

FHA APPROVAL

Why is FHA Approval Important Now?

What are the Benefits for an Association to get FHA Approved?

What are the Myths?

How do I Start the Approval Process?

C.A.R. Member Discount Pricing



CLARUS 
FHA APPROVAL™
POWERED BY FHA^{PROS}

Why is FHA Approval Important Now?

Until recently, spot approval enabled an FHA loan for a single condominium unit to be possible even if the building was not on FHA's list of certified properties.

FHA eliminated spot approval on February 1, 2010. **Now an entire condominium development must apply to HUD and be granted FHA approval** before a buyer can purchase a unit in an association with an FHA loan or before an existing unit owner can refinance into an FHA loan.

With 87 percent of home buyers indicating that they plan to

use FHA loans, condo associations that are not FHA approved are missing out on a significant pool of prospective buyers.

In 2006 FHA loans accounted for less than 2% of the mortgage market; now almost half of all new loans are FHA.

The general unwillingness of today's lenders to extend credit with respect to conventional loans means that many borrowers find FHA is their best bet. Lenders don't seem to mind lending when the federal government (FHA) assures them of repayment in case of default.

Also, most buyers today cannot afford to make a 20% down payment. FHA loans require only a 3.5% down payment and therefore are the only option for many.

Maximum FHA loan limits have recently increased to as much as \$793,750 (depending on region), allowing many more units to be purchased with FHA loans than ever before.

What are the Benefits of FHA Approval for an Association?

Since many buyers today can only purchase with an FHA loan, FHA approval means a bigger pool of potential buyers. With a bigger pool of buyers, units sell faster and will fetch a higher price due to the law of supply and demand.

First time homebuyers are most likely shut out of the market without FHA approval as condos are usually a great place for many to start for their first home. First-time buyers make up a significant segment of the condo market.

With FHA Approval, your association will have something that competing associations don't have, namely an edge on sales prices. You'll also give prospective buyers and owners added reassurance, since being an FHA-approved condo means a safe investment and an association that is on good financial footing.

In addition to lower down payment and credit-qualifying requirements as compared to conventional loans, FHA loans are assumable. This means that when a seller with an FHA loan sells his or her property, the loan and its financing terms (interest rate) can be transferred to the new buyer. This unique feature will certainly make a property more valuable in times of rising interest rates.

Homeowner associations (HOAs) should note that although FHA-insured mortgages might be easier to obtain, they are not "risky" loans, due in large part to the strict "full documentation" requirements placed on borrowers.

"While an association can certainly attempt to obtain approval on its own, I'd suggest that it turn to a firm that offers such services."

**---Lew Sichelman
Marketwatch**

Typically, the association itself will initiate the approval process. Individual buyers or sellers, however, can begin the approval process too. Current owners, even if not selling, often encourage their HOA to apply, since higher sales prices for units sold in the association will mean higher appraisal values throughout.

Why is FHA Approval Important Now?

What are the Benefits for an Association to get FHA Approved?

What are the Myths?

How do I Start the Approval Process?

C.A.R. Member Discount Pricing



“FHA approval opens up your market to a much larger buying pool. It’s almost critical to be on the FHA approved list. If you’re not, you’re going to miss over 30% of the market.”

---Jamie Thompson
Prudential California



What are the Myths?

1. FHA loans are only for lower income borrowers. **FALSE.** FHA loans are available to everyone. There is no maximum income restriction associated with FHA loans. Borrowers do need to substantiate income and assets by submitting proper documentation. This requirement ensures that borrowers are well-vetted and truly able to afford their future homes.

2. FHA loans are only for first-time buyers. **FALSE.** Many people believe FHA loans are available only to first-time homebuyers. This is not the case. Whether borrowers are making their first home purchase or their fifth, they can look to FHA loans as a home financing option.

3. FHA loans are just small loans. **FALSE.** The federal government recently raised the maximum loan amount from its original cap of \$362,790 to \$793,750 as a way to help stabilize the housing market. The amount a buyer can borrow varies from county to county.

4. The FHA loan program is affiliated with the Section 8 housing program. **FALSE.** While both programs are administered by the U.S. Department of Housing and Urban Development (HUD), FHA loans have nothing to do with low-income subsidized housing. FHA loans are simply mortgages insured by FHA. This insurance provided by the federal government allows lenders to lend more freely by assuring them that they will be repaid in the event of default. Most traditional lenders provide FHA loans to their customers.

5. Since FHA loans are easy to obtain for many, they are “risky” loans. **FALSE.** Due in large part to the strict “full documentation” requirements placed on borrowers, FHA loans actually have a lower default rate than do conventional loans.

What is the Process?

Simply call us at 818 338-6588.

Our FHA specialists will ask you a few simple questions about your association.

If you are a good candidate for FHA approval (the minimum requirements are met), we send you a contract and invoice.

Upon receipt of a signed contract and payment, we send you a detailed list of the documents required for the HUD submission, tailored for your association.

Once we receive your documents, we do all the rest.



REGULAR PRICING

\$1,500 PROCESSING FEE PLUS

\$500 LEGAL FEE*

TOTAL = \$2,000

*A CLIENT CAN ELECT TO USE THEIR OWN ATTORNEY IN LIEU OF PAYING THE ABOVE LEGAL FEE



DISCOUNT FOR ASSOCIATIONS REFERRED BY A C.A.R. MEMBER

\$1,200 PROCESSING FEE PLUS

\$300 LEGAL FEE*

TOTAL = \$1,500

*A CLIENT CAN ELECT TO USE THEIR OWN ATTORNEY IN LIEU OF PAYING THE ABOVE LEGAL FEE

For additional information or to get the FHA approval process started, please call the CLARUS FHA Approval support line at (818) 338-6588.