

FHA Extends 90-Day Seasoning Waiver

On Friday, January 28, 2011 HUD announced the extension of the 90-day seasoning waiver.

Here are the 4 things you need to know about this waiver:

1. The extension is effective for all sales contracts executed on or after 2/1/11 through 12/31/11, unless otherwise extended or withdrawn by FHA.
2. All transactions must be arms-length, with no identity of interest between the buyer and seller or other parties participating in the sales transaction. The following *may be* grounds for denial of the file if deemed to circumvent the arms-length rule:
 - A. Seller on contract does not hold title to property
 - B. Property is being sold by an LLC, trust, or corporation
 - C. A pattern of flipping exists with subject property within last 12 months, and
 - D. Property was not marketed openly and fairly.
3. In cases where the sales price of the property is 20% or more above the seller's acquisition cost, the waiver will only apply if the lender follows these criteria:
 - A. Justify the increase with supporting documentation and/or a second appraisal
 - B. Provide a home inspection report to the borrower (borrower can be charged)
 1. Inspector can only be paid by the lender
 2. Inspector cannot have an interest in the property or a relationship with the seller
 3. Inspector cannot pay a referral fee
 4. Inspector cannot receive payment for recommending a contractor for repairs
4. The waiver is limited to forward mortgages, and does not apply to the Home Equity Conversion Mortgage (HECM) for purchase program

[CLICK HERE for HUD 90 Day Waiver .PDF](#)