

MATERIAL UPDATES TO EDITION 33

A-ii, B-ii, C-ii and D-ii Delete all copy and substitute the following:

To receive advance notice of the
next edition
please email your name and address to
robertwdeheer@sbcglobal.net

For updates
to the current edition
visit our web site
www.realtybluebook.com

A-41 MAXIMUM LOAN AMOUNTS:

On line 3, change 2003 to 2005 and
sub the following amounts:

Units	Max US	Alaska
1	\$359,650	\$539,475
2	\$460,400	\$690,600
3	\$556,500	\$834,750
4	\$691,600	\$1,037,400
Secnd.mrtgs	\$179,825	\$269,725

A-57 Electronic Loan Underwriting

The Technology Open to Approved Lenders (TOTAL) Mortgage Scorecard is to be used in electronically underwriting FHA insured mortgages, effective May 1, 2004. TOTAL evaluates the borrowers credit history along with several additional application variables and returns either an accept/approve recommendation or refers the loan application for traditional manual underwriting by a DE (Direct Endorsement) mortgagee.

A-64 STATUTORY LOAN LIMITS:

On line 3, change 2004 to 2005.

Then sub the following amounts:

Freddie Mac

1 unit properties	\$359,650
2 unit properties	\$460,400
3 unit properties	\$556,500
4 unit properties	\$691,600
FHA Base Limits	
1 unit properties	\$172,632

2 unit properties	\$220,992
3 unit properties	\$267,120
4 unit properties	\$331,968
FHA High cost	
1 unit properties	\$312,895
2 unit properties	\$400,548
3 unit properties	\$484,155
4 unit properties	\$601,692
FHA Alaska	
1 unit properties	\$539,475
2 unit properties	\$690,600
3 unit properties	\$834,750
4 unit properties	\$1,037,400

A-86 Section 251 Adjustable Rate Mortgage (ARM):

In addition to 1-year ARMs, FHA has implemented new product known as Hybrid Adjustable Mortgages on single family properties that are fixed for the first 3 years, 5 years, 7 years or 10 years of the mortgage term and are adjustable annually thereafter.

Caps on Interest Rate Changes

The 1-year, 3-year and 5 year ARMs allow an annual interest rate adjustment of one percentage point after the initial fixed interest rate period, and a five percentage point rate cap over the life of the loan. The 7-year and 10-year ARMs allow an annual interest rate adjustment of two percentage points after the initial fixed interest rate period, and a six percentage point rate cap over the life of the loan.

Frequency of Interest Rate Adjustments

Interest rate adjustments must occur on an annual basis, except that the first adjustment may occur no sooner nor later than:

- 1-year ARMs no sooner than 12 months nor later than 18 months
- 3-year ARMs no sooner than 36 months nor later than 42 months
- 5-year ARMs no sooner than 60 months nor later than 66 months
- 7-year ARMs no sooner than 84 months nor later than 90 months
- 10-year ARMs no sooner than 120 months nor later than 126 months

A-90 Loan Disclosure:

Mortgagees must make available to the mortgagor, at the time of the loan application, a written explanation of the features of an ARM.

A hypothetical monthly payment schedule that displays the maximum potential increases in monthly payments for the term of the ARM must be provided to the applicant. For example, a 7-year ARM payment schedule would show the maximum potential increases over the three years following the initial 7-year fixed interest rate period.

A-90 Limitations to Arms:

ARMs may be used only in conjunction with FHA sections 203(b), 203(h), 203(k), and 234(c).

