



# CARPOA NEWS

[www.CARPOA.org](http://www.CARPOA.org)

May 2010

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***Next Meeting May 6, 2010***

***@ the Community Room at Giant in Camp Hill  
7:00 p.m.***

***This months guest speaker will be Marc Sherby***

## BIO “Sheriff Sale Guru” Marc Sherby



Marc Sherby, AKA “The Sheriff Sale Guru” is a real estate investor and author of the book *How to Buy Real Estate at Foreclosure Auctions* and creator of the *Buying in the Middle* foreclosure auction home study system. In addition to buying and selling foreclosed real estate at sheriff sales since 2004, Marc is a licensed real estate salesperson in his home state of Pennsylvania as well as a landlord.

He is also a board member of the Diversified Real Estate Investment Group (DIG), a local real estate investment education group in the Philadelphia area.

Previously Marc was involved for over 25 years as co-owner of a wholesale plumbing and heating supply business.

As a recognized authority on foreclosures and sheriff sales, Marc has been quoted in various media including the Philadelphia Inquirer, MSN Real Estate Online, and has been a past guest on the “Real Estate on the Radio” talk show program.

Marc has spoken on this topic to groups such as DIG, Delco Property Investors (DPI), Montgomery County Investors Group and others as well as to various real estate agents.

## Minutes from last months meeting:

Board members present: Rita Dallago, Dave Lanza, Dave Krulac, Rose Brophy and Geir Magnusson.

Rita called the meeting to order at 7:02. Minutes of last month's meeting were approved.

Don Steele, treasures was absent so Rita gave a short report on finances.

She reported on the various challenges facing landlords, such as the new rules on sprinklers and home inspections.

She also gave a comprehensive run-down of various bills in the hopper on the Hill, especially bill #1056 regarding abandoned property of tenants who skip out under cover of darkness.

Our attorney, David Lanza, gave a report on the various issues that are subject to court action. He also reported that our web site is up and running and urged members to use it to find information and get advice.

Rita then introduces our speaker for the meeting, Eric Schultz who spoke on the subject of bed bugs. This pest had flared up in recent years due to the absence of Dtd, which was banned due to environmental concerns. He described in a humorous way he battles with infestations.

To make a rather long story short, there are two alternatives: containment by chemicals which is costly and endless or, the more drastic method, to heat the premises to very high temperature and kill the bed bugs as well as other vermin.

Mr. Schultz had developed a heating process which any energetic and enterprising landlord can use. It involves salamanders, blowers and hazmat outfit.

50/50 generated \$50 for the organization, the winner donated his

\$25 to Carpoa.

Meeting was adjourned at 8:20.

## Mark your calendar's for June's meeting with guest speaker:

Beth Ellis of LHOT, plus member of affiliate agencies. They will talk about their mission and their need for safe, affordable housing for clients. This is good information for rental housing providers.

### **CONGRESS RAISES BORROWER CASH REQUIREMENTS AND RESTRICTS DOWNPAYMENT ASSISTANCE ON FHA MORTGAGE LOANS**

By Bradley Dornish

On July 31, 2008, changes to Paragraph (9) of section 203(b) of the National Housing Act (12 U.S.C. 1709(b)(9)) went into effect. In short, the amendments lay out cash investment requirements for buyers, and what sources of such buyers' funds

are permitted in order for the mortgage to be insured. The new restrictions prohibit all types of seller-funded down payment assistance.

In subparagraph (A) of 12 U.S.C. 1709(b)(9), a borrower must pay at least 3.5% of the appraised value of the property in cash or its equivalent in order for a loan to be insured under the section. The 3.5% down payment requirement is an amendment increasing the minimum from 3.0%.

The funds which can be used to satisfy the 3.5% requirement from subparagraph (A) are not allowed to come from certain prohibited sources, which are indicated in subparagraph (C). In subparagraph (C), it states that **in no case** can funds, either in whole or in part, come from “(i) [t]he seller or any other person or entity that financially benefits from the transaction” or from “(ii) [a]ny third party or entity that is reimbursed, directly or indirectly, by any of the parties described in clause (i).” These indicated sources are prohibited before, during or after the closing of the property, and applies only to mortgages with a credit approval from a lender on or after October 1, 2008.

The types of down payment assistance which are specifically targeted by these new regulations include seller assistance at closing, which is effectively limited by these regulatory changes to 1.5% in low 5% down payment federally insured loans. However, they also target programs like Ameridream, where sellers paid a third party a fee, and the third party provided down payment assistance to borrowers.

However, as of October 2, 2008, there has already been proposed

legislation to revise these newly enacted requirements for seller-financed down payments. (*See* H.R. 6694, Report No. 110-905). The proposed changes would change the language in subparagraph (C) from stating “in no case” to “except in the case of a mortgage described in subparagraph (D),” adding a separate provision that lists exceptions to the prohibited sources. There are two proposed exceptions: one for a borrower having a FICO score of 680 or greater and the other dealing with a borrower who has a FICO of at least 620 but less than 680 and who can meet an extra list of requirements dealing with the mortgage insurance premiums charged. The proposed bill would also include requirements for down payment assistance entities and a section dealing with civil money penalties for improperly influencing appraisals.

It is evident that more changes are likely to be implemented in the near future regarding appropriate sources of down payments on FHA loans, creating uncertainty in the meantime as to when and under what circumstances seller-financed down payment options may soon again exist. However, the only safe way to proceed on any down payment assistance in this ever changing sea of regulations is to make sure as a buyer or seller, that the amount and source of any down payment assistance is fully disclosed on the HUD -1 settlement sheet, and that the settlement sheet is signed exactly as it has been pre-approved by the lender.

Any time you are asked to make or receive down payment assistance not shown on the settlement sheet, know that you are likely being asked to do so to avoid disclosing something which violates applicable regulations or lender requirements. If you sign a HUD-1 which does not accurately reflect the whole transaction, including seller assistance to the buyer, you are violating the

representation on the HUD form itself, and with it Federal law. Although Federal Prisons are supposedly very nice, I for one never want to find out how nice they are. I'd rather not buy or sell a property, than to close the transaction fraudulently, in violation of the law.