

# The Select Report Newsletter

Summer Issue 2008

## What Are FHA Mortgage Loans? And are they helpful in high-end real estate markets like southern California?

By Kelly Lynch, Broker/Loan Specialist, KPL Select Mortgage, Inc.

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FHA loans have been in the news a lot lately. But most consumers don't know what they are exactly or how the changes reported by the media will affect the mortgage business – especially in California.

FHA loans, or Federal Housing Administration loans, are simply loans insured by the U.S. government. The FHA is itself a government agency that is part of the Department of Housing and Urban Development (HUD). It was created in 1934 as a result of the Great Depression, when many Americans were unable to make payments on their debts, the banking system failed and millions of homes were foreclosed upon.

To combat the growing problems of indebtedness and lack of homeownership at that time, the government set up the FHA, which was designed to provide struggling families with loans so that they could purchase a home. The Great Depression ended in the late 1930s and, since then, FHA loans have been used in much the same way – to provide low to moderate income families with affordable housing. They also have been useful for first time homebuyers and for those who have credit problems.

This does not mean that the government loans anyone money. Borrowers still get their loans through banks or mortgage brokers, like KPL. But, with an FHA loan, the government insures the loan. This government insurance makes lenders feel safer about lending to borrowers who might be considered a high risk or who cannot put as much money down toward a mortgage. The theory is that, with government insurance, lenders will provide more loans to a greater range of borrower because they know that, if a borrower cannot pay the loan, the government will step in and cover it. Creating more loans is

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## Definition of Escrow

By Kevin Gibson, KPL Select Escrow, Inc.



Escrow is the temporary holding by a neutral third party of deposited money pending completion of agreed terms in the sales contract. It sounds simple enough, but as any real estate agent can tell you, a good escrow officer can make or break a transaction. Given the current market conditions, when a buyer has identified a property, it is more important than ever that the escrow process proceed quickly and smoothly.

Many of you have worked with me in the past on your purchase or refinance transactions and you know my goal is to provide outstanding service for all parties in the transaction. I like to ensure that everyone involved is kept up-to-date throughout the process. This includes buyer, seller, agents, homeowners association, insurance agents, etc.

Because KPL Select Escrow, Inc. is an independent escrow company licensed by the Department of Corporations, we may offer you stand-alone escrow services for any of your real estate transactions. Did you know that if you're selling a property, you choose the escrow provider? As the seller, it is your right to select the service providers for both escrow and title insurance. If you are purchasing a property, you may request my services in the purchase contract (but the final choice is always the seller's). The power of choice is a tool that you can use to ensure that your closing is as trouble-free as possible.

In the words of one of our clients: "Everything you've done is perfection. Thank you – what a pleasure! ... I really appreciate an escrow that follows through so beautifully."

**Contact me to find out more about our concierge escrow services – [kgibson@kplselectescrow.com](mailto:kgibson@kplselectescrow.com) or (818) 907-5757 x223. Or stop by – KPL Select Escrow, Inc. is located at 4348 Van Nuys Blvd., Suite 202, Sherman Oaks, CA 91403.**

## What Are FHA Mortgage Loans? (continued from page 1)

significant in today's real estate market because tightening lending restrictions have limited the options for borrowers, especially those with credit issues.

While FHA loans come with some restrictions, they also have a lot of advantages. Some of the advantages include:

- no credit score requirements
- more flexibility than Fannie Mae/Freddie Mac
- loans can be as high as 97%
- low closing costs

There are, however, property condition standards and a requirement that the borrower have monthly mortgage insurance. The cost of monthly mortgage insurance can be financed and is typically lower than private mortgage insurance.

Regardless of their advantages, in recent years, FHA loans have not been of major consequence in markets where real estate prices are high because the maximum limits for these government-insured loans were too low to make a difference. In places like southern California, the maximum loan limits were less than \$300,000 even though the average home price greatly exceeded that amount. Because there were plenty of other lending sources, borrowers just went elsewhere.

