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Those Who Wait Will Pay Thousands More This Spring

Waiting a few extra days or weeks to purchase a home this spring could cost buyers thousands of extra dollars as the office of Housing and Urban Development (HUD) implements several changes for loans guaranteed by the Federal Housing Authority (FHA).

Coming just weeks before the April 30 deadline for the Home Buyer Tax Credit and just days after the March 31 expiration of the Federal Reserve Board's mortgage backed securities purchase program (which has kept home loan rates artificially low for over a year), **these FHA changes make it even more important to act now to save big.**

Here are a few reasons why:

On April 5th, the cost of required up-front mortgage insurance for loans guaranteed by the FHA will increase from 1.75% to 2.25%. For a borrower purchasing a \$200,000 home with a \$7,000 down payment, the up-front mortgage insurance will increase by \$965. Up-front mortgage insurance is typically financed in the final loan amount so the impact to a monthly payment will be minimal but overall, the increase is still borne by the borrower both upfront and monthly.

It is important to note that in order to be eligible for the lower cost up-front mortgage insurance, a lender has to order a case number from the FHA before April 5th. A case number can only be generated for loan applications where a property is involved and a fully executed purchase contract exists. Home buyers who have been pre-approved but are not under contract will not be eligible for the reduced premium effective April 5th.

Later this spring, the amount of money that a seller can return to the buyer from their sale proceeds will be reduced from 6% to 3%. The reduction in these "seller concessions" can increase the amount of cash a buyer will be required to pay at closing by \$6,000 for a home purchase of \$200,000.

There is only one way to avoid being affected by all of these costly changes that lie ahead – submit all FHA mortgage applications by the last week of March.

If I can answer any questions you may have about how these changes could impact you, call me. I appreciate your business.

Sincerely,

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