A-97 Types of Loans:

Add a new item:

6. Hybrid ARMs with fixed rate for first 3 years

A-111 Funding Fee Table:

		Active Duty or Veteran	National Guard/ Reservist
Purchase/Construction	0% down	2.15%	2.4%
Purchase/Construction	5% down		1.75%
Purchase/Construction	10% down		1.5%
Second or subsequent use-		3.3%	3.3%

B-11 Real Estate-Related Web Sites:

Add these very useful web sites;

www.sharpened.net/glossary/index.php	Computer and Internet Glossary
www.sharpened.net/helpcenter/index.php	Computer and Internet Questions
www.sharpened.net/helpcenter/extensions.php	File extensions
www.sharpened.net/helpcenter/domains.php	U.S. Domain & Foreign Domain-Suffixes

www.russer.com	Free Resources, Archived Articles, eproductivity, Products, etc.
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B-64 Virtual Assistants and the Internet: Add the following ¶ as item 5.:

5. Training sources for Virtual Assistants	revanetwork.com
	assistu.com
	staffcentrix.com (for military spouse virtual assistants)

D-iii Contents:

Table of Contents should read as follows:

Exchange Agreements	D-22
Balancing Equities	D-22
Tax-Deferred Exchanges	D-24
Installment Sales	D-38
Personal Residences	D-43

D-43 The heading **Residence Interest** should read **Personal Residences** (a new major section) and the following will be inserted in Edition 34:

Capital Gain Exclusion – An individual may exclude from income up to \$250,000 of gain (\$500,000 on joint returns) realized from the sale or exchange of a principal residence, provided that during the five-year ownership period ending on the date of the sale or exchange, the owner has occupied the property for aggregating periods of two years or more. The exclusion may not be used more frequently than once every two years. (Code Sec. 121(b))

Hardship Relief: In the event an individual fails to meet the minimum two-year time period for claiming the full exclusion, the individual may still be eligible for a partial exclusion when the sale of the home is due to: (1) a change in the place of employment, (2) health reasons, or (3) unforeseen circumstances. (Code Sec. 121(c)(2))

Updates to High-Tech Selling Section

B-iii Under Modern Technology, ad a new title:
Real Estate Web Sites

B-9 Prior to Real Estate Directories, insert the new heading (same size as Welcome to the Internet):
Real Estate Web Sites

B-11 Add the following to the lower half of the page:

www.sharpened.net/glossary/index.php	Computer and Internet Glossary
www.sharpened.net/helpcenter/index.php	Computer and Internet Questions
www.sharpened.net/helpcenter/extensions.php	File extensions
www.sharpened.net/helpcenter/domains.php	U.S. Domain & Foreign Domain-Suffixes

www.russer.com	Free Resources, Archived Articles, eproductivity, Products, etc.
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B-63 On line 4, the first letter should be capitalized.

B-64 **Virtual Assistants and the Internet:** Add the following ¶ as item 5.:

5. Training sources for Virtual Assistants	revanetwork.com
	assistu.com
	staffcentrix.com (for military spouse virtual assistants)

Updates to Tax Information Section

D-iii CONTENTS:

Change to read as follows:

Exchange Agreements	D-22
Balancing Equities	D-22
Tax-Deferred Exchanges	D-24
Installment Sales	D-38
Personal Residences	D-43

D-38 **INSTALLMENT SALES** is a separate chapter and should be set like EXCHANGE AGREEMENTS.

D-43 Delete the heading **Residence Interest** and substitute **Personal Residences** in the same type face as **Exchange Agreements** on page D-22

D-43 Immediately following the new heading **PERSONAL RESIDENCES** insert the following :

Capital Gain Exclusion – An individual may exclude from income up to \$250,000 of gain (\$500,000 on joint returns) realized from the sale or exchange of a principal residence, provided that during the five-year ownership period ending on the date of the sale or exchange, the owner has occupied the property for aggregating periods of two years or more. The exclusion may not be used more frequently than once every two years. (Code Sec. 121(b))

Hardship Relief: In the event an individual fails to meet the minimum two-year time period for claiming the full exclusion, the individual may still be eligible for a partial exclusion when the sale of the home is due to: (1) a change in the place of employment, (2) health reasons, or (3) unforeseen circumstances. (Code Sec. 121(c)(2))

D-43 Delete the second ¶. (Make sure the above new ¶ comes first, then the existing first ¶, then the existing third ¶, in that order)