

Living On a Lake in the Country: Loans in a Flood Zone

By Gayle Rich-Boxman

There are several federal programs for financing a property in a designated flood zone that can open up opportunities for buyers who may be purchasing a home for the first time or are veterans and want to take advantage of 100% financing for their primary home.

This question came up recently when I had an agent who wanted to show a country property of mine, but the property had flooded--not the home. It is in a designated flood zone, but we weren't sure at the time if a VA loan would be a possibility. It is!

The programs that are available are VA, FHA and conventional loans. I have gotten the official thumbs up on this from my favorite local lender, Shawn Baeschlin with NW Mortgage Group, Inc. USDA, which is available for first time homebuyers for rural properties *is not available for flood zones*, but in Columbia and Clatsop counties (both of which I serve), USDA loans are available.

VA loans up to \$417,000 require no down payment. (The rules are different for a jumbo loan). There is a funding fee of 2.15% of the loan amount that is paid to the VA to guarantee the loan. That is for the first time, the second time the fee is higher. Important notes: *if a veteran is disabled there is no funding fee. There is also no monthly mortgage insurance on a VA loan. It is about 1/4% lower in interest rate than a conventional*

loan.

There are two FHA rehab loans: 203K streamline and the full 203K. The amount of the loan can include up to \$30,000 in remodeling/renovations.



If there are any structural changes, the full 203K loan is the only one that can be used. With the full 203K loan, it also requires an FHA consultant and that will be an extra fee. The interest rate for an FHA loan is 3 and 1/2% on both the loan amount and the renovations. A streamline 203K will take 6 weeks to close; the full 203K will take 8 weeks because of the consultant. According to Shawn Baeschlin, "The FHA program has a common perception of being a first time home buyer program, but can apply to people who have previously owned homes". He goes on to say, "FHA does not finance second homes or rental properties. Currently you can get in with as little as 3.50% down, they allow credit histories that are less than perfect, as well as higher debt ratios than generally allowed with conventional financing. Mortgage insurance is a bit more expensive and is required to be on the loan until it is paid off".

Both Vernonia (24 miles away) and Fishhawk Lake flooded in 2007, although not all lakefront homes were affected at that time. Fishhawk Lake is located in two counties, Columbia and Clatsop. Only a small area in Columbia County located on Fishhawk Creek has had its zoning changed to be designated as a flood zone. There are about 178 homes located at Fishhawk Lake and only approximately 62 were flooded.

A current seller who may have an elevated property as a result of a flood (referring to those located on the Nehalem River or in

Vernonia, none are elevated at Fishhawk Lake), can assign that elevation certificate to the new owners. Another piece of information that will save you money is that the buyer can assume the flood insurance policy from the seller if it covers what the buyer wants.

If you have more questions or want to view properties that are potentially in a flood zone, let me help you and I can also guide you in the right direction for finding that perfect loan and loan officer!

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Shawn Baeschlin, Loan officer, NW Mortgage Group, (503)528-9800

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