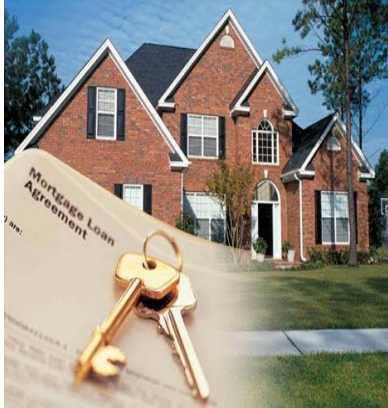


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A message from the President

I hope you find this news letter informative and helpful. Please call me with any questions. (401)-737-4400 ext. 202

Steven N Taylor
President

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FHA to increase Mortgage Insurance Premiums (MIP) October 4th, 2010

FHA increases Mortgage insurance premiums for FHA loans, effective October 4, 2010.

If your not familiar with FHA loans, the mortgage insurance on FHA loans are divided up front and monthly:

- 1) The Up-Front Mortgage Insurance premium (UFMIP) collected at closing and normally financed into the loan, and,
- 2) The annual mortgage insurance premium which is collected as part of your monthly mortgage payment.

Federal Housing Administration needed to do something to increase its reserves. However, given the role FHA plays in the housing industry, especially for lower-income buyers and entry-level housing, the proposed changes (which go into effect on October 4) will make it harder for future borrowers to qualify for FHA loans. At the very least, FHA mortgages will be more expensive.

Currently the UFMIP on FHA loans is 2.25% while the annual premium for 30-year fixed mortgages with less than 5% down payment is 0.55%. Effective for new loans after October 4, 2010 (loans with FHA case numbers assigned after this date), the UFMIP will be lowered to 1%, while the corresponding annual monthly premium will increase to 0.90%.



For more information on FHA's recent updates to MIP and other programs visit us at www.fnfgroup.com or call us to set up an office meeting to go over changes with your staff at 800-737-1366 ext. 202

Distressed Properties Account for 24% of Home Sales in Q2 2010

Nearly a quarter of a million homes that were in some stage of foreclosure were sold during the second quarter of 2010, an increase of 5 percent since Quarter One. This, however, was 20 percent fewer sales than were recorded in that category in the second quarter of 2009.

According to the 2nd Quarter RealtyTrac Sales Report issued, sales of homes in the process of pre-foreclosure or out of lenders real estate portfolios (REO) accounted for 24 percent of all sales in the country.

Home sales overall increased from the previous quarter, but while actual numbers of properties involved in foreclosure sales increased from 232,959 in the first quarter to 248,534, the market share of foreclosure sales was down from 31 percent. Extrapolating from RealtyTrac's foreclosure sales numbers and percentages, an estimated 1.4 million homes were marketed in Q2 compared to 752,000 in the previous period.... Continued

“While foreclosures sales increased in the second quarter, non foreclosures sales increased even more, spurred on by the homebuyer tax credit that expired during the quarter. “

“We continue to look for ways to stabilize incentives to qualified buyers who will occupy these properties over the long term and help support their communities, “Edwards Said.

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James J. Saccacio, chief executive officers of the Irvine California based firm said, "While foreclosure sales increased in the second quarter, non-foreclosure sales increased even more, spurred on by the homebuyer tax credit that expired during the quarter. That had the net effect of lowering foreclosure sales as a percentage of total sales during the quarter, but that may be a temporary dip as the removal of the tax credit could drive more buyers back to discounted short sales and REOs."

Lenders appear to be moving substantial numbers of properties before they fall into bank ownership. 151,290 homes were sold from REO inventory while 97,244 of sales were of properties in default or scheduled for auction. While the latter were not necessarily "short sales," that is transactions where the lender agrees to take less than the balance owned in order to release its lien, many were. While REO sales were up 3 percent from Q1, they were down 28 percent from one year earlier. Pre-foreclosure sales increased 8 percent from the previous quarter but were down 3 percent from a year earlier. REO sales represented 15 percent of all residential sales in the country compared to 19 percent in Q1 and 20

Fannie Mae adds broker bonuses, down payment aid to move REO

Fannie Mae will give REO agents and brokers who sell a previously foreclosed property to an owner-occupant a \$1,500 bonus per sale.

The government-sponsored enterprise will also give qualified homebuyers 3.5% of the final sales price that can be used toward the closing cost, including home warranty. Eligible offers must be submitted on or after Sept. 23 and must close by D Fannie said the sale must close within 60 days of the accepted offer.

Terry Edwards, executive vice president of credit portfolio management at Fannie, said more than 87,000 families have purchased a Homepath property in the first half of 2010. Homepath is the

percent a year earlier while pre-foreclosure sales accounted for 9 percent, 3 percentage points lower than the previous quarter but at about the same level as a year earlier.

A buyer of REO continues to get a substantial discount from market prices. REO sold at an average discount of just over 34.5 percent, a number which was virtually unchanged from both the previous quarter and the figure a year earlier.

A pre-foreclosure property, on the other hand, sold much closer to market price. The average discount was 13 percent, down from 16 percent in Quarter One and 19 percent in the second quarter of 2009. On average, a buyer of distressed properties averages a 26 percent discount.

Other states where foreclosure sales accounted for at least one-quarter of all sales were Rhode Island (37 percent) and Massachusetts (35 percent), However, in Rhode Island the number of sales was down 54 percent from the previous quarter and in Massachusetts the change was -54 percent. In both states the numbers of sales were down over 60 percent from one year earlier.

in-house manager of the Fannie Mae foreclosures. It hires vendors and agents to rehabilitate the home and ready it for the market again.

"We continue to look for ways to stabilize neighborhoods and offer incentives to qualified buyers who will occupy these properties over the long-term and help support their communities," Edwards said.

Fannie Mae, Freddie Mac and many lenders have instituted a First Look program to give owner-occupants a head start ahead of investors to buy these previously foreclosed homes. In one year of the First Look program, [Fannie has sold more than 29,000 REO](#) to owner-occupants.



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First Northern Financial Group, Inc. is a fully licensed mortgage broker looking to build life time relationships. We have over 40 years of experience in the mortgage business. Call today to set up a meeting to see how we can assist you and qualifying more clients.

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