

Julia Boynton's

REAL ESTATE UPDATE

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Answers To Your Questions About FHA Financing

As published in the last issue of *Real Estate Update*, the loan limit for FHA-insured loans was recently increased to \$729,750 through the end of 2007. FHA loans are available to anyone, not just first-time buyers or military veterans, and qualifying borrowers may purchase a home with as little as 3% of their own money as a down payment.

Here are some answers to frequently asked questions about FHA financing:

Q: What is FHA?

A: FHA (Federal Housing Authority) was established in 1934 following the Depression era, to boost the economy and increase homeownership in the U.S. FHA *insures* loans made by traditional lending sources; FHA does not make loans directly to borrowers.

Q: What are the advantages of FHA financing?

A: Currently, the minimum down payment for FHA approved financing is 3% of the purchase price and lending guidelines tend to be more liberal. For instance, gift funds may be used for the down payment. Non-owner occupying co-buyers and lower mortgage insurance costs than Private Mortgage Insurance (PMI) are other benefits to FHA.

Q: What are the required underwriting guidelines?

A: The loan process is "full documentation", so the buyer/borrower needs to provide tax returns, pay stubs, bank statements and other related information. FHA does not have a FICO score requirement so the loan is not judged solely on FICO scores. Also, non-traditional credit is okay and a past bankruptcy or foreclosure is acceptable, subject to certain time restrictions.

Q: What if the buyer/borrower wants to buy a condo, townhome or P.U.D.?

A: At the present time, all condos, townhomes and P.U.D.'s must be on the approved FHA list. Approval is based on the percent of owner occupied units, which must be at least 51% of the total number of units.

Q: Who pays closing costs for FHA insured loans?

A: Since 2006 when FHA revised and updated their programs, a buyer pays closing costs that are similar to a conventional loan. There are no special rules that require the seller to pay closing costs on behalf of the buyer.

Q: How are the loans priced?

A: Typically, the pricing is similar to conventional financing. However, there is an added FHA insurance cost of 1.5% added to the loan when originated plus an additional .5% monthly premium. If the loan is above \$400,000 or FICO scores are lower than the highest standards, then there can be additional premiums added to the rate.

New Hotline & Resources for Sellers Facing Foreclosure

The HOPE NOW Alliance has established a consumer hotline for homeowners facing foreclosure. The hotline provides free, independent, bilingual, HUD-approved counseling and advice 24 hours a day for homeowners who have questions about their mortgage loans or who may be in danger of losing their homes. Consumers should call 1-888-995-HOPE.

A list of valuable *foreclosure prevention* resource links for consumers is available online from the California Association of Realtors by logging on to www.car.org/index.php?id=MzgwMTA.

Green Tip: Give Your Computer a "Cooling Off" Period

Idling computers left on 24/7 gobble up electricity, the equivalent of a barrel of oil every 90 days. A free power management tool that automatically optimizes your PC's power consumption via a more effective power save mode has been developed by Uniblue™ Research Labs. To download the free software and all see how many trees and gallons of oil you've saved using the power save mode, go to www.localcooling.com.



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FEATURED HOMES OF THE MONTH



186 N. Willow Springs, Orange

Gorgeous new listing in popular Cowan Hills community in East Orange. This home "lives like a single story" with all bedrooms down except for roomy bonus or 4th BR/bath on second level. Many upgrades include tile flooring, granite counters and closet built-ins. Outstanding 11,850 sq. ft. private lot has a view from upper back slope.

Offered at \$859,000



17292 Amaganset, Tustin

\$659,000

Fantastic value in Foothill High! Very motivated seller has just reduced price! Immaculate 4 BR home has remodeled kitchen and newer windows and roof. 2,538 sq. ft. includes 380 sq. ft. permitted bonus room.



12700 Newport Ave., #48, Tustin

\$275,000

Great opportunity to buy at under market price! 2 BR/2BA single level condo in small quiet gated community. Over 1,200 sq. ft., large living room with fireplace, dining area, new windows, slider and paint. Single car detached garage. No Mello Roos.

Information deemed to be reliable although not guaranteed. If your property is currently listed with another broker, please disregard this notice.

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