However, as lending standards have changed and the number of lending sources decreased, FHA loans have again become a very important source for borrowers where the loan limits are sufficient. So recently, the FHA requested an increase in their loan limits from Congress.

On July 23, 2008, the "Housing and Economic Recovery Act of 2008," H.R. 3221, passed the House by a vote of 272-152. In a special Saturday session on July 26, 2008, the Senate passed the bill by a vote of 72-13. The President signed the bill on July 30, 2008. The bill includes many changes aimed at protecting homeowners from foreclosure and assisting with homeownership.

Among the most significant change that is likely to have the broadest affect is the increase in the FHA limits to account for higher real estate prices in areas like southern California. Specifically, the bill raises the FHA loan limits to \$625,500 or 115 percent of the local area median home price, whichever is less. The effective date for this reform was immediate upon enactment of the bill, but the loan limits will not go into effect until the expiration of the Economic Stimulus limits (on December 31, 2008), which in some areas are higher than the new FHA loan limits.

This increase in the loan limits to \$625,500 is very important in southern California. For the first time in a long time it makes FHA loans a realistic choice for many homebuyers. With the decrease in lenders and lending programs, another option provides opportunity – especially for first time homebuyers or borrowers with credit issues.

**If you would like to know more about FHA loans and whether an FHA loan might be the right choice for you, give KPL a call at (818) 907-5757 or (760) 327-9700. There are lending options available even in today's market and we are happy to discuss all your options with you at any time.**

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## Tanya's Tips: Attracting a New Generation of Renter

By Tanya Kaplan, KPL Select Property Management, LLC

With a sluggish real estate market and a bad economy, comes a higher supply of both renters AND rental properties. So how does a landlord compete?

Let's consider the current generation of renter. Almost all renters today are concerned with the state of the environment and the cost of living. Many also tend to be more internet-friendly and tech-savvy than past generations of renters. Having just this knowledge can give you an advantage over competitors.

### Think Green

Although property owners may hesitate in our current economy to spend money on improvements, going green can make more green. For example, simply changing out older appliances to newer, more energy efficient ones can result in both economic savings and increased revenue.

Typically, the tenant is responsible for energy costs and the landlord for water costs. A water-efficient toilet and shower head can save you, the landlord, approximately \$150 a year – per unit. Energy efficient appliances such as dishwashers, A/C units and refrigerators can save each tenant approximately \$220 a year. You may not be paying for those energy costs, but you do get the boasting rights. This alone may help you to attract renters who want to live in an eco-friendly home or who are interested in the savings they will realize by renting your property.

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## Attracting a New Generation of Renter (continued from page 2)

And let's not forget that many of the newer energy and water efficient appliances come with significant rebates. The rebates are realized by the owner of the appliance.

### Welcome the Digital Age

Appeal to the new generation of renter by offering free Wi-Fi in at your property. As you may have seen already in many public places, a consumer with a laptop computer can log onto a site, set up an account with a credit card and be on the internet instantly. The same scenario can exist at private residential properties.

There are differing models currently available if you want to offer Wi-Fi. A direct billing model exists that is similar to that offered by cable companies. The vendor and tenant maintain a relationship themselves. There are almost no upfront costs to the landlord and the billing is done directly through the vendor. A wholesale model also exists but this requires the landlord to pay a fee per unit. The benefit to the landlord here is that the landlord then has the ability to offer promotional packages and pricing. Instead of lowering rents to compete, you may then have the ability to offer a few months of free internet.

Not every neighborhood has enough bandwidth to sustain wireless internet and finding a reputable vendor is crucial but, if you can manage both, your property can offer an advantage over others in the neighborhood. And, if that were not enough, some of the vendors also offer revenue share.

The economy may be in a slump, but that doesn't mean that your marketing should be. There are many ways to market your rental property in a competitive market – just ask us how.

