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August 2010

Changes in FHA Loans coming soon!

HUD has announced that they will be changing the way they charge the mortgage insurance premiums on future loans with FHA case numbers issued after October 4, 2010

With the changes in the mortgage industry in the past 3-5 years, FHA loans have gone from accounting for 2% of the total mortgage market to now being about 40% of all loans originated.

With this increase in FHA activity, HUD is seeking a way to more efficiently funding the program so they are engaging in the 2nd material change this year in how they structure the mortgage insurance on these loans. Earlier this year, they increased the upfront mortgage insurance that resulted in a nominal change in the monthly payment (only \$4.89 in the below \$200,000 purchase scenario).

The change coming this fall will be a bit more significant as it will more dramatically increase the borrower's monthly payment. **The proposed change is to reduce the up front mortgage insurance premium (which gets financed into the loan typically) from the current 2.25% to 1.0%. They will offset the up front reduction by increasing the monthly mortgage insurance premium from .55% of the loan amount to .90%.**

What does this mean to you the buyer? Here is an example:

On a home price of \$ 150,000 with a minimum down payment of 3.5% your monthly MIP (mortgage insurance premium) would increase from \$67 to \$110. Your monthly mortgage payment would **increase** by app. \$63.

For some buyers this will make the difference between qualifying and not qualifying

Get out of debt and start saving

Americans carry too much consumer debt, which can damage the stability of your financial future.

Make a plan to reduce debt and stick to it! Most of us don't plan to fail, but we do fail to plan.

Contact me. I understand your needs and serve your best interest in the home buying process. I will guide you through the whole process:

Determine how much you can afford. I will do a free mortgage and credit analysis for you. You will learn about the best financing options available for you and you can make an educated decision with which one you will be most comfortable.

Decide what you want. Narrow your home search down based on features and amenities that are important to you, what your personal tastes are. You should consider:

The neighborhood

Type of home

Size and layout

Resale value

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Housing shortage in the near future?

The growth of the regional housing market is directly tied to the area's ability to create and maintain jobs and positive consumer confidence. While the United States lost 1.37 million jobs since 2000, Austin grew 94,700 net new jobs between May 2000 and May 2010. The region has gained 9,900 jobs year-to-date through May 2010 with 1,000 of those jobs gained in May 2010 alone.

Austin is a job growing machine. The population of the Austin Metropolitan Statistical Area is forecast to grow by roughly 273,000 people every five years, doubling our current population of approximately 1.7 million by 2035.

The current rate of new construction of all types of residential dwellings is just over 10,000 per year. This is not even close to keeping up with the forecast population growth of the region.

Home prices are already on the rise in the greater Austin region. Expected population growth with the lack of new homes that will keep up with the region's growth will likely cause prices to rise further.

Buyers who are on the fence are encouraged to buy now!

If interest rates are going up by only 1%, the price of a home would have to **decline** by 10% to make up the difference.

***Austin American Statesman 08/2010 by Steve Zbranek,
President Home Builders Assoc. of Greater Austin**

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