Wells Fargo Provides FHA Alternative
March 31, 2013

The general consensus of opinion amongst mortgage lenders is that the Federal Government is trying to bow out of the home lending business. This may be why the Federally insured FHA loan has been made so expensive as to make it unattractive to homebuyers.

From 1st April 2013 the monthly premium for mortgage insurance on an FHA loan rises from 1.25% to 1.35%. From 3rd June 2013 the monthly premium is set to last for the full life of the loan – up to 30 years, even when you have 50%, 70% or even 90% equity in the property. Previously, the mortgage insurance was dropped once you reached a 22% equity position.

Filling the gap, Wells Fargo have available an FHA alternative, the 97% Loan to Value conventional program. That is, where you were having to pay 3.5% down to obtain an FHA loan, you only have to find 3% down to use the Wells Fargo alternative. Furthermore, the mortgage insurance applicable is considerably less than FHA.

The Wells Fargo 97% LTV (Loan to Value) program is available direct from Wells Fargo or from local correspondent lenders such at Residential Mortgage and Homestate Mortgage. It is not available from Credit Unions or other Banks.

There are some restrictions on who can obtain the Wells Fargo 97% LTV financing. Your credit score will need to be at least 680. Unlike FHA, you cannot use the program for multi-family properties such as a duplex or four-plex, even if you planned to owner-occupy.

However, this idea is an outstanding addition to home loan products available. Prior to this innovation, the only alternative to FHA was 5% down conventional financing. Those percentages of cash you need to purchase your own home can make or break your dreams.

It is likely that other banks and credit unions will also consider an FHA alternative but, for now, this avenue is only open to home loan centers who sell their loans on closing to Wells Fargo, or by going direct to the Wells Fargo home lending team itself.

Dear Dave: I thought maybe I could save $400 on a Home Inspection because the seller's licensee told my Realtor that the last buyer (who fell through) had already inspected the property. However, they told us that they preferred that we do a second home inspection ourselves rather than share the previous one. Don't you think that the seller should have released that previous report to us?

Answer: Not only should the information have been given to you, but it is a mandatory disclosure. Any home inspection report produced constitutes a material amendment to the Residential Real Property Transfer Disclosure Statement required by Alaska Statute 34.70.010.

Information in a recent home inspection report must be provided to a homebuyer - period!
If the homebuyer still wishes to engage a second home inspector, they may certainly do so. Any Licensee failing to counsel a seller according to the law could be in serious trouble.

Dear Dave: Is there a vehicle or method to invest IRA funds into Real Estate?

Answer: Yes, it is possible to hold an Individual Retirement Account (IRA) in the form of Real Estate. However, it is a rarity for several reasons.

An IRA investment must be held in trust by a third party. If you wish to invest in Real Estate with IRA funds, you will need a trustee. Second, you will need to pay cash for the property. That is, you cannot finance any part of the purchase, so you will need substantial IRA funds to proceed. Thirdly, very few people consider Real Estate an appropriate IRA investment because it is like setting up a tax shelter within a tax shelter.

The benefit of the IRA is that you can invest in profitable and normally taxable ventures and defer tax because it is for retirement. When people purchase Real Estate investments it creates its own tax shelter, given that depreciation and other write-offs often provide a tax loss to offset against other taxable income.

Since investment Real Estate does not normally produce taxable profits the use of IRA funds is, therefore, somewhat a waste of resources. See your CPA or a Tax Lawyer for further information.

Dear Dave: Where can I obtain Real Estate statistics for sales in Eagle River?

Answer: The Anchorage MLS, which covers the entire Anchorage bowl, used to publish statistical data on its public website. However, this has been discontinued. Your Realtor will be more than happy to provide you with these charts and analyses on request.

Dear Dave: We live in Anchorage and want to replace our gas hot water heater with a new one. Are we allowed to do this work ourselves or must it be done by a licensed contractor?

Answer: Homeowners living in a single family residence or duplex are allowed to replace their own gas appliances but must obtain a permit from the Building Safety Division of the Municipality. Permit costs vary according to the appliance. A water heater permit is around $50.

Even if you use a licensed contractor a permit is still required. The reason for the permitting process is to protect the occupants of the home. Contractors and homeowners alike sometimes resent the additional cost but the Building Safety Division only exists for your safety. Included in the permit fee is a physical inspection of the completed work by one of the division's officers. Contractors who try to bypass the permit process are subject to a $500 fine if caught. When comparing contractor bids for gas appliance installations, be sure the permit cost is included. Further information can be obtained from the Building Safety Division of the Municipality of Anchorage at 343-8301.