Open House: New bill presents borrowers with possible financial method

by Jim_Woodard

FHA home mortgages - those insured by the Federal Housing Administration - may soon be a viable financing option for many more prospective borrowers. A current proposal, already passed by the House of Representatives, would raise the FHA loan limit to $417,000 in high-cost areas, reduce the minimum required down payment to 1.5 percent of the home's purchase price, and extend the maximum amortization term to 40 years.

The new provisions are part of an FHA reform bill (H.R. 1852) working its way through Congress. The basic objective of the legislation, according to its text, is "to modernize and update the National Housing Act and enable the Federal Housing Administration to use risk-based pricing to more effectively reach underserved borrowers, and for other purposes."

It will give FHA the capability to be more effective in helping past borrowers of high-risk subprime mortgages. Some of those who are having difficulty in making their monthly payments, thus facing possible foreclosure proceedings, may have the opportunity to refinance into a friendlier FHA loan.

There has been pressure on legislators for years to bring FHA mortgage financing up to real-world economic conditions. Without these new and more flexible provisions, FHA would continue to be a dying breed of home financing options - or at least an endangered one.

An amendment attached to the bill would modify FHA loan limits to permit loans up to the lower of 125 percent of the local media home price, or 175 percent of the national conforming loan limit, with additional authority by the Department of Housing and Urban Development to raise limits by area by up to $100,000 if market conditions warrant.

Q: What's being done to promote the use of solar energy in homes?

A: Seasoned home builders may soon learn some valuable lessons about incorporating solar energy in home designs from a group of young college and university students.

Twenty teams of students are now competing to design, build and operate the most attractive, effective and energy-efficient solar-powered home. The Solar Decathlon competition is sponsored by the Department of Energy.

The competing students are from the United States, Canada, Spain, Germany and Puerto Rico. Their work will culminate in a display at an innovative, one-of-a-kind Solar Village created on the National Mall in Washington, D.C., on Oct. 12-20.

The event in Washington gives the public an opportunity to observe the powerful combination of solar energy, energy efficiency and the best in home design, according to a DOE spokesperson. The teams' houses and educational exhibits will be part of the Solar Village.

"These young students will likely be at the forefront of future engineering and design innovations regarding green home building and solar technology," the spokesperson said.

In striving to stretch every last watt of electricity that's generated by the solar panels on their roofs, the students absorb the lesson that energy is a limited and precious commodity, it was noted. They are using high-tech materials and design elements in very ingenious ways. A lot of learning takes place while they build their homes.

The 20 teams transported their solar houses to the competition site on the National Mall and virtually rebuilt them at that point in the Solar Village. The teams are competing in a variety of contests. However, the students really win the competition through the many months of planning, designing, analyzing, redesigning and finally building and improving their homes.

"Today's solar houses connect with nature to take advantage of heat and light from the sun and cooling breezes and shading," the DOE spokesperson said. "They crank this natural advantage way up by using the newest products and technologies on the market."

For more information about the DOE competition, visit their Web site at www.solardecathlon.org/.

Q: What impact will the lowered Fed Rate have on mortgages?

A: A recent development that will help lenders provide restructured or refinanced mortgages for troubled borrowers is the substantial lowering of the federal funds rate by a half percentage point on Sept. 18. This will ultimately bring down mortgage rates and related monthly payments, thus helping home buyers as well as those needing assistance with their existing loan.

"By cutting the federal funds and discount rate by a half a percentage point, the Fed has sent a strong signal

to financial markets and consumers that it intends to ensure that the economy keeps moving ahead and the housing market regains its strength," said Brian Catalde, president of the National Association of Home Builders.

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