

# House Flipping Laws

Contributed by Jeanette Joy Fisher  
Sunday, 24 December 2006  
Last Updated Sunday, 24 December 2006

HUD believes that house flippers inflated prices and added laws to protect consumers.

Flipping a house, or reselling a property quickly after purchasing, isn't illegal. Because so many house flippers committed mortgage fraud or used predatory lending practices, HUD, the U.S. Department of Housing and Urban Development, is trying to protect home buyers. HUD also seeks to halt appraisals at inflated prices. The agency believes that house flippers artificially inflated prices.

Effective July 9, 2006, HUD changed their lending regulations for new FHA financing. To keep wholesalers from making a quick profit, only the actual owner of a home can sell a home with FHA, Federal Housing Administration, financing. To discourage house flipping, homes sold within 90 days of purchase won't be eligible for FHA financing, either. Additionally, houses selling for twice as much as the purchase price in the time period between 91 and 180 days after the last sale require additional valuation data in order to qualify for FHA financing.

The exemptions to this policy include HUD, Fannie Mae, Freddie Mac, lenders selling real estate owned (foreclosures), local or state housing agencies, nonprofits with HUD permission to purchase discounted real estate owned properties, inherited properties, and dwellings located in presidentially declared disaster areas.

What does this mean for real estate investors who flip houses?

- \* You either keep the house for 90 days or sell to a buyer who uses conventional financing.
- \* You spend a few weeks fixing the house and sell so it closes after the 90 day period.
- \* You keep records of your improvements and prove that the new price reflects your work.
- \* You keep your mortgage lender honest.
- \* You keep your appraiser honest.
- \* You make a fair profit for helping a desperate seller move on, fixing a distressed house, and creating a new buyer's "dream home."

Perhaps house flippers did inflate house prices over the past few years. However, the housing shortage, favorable interest rates, easy lending practices, and rising prices fueled the economy.

Since less than 7 percent of houses sold were owned by investors, and most of these were owned for time much longer than 90 days, it seems that the mortgage lenders may be more at fault than the house flipper for the possible inflated prices in some areas.

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Jeanette Fisher is the author of best-selling real estate books on Amazon including *Doghouse to Dollhouse for Dollars: Fixing and Flipping Houses with the Design Psychology Edge*. Learn how to fix and flip houses with an interior design advantage: <http://www.doghousetodollhousefordollars.com>