

Georgia Association of REALTORS®

**EXPEDITION:
EXCELLENCE**

2012 Inaugural Meeting
Grand Hotel Marriott Resort, Golf Club & Spa
Point Clear, Alabama • February 8-11



Education Session A

Inside Story on FHA/VA to Assist Your Clients

GREC Course Code #62124

Patti Ketcham

Wednesday, February 8, 2012

You cannot receive Georgia C.E. credit for this course if you have taken it in the last 366 days.

Due to seating capacities dictated by local fire code ordinances, seating for all education sessions will be based on a first come-first serve basis. GAR will not be allowed to have attendees sitting on the floor or standing up once the room's seating is full.

In order to foster a spirit of camaraderie and to avoid the appearance of recruitment, no nametags or clothing with a company logo will be allowed in the education courses. Should an attendee have one on at the time of entering an education course, the facilitators will kindly ask you to remove the name badge or place a blank nametag over the company logo. We appreciate your cooperation in regards to this matter!

How to Use These Programs to Help Our Buyers and Sellers

FHA/VA

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For the next three hours:

- FHA – why it works
 - Little known tricks and tips
 - How to use it to your client's best advantage

Section Two

- VA
 - Little known tricks and tips
 - How to use it to your client's best advantage

Final Wrap Up

- So now what?
- How to reach new and retain former clients with this new knowledge
- Any questions or tips you have or you have heard

FHA

- aka: HUD, Federal Housing Administration, Housing and Urban Development, Government Loan
- Very, very brief history----why this program works

Common Misconceptions

- It is only for first time home buyers
- It has income limits
- You can only use it once
- The appraisals are a lot tougher, like a home inspection and appraisal rolled into one
- You have to stay in the house for three, five, seven years
- There are costs the Seller HAS to pay

NOPE!

- A lot of these misconceptions got started during the run-up
 - By lenders that did not know the program and just wanted a quick closing---who cares what is best for the buyer
 - By REALTORS® that did not know the program and just wanted a quick closing---who cares what is best for the buyer

Now..the truth

- Who is eligible
 - Income limits---nope
 - Can only use once---nope
 - Just for first time home buyers---nope
 - Have to pay it back if you move---nope

FHA---People

- Primary residence only
 - (but, more on that later)
- No income caps or limits
 - (but, there are income to debt ratios)
- Can use more than once
 - We have used it about four times
 - We had two at the same time

FHA---Property

- Be careful----some crazzyyy stuff here!
- Cell towers, wells, septic tanks, sewer systems
- Roofs---three to five years
- No more VC sheets

FHA---Money

- Down payment 3.5%
- Loan to value 96.5%
- Fixed rate these days....but an adjustable program is available when rates go back up
- Loan limits are re-set every February, vary state to state and county to county

So, tell me something I don't know

- Three of my favorite things about FHA that are NOT common knowledge
 - Okay, four, just thought of another one!

FHA Kiddie Condo

- Not just for "kiddies"
- Not just for condos
- Great program, I have closed many, many, many of these—both as a lender and as a REALTOR®

People

- Primary residence of one of the borrowers
- The co-borrower(s) do not have to live in the property
- The co-borrower must be a blood relative, (I have closed one involving foster parents with lots of documentation)

People, continued

- Primary borrower must be at least contract age—18
- Primary borrower must have established credit prior to loan application
- Primary borrower does NOT have to have any income
- Primary borrower does NOT have to be a student

People, continued

- Clients I have known to use this program-
- Two of our three kids
- A woman helping her Mom
- A couple helping a brother
- Niece helping her Aunt

- And my favorite of alllll time-----

- A 97 Year Old First Time Home Buyer

Income and Credit

- All borrowers income gets put into the same pot
- All borrowers debt gets put into the same pot
- Lender runs normal FHA ratios on those figures

But----

- Just like ANY financing program
- Strong credit from one borrower can not cancel out "cred-ick" from another borrower
- Strong income from one borrower(s) can carry the debts of all borrowers—if it meets the ratios

- Strong income from one can carry all
- "Cred-ick" from one can kill all
- So strong income, strong credit from one does not overcome "cred-ick" from another
- The lender can look at all potential borrowers and help guide your client

The Lender

- Any FHA lender can do this program
- It is a regular 203B loan program
- Not all lenders are familiar with it
- Very common in college towns
- Some lending institutions may not be familiar with it and may not offer it

The Property

- Can be ANY property type that FHA would loan on
 - Single family detached
 - Duplex
 - Tri-plex
 - Quad
 - Townhouse
 - Approved Condo

Any Questions?