**Call Tanya Kaplan at (818) 907-5757 x224 to find out how we can help you realize the full potential of your investment property!**

## Tax Credits Available For First-Time Homebuyers!

In addition to the benefits outlined in our article on page one, The Housing and Economic Recovery Act of 2008 (H.R. 3221) that was signed into law in July provides a new tax credit for first-time homebuyers. So, if you're a first time homebuyer, you may qualify for a refundable tax credit of up to **\$7,500**. The tax credit works like an interest-free loan to be paid back over 15 years. **Call your KPL Select Mortgage loan officer to find out whether you qualify for a tax credit! And ask us about our First-Time Homebuyer Seminars.**

## Come Join Our KPL Habitat For Humanity Team on Saturday, October 25<sup>th</sup>!

This fall the KPL Team will be continuing their work building homes with Habitat For Humanity. We invite you to join us for a day of volunteer home construction work on **Saturday, October 25<sup>th</sup>, from 8:00 a.m. till 4:00 p.m. in Pacoima, California.**

**For more information and to volunteer with the KPL Team on Saturday, October 25<sup>th</sup>, contact Diane Briseño at (818) 907-5757 x249 or [dbrisenokplselect.com](mailto:dbrisenokplselect.com) by October 3<sup>rd</sup>.** If you'd like to learn more about Habitat For Humanity and its mission, visit: [www.habitatla.org](http://www.habitatla.org). We look forward to seeing you there!

## KPL's Annual Bake-Off Hosted by Celebrity Chef Paul McCullough on Wednesday, September 24<sup>th</sup> at 5 p.m.



Paul McCullough  
of Paul's Kitchen

Thanksgiving is just around the corner and that means it's time for the annual KPL Bake Off! Each year KPL sends out a holiday-themed recipe with our holiday cards. The winning recipe is chosen from among entries by our staff, friends and clients.

We are thrilled to announce that Paul McCullough has again accepted our invitation to judge your delicious dishes. Paul is a self-taught chef who owns a successful catering business – Paul's Kitchen – in Los Angeles. Paul also was a finalist in last year's Next Food Network Star competition. To find out more about Paul, visit his website: [www.paulskitchen.com](http://www.paulskitchen.com).

Participating in the Bake-Off is easy. Just bring a completed dish for tasting (along with a copy of the recipe) to the KPL Sherman Oak's office on Wednesday, September 24<sup>th</sup> at 5 p.m. **Contact Julie Ware**

**at (818) 907-5757 x233 or [jware@kplselect.com](mailto:jware@kplselect.com) with any questions.** Bon appétit!

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## The Select Report Newsletter

### Tanya Kaplan Joins the KPL Select Property Management Team



KPL Select Property Management, LLC is happy to announce the addition of Tanya Kaplan to our property management team.

KPL Select Property Management is a full service property management company with over 20 years of experience. **WE SPECIALIZE IN:**

- Full Service Property Management
- Single Family Residential
- Multi-Unit Residential
- Small Commercial Properties
- Vacation Rentals
- Customized Client Services

Let us help you realize the full potential of your investment!

As the In-House Property Manager in the Sherman Oaks office, Tanya is responsible for managing all the properties located in the Los Angeles area, including Long Beach. Since joining KPL's team, Tanya has succeeded in increasing occupancy for the long term rental properties in Long Beach to 100%.

**For more information about the services of KPL Select Property Management, contact Tanya at (818) 907-5757 x224 (Los Angeles) or Jennifer Fromhold at (760) 327-9700 x4 (Palm Springs).**

### Cindy Caddel Joins the KPL Select Mortgage Team



KPL Select Mortgage, Inc. is pleased to announce the addition of Cindy Caddel to our loan officer team. Cindy, who has a teaching background, has been a loan officer for a little over one year. Prior to getting her real estate license, however, Cindy was passionate about real estate and became an investor. She believes that real estate ownership is a good way to control your own financial future and enjoys helping others attain their goals of becoming homeowners or real estate investors.

Cindy's years as a teacher give her just the right skills to work with borrowers new to the market and she especially likes working with first time home buyers. Cindy also is fluent in Spanish.

**Cindy Caddel can be reached in KPL's Sherman Oaks office at 818-907-5757 or [ccaddel@kplselect.com](mailto:ccaddel@kplselect.com).**