

FHA Extends Waiver of Anti-Flipping Regulations Through 2012

In an effort to continue stabilizing home values and improve conditions in communities experiencing high foreclosure activity, Acting Federal Housing Administration (FHA) Commissioner Carol J. Galante will extend FHA's temporary waiver of the anti-flipping regulations.

With certain exceptions, FHA regulations prohibit insuring a mortgage on a home owned by the seller for less than 90 days. In 2010, FHA temporarily waived this regulation through January 31, 2011, and later extended that waiver through the remainder of 2011. The new extension will permit buyers to continue to use FHA-insured financing to purchase HUD-owned properties, bank-owned properties, or properties resold through private sales. It will allow homes to resell as quickly as possible, helping to stabilize real estate prices and to revitalize neighborhoods and communities.

The extension is effective through December 31, 2012, unless otherwise extended or withdrawn by FHA. All other terms of the existing Waiver will remain the same. The Waiver contains strict conditions and guidelines to prevent the predatory practice of property flipping, in which properties are quickly resold at inflated prices to unsuspecting borrowers. The Waiver continues to be limited to sales meeting the following conditions:

- All transactions must be arms-length, with no identity of interest between the buyer and seller or other parties participating in the sales transaction.
- In cases in which the sales price of the property is 20 percent or more above the seller's acquisition cost, the Waiver will only apply if the lender meets specific conditions and documents the justification for the increase in value.
- The Waiver is limited to forward mortgages, and does not apply to the Home Equity Conversion Mortgage (HECM) for purchase program.

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