

WASHINGTON – Jan. 2, 2012 – In an effort to continue stabilizing home values and improve conditions in communities experiencing high foreclosure activity, Acting Federal Housing Administration Commissioner Carol J. Galante today extended a temporary waiver of FHA's anti-flipping regulations through 2012. Read FHA's anti-flipping waiver.

"This extension is intended to accelerate the resale of foreclosed properties in neighborhoods struggling to overcome the possible effects of abandonment and blight," said Galante. "FHA remains a critical source of mortgage financing and stability and we must make every effort to promote recovery in every responsible way we can."

With certain exceptions, FHA rules prohibit insuring a mortgage on a home owned by the seller for less than 90 days. In 2010, however, FHA temporarily waived this regulation through Jan. 31, 2011, and later extended that waiver through the remainder of 2011. The new extension will permit buyers to continue to use FHA-insured financing to purchase HUD-owned properties, bank-owned properties or properties resold through private sales. It will allow homes to resell as quickly as possible.

The extension is effective through Dec. 31, 2012, unless otherwise extended or withdrawn by FHA. All other terms of the existing waiver remain the same. The waiver contains strict conditions and guidelines to prevent predatory property flipping, in which properties are quickly resold at inflated prices to unsuspecting borrowers. The waiver continues to be limited to sales meeting the following conditions:

- All transactions must be arms-length, with no identity of interest between the buyer and seller or other parties participating in the sales transaction.
- In cases where the sales price of the property is 20 percent or more above the seller's acquisition cost, the waiver will apply only if the lender meets specific conditions and documents the justification for the increase in value.
- The waiver is limited to forward mortgages and does not apply to the Home Equity Conversion Mortgage (HECM) for purchase program.

Since the original waiver went into effect on February 1, 2010, FHA has insured nearly 42,000 mortgages worth more than \$7 billion on properties resold within 90 days of acquisition.

FHA justified the extension by noting that professional flipping often takes less than 90 days, and making an investor wait deters buyers who must consider holding costs and the risk of vandalism associated with allowing a property to sit vacant for about three months.