections *may* not have to be paid.
- Judgments and Collections must have written explanations.



Alternative Credit

- Alternative credit is allowed for borrowers who have not yet established credit.
- Underwriters want to see at least 3 credit sources.
 - Utility bills.
 - Monthly Auto insurance.
 - Ask for Non-reporting creditors.
 - Local Furniture Stores
 - Local Car Lots



Bankruptcy

- Chapter 7 – Debt is Purged
 - 2 years seasoning – Borrowers are eligible.
 - Good Credit Must be Reestablished
 - Acceptable Reason for BK
 - 1 year seasoning –
 - Eligible with extenuating circumstances beyond borrower's control.
- Chapter 13 – Debt Consolidation through court.
 - 1 year seasoning
 - Must receive court approval.



Foreclosure

- *May* be eligible for a FHA loan after two years *IF* there have been extenuating circumstances beyond the control of the borrower, such as serious illness.



HUD's Credit Alert Interactive Voice Response System (CAIVRS).

- Required to be checked on Every Loan.
- Checks if Borrower is presently delinquent on any Federal debt (e.g., VA-guaranteed mortgage, Title I loan, Federal student loan, Small Business Administration loan, delinquent Federal taxes) or has a lien, including taxes, placed against his or her property for a debt owed to the U.S.



HUD Limited Denial of Participation (LDP)

- Lenders must examine HUD's LDP list for every loan.
- If the name of the:
 - Borrower,
 - Seller,
 - Appraiser,
 - Listing or Selling real estate agents,
 - Escrow Officers or
 - Loan Officer appears,
- The application is not eligible for a FHA Loan.



Income

- Full Doc Only.
- W2 Earner - Two Year Income History.
- 1099 or Self Employed for Two Years.
- Non-Occupant Co-Borrowers allowed.
 - 1 Unit Only
 - 2-4 Units, max. 75% LTV with Non-Occupant Co-Borrower.
 - Use Gross Income less all monthly bills and housing expense.
- Occupant Co-Borrowers allowed.
 - Home must be adequate for number of borrowers.

30% Rule

- Owner a home wishes to buy another and keep existing as a rental...
 - To use future rent the owner must have 30% equity in existing home.
 - Less than 30% equity requires buyer to qualify with both payments.
 - Fannie Mae previously required 6 months reserves and that has recently modified.



Income Ratios

- 29/41 are FHA *published* guidelines.
 - 29% is "Front" Ratio
 - Monthly Housing expense divided by Gross Monthly Income.
 - 41% is "Back" Ratio
 - All Monthly Obligations divided by Gross Monthly Income.
 - Can be exceeded on case by case basis.



Cash to Close

- FHA Guidelines state that 3% must come from the borrower's funds but...
 - The 3% can also be from:
 - A gift from a family member,
 - Union,
 - Employer or,
 - Downpayment Assistant Program to 10.01.08.
- "Cash on Hand" is conditionally allowed.



Cash to Close

- Seller can contribute up to 6% of the purchase price.
 - For Closing Costs.
 - To Buydown the Interest Rate.
 - Downpayment must be from borrower's own funds.



100% Financing

- In California, FHA LTV is typically 97.15% changing to 96.50% 10/01/08
- **Until 10/01/08**, up to 10 percent of the purchase price can come from Non-Profit Down Payment Assistance Programs.
- Additionally:
- 6 Percent of the purchase price can be contributed by the seller.



DPA

Down Payment Assistance Programs

Non-Profit DPAs will not be available after 10/01/08

- DPAs Grant Borrowers up to 10%.
- There are many DPAs available.
 - Governmental
 - Most have income and/or price limitations
 - Non-Profit Organizations
 - Nehemiah up to 6%
 - AmeriDream up to 10%
 - Hart up to \$25,000



16% Solution

- Combined DPA and Seller's contribution can allow up to 16 percent for....
 - Downpayment
 - Closing Costs
 - Up Front Mortgage Insurance Premium.
 - Buy down interest rate.
 - Cannot be used to pay borrower's debts.



DPA

Down Payment Assistance Programs

- The DAP wires Escrow the amount *prior to closing* from their pool of assistance money.
- Seller contributes to DAP, from proceeds *after closing*, the amount agreed upon to assist buyer.
- The typical DPA Processing fee is about \$500.
- DPA money is a grant and does not have to be repaid by the borrower.



FHA Access Second

- 1st-2nd Combo Allows 100% Financing.
- Borrower must contribute 3% per FHA.
- Income must be within County income limits.
- 1-2 Units Owner Occupied Purchases.
- 1st Rate is typically .50% to .75% higher.
- 2nd Rate is currently 8.00%. (As Of: 05-01-2008)
- Standard FHA Underwriting Guidelines Apply.
- Borrower receives one payment coupon.



Refinance

Conventional or FHA loan.

- No Cash Refinance
 - Maximum allowable loan amounts and LTV
- Cash Out Refinance
 - 95% LTV
 - 1-2 Owner-Occupied Living Units.
 - No Late Payments in past 12 months.
 - 85%
 - 2-4 Owner-Occupied Living Units
 - Some Derogatory Credit Allowed



Refinance

- Streamline Refinance
 - Refinance existing FHA loan
 - Must reduce Fixed Rate or Fix an ARM.
 - No Appraisal or Credit required in most cases.



FHA Secure



FHA Secure

- The existing loan must be a non-FHA ARM that has reset.
- The payment history must show that the mortgagor was current for six months prior to the reset.
- Under certain circumstances, if there is sufficient equity in the home, missed mortgage payments may be included in the loan.



FHA Secure

- The reset of the ARM caused the mortgagor's inability to make the monthly payments and the borrowers qualify for the new FHA mortgage.
- FHA does not insure second loans, so if the new maximum FHA loan is not sufficient to pay off the existing first lien, closing costs and arrearages, the **lender** may execute a second lien at closing to pay the difference.



FHA Loan Commission

- In order to be legally paid a commission for a FHA loan the Loan Officer:
 - *Must* perform 5 of 12 RESPA defined jobs.
 - *Must* be a W2 employee of the FHA lender.
 - *Cannot* be affiliated with any other mortgage or real estate company.
 - Unlike conventional loans the Loan Officer and Real Estate agent cannot be the same person.
 - FHA Mortgagee Letter 2008-17
http://www.themtgmentor.com/HUD_Mortgagee_Letter_2008-17.html



Thank You for Attending

Your questions and comments on this class are very much appreciated.

Current updates are at: <http://www.mortgage-mentor.net>

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