Second favorite FHA tool

- Stream-line refinance
 - Two different programs that allow a borrower to refinance their existing FHA loan without starting all over
 - One without credit and income verification
 - One without appraisal

Third favorite thing about FHA

- You can use it again, and again, and again
- Think about where we will be in the future, with income levels and home prices adjusting to more moderate levels
- Learn this info now, start becoming the REALTOR® that knows this "stuff"
- Take a lender to lunch and pick their brain.

Fourth favorite---

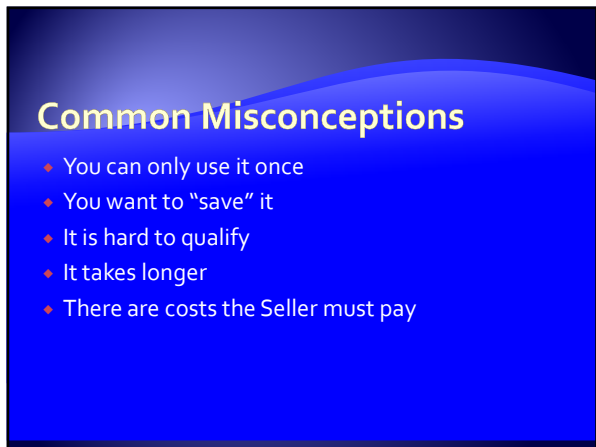
- FHA 203K
 - Like a purchase-rehab loan program
 - Very, very specific rules and guidelines
 - Find a lender that really knows this program!!!
 - NAR has predicted this program could be the one that pulls us out of this mess with neglected short-sales and foreclosures

How do you as a REALTOR® use this?

- Be the hero, be the real estate resource
- Send an email out to your contacts and let them know about this
- You become the trusted resource
- Give it away







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Now..the truth

- Many people have earned this right and don't know
- BEST financing available for your Buyers
- Not an issue for your Sellers
- **DD-214** or "The Golden Ticket"
 - Get your client to a lender! They will find out very quickly.
 - Or, the client can contact VA directly.

People

- Veterans
- Active duty personnel
- Certain reservists and National Guard members
- Surviving spouses of active duty personnel who are (a) missing in action (b) captured in line of duty by a hostile force, or (c) forcibly detained by a foreign government or power.

How Important Is This?

1,430,895

People: Income and Credit

- Couple of tips
 - You really got to marry her if you want to use her income---real true story
 - Cred-ick? VA will do all possible, but, you must be on track for the past 12-24 months
 - VA funding fee? If you have a 10% service related disability then the fee is waived*****

People: Income and Credit, continued

- Total debt ratio is 41% of net income.
 - And lender will look at residual income

Lender

- You do not want to be a lender's first VA loan.
- Many lenders LOVE this program and are very skilled with VA loans
-find that Lender!

Property

- Loan limit \$417,000.00, can and does change periodically
- VA has a limited number of approved appraisers
- Must be the primary residence
- Loan does not become due if the veteran moves

Property, continued

- So....what is "release of liability?"
 - When mortgage is satisfied then eligibility is released and restored—be sure and check
 - And then you can use it again and again

Tips and Tricks

- Ask every Buyer you work with...I mean EVERY Buyer. Today's Veteran does not look like your Granddaddy.
- Go over the Seller's required costs on a VA loan when you first list a house...often less than \$200--Seller does not have to pay points!!!
- Stream-line re-finance program is huge perk.

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How Will You Use This Info

- When you get back to the office what are you going to do different?
- VA?
- FHA?
 - Kiddie Condo
 - 203K

Wrapping It Up

- Any questions?
- Any comments?
- Any stories to share?

Thank You!!!

- Let me know if I can ever help you---really, I mean it.
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