

FHA

Federal Housing Administration

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Modern - Mortgage - Solutions



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The FHA loan is a mortgage loan that is insured by the Federal Housing Administration, and is used to purchase or refinance an occupied property. The borrower is required to pay a 3.5 percent down payment, which can be his or her own money or a gift from a relative. Co-signing is permitted for this loan, and loan limits apply depending on the location of the property.

FHA loan requirements spell out a minimum credit score based on your down payment amount. Also, you must show proof of employment and a steady income. An appraisal of the home by an FHA-approved appraiser is required.

'FHA loans have been helping people become homeowners since 1934. How do we do it? The Federal Housing Administration (FHA) – which is part of HUD – insures the loan, so your lender can offer you a better deal.

- *Low down payments*
- *Low closing costs*
- *Easy credit qualifying*

-U.S. Department of Housing and Urban Development

Low cost area

One Unit: \$314,827

Two Unit: \$403,125

Three Unit: \$487,250

Four Unit: \$605,525

High cost area

One Unit: \$726,525

Two Unit: \$930,300

Three Unit: \$1,124,475

Four Unit: \$1,397,400

All policy information contained in this knowledge base article is based upon the referenced HUD policy document. Any lending or insuring decisions should adhere to the specific information contained in that underlying policy document.

How can FHA help me buy a home?

Easier to Qualify: Because FHA insures your mortgage, lenders may be more willing to give you loan terms that make it easier for you to qualify.

Less than Perfect Credit: You don't have to have a perfect credit score to get an FHA mortgage.

Low Down Payment: FHA loans have a low 3.5% down payment and that money can come from a family member, employer or charitable organization as a gift.

Costs Less: FHA loans have competitive interest rates because the Federal government insures the loans.

FHA does not provide direct financing or determine the interest rates on the mortgages it insures. An FHA insured mortgage may be used to purchase or refinance a new or existing 1-4 family home, a condominium unit or a manufactured housing unit (provided the manufactured housing unit is on a permanent foundation.)

Does FHA require collections to be paid off for a borrower to be eligible for FHA financing?

A Collection Account refers to a Borrower's loan or debt that has been submitted to a collection agency by a creditor.

If the credit reports used in the analysis show cumulative outstanding collection account balances of \$2,000 or greater, the lender must:

- verify that the debt is paid in full at the time of or prior to settlement using an acceptable source of funds;
- verify that the Borrower has made payment arrangements with the creditor and include the monthly payment in the Borrower's Debt-to-Income ratio (DTI); or
- if a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the Borrower's DTI.

Can a person have more than one FHA loan?

FHA will not insure more than one Property as a Principal Residence for any Borrower; FHA will not insure a Mortgage if it is determined that the transaction was designed to use FHA mortgage insurance as a vehicle for obtaining Investment properties, even if the Property to be insured will be the only one owned using FHA mortgage insurance.

Properties previously acquired as Investment Properties are not subject to these restrictions.