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| **FHA Loans Help Buyers Secure The Financing They Need**    The Federal Housing Administration (FHA) is an agency of the federal government. The FHA works with mortgage lenders throughout the country to help many homebuyers secure the financing that they need in order to have the house of their dreams. The FHA is a division of HUD (Department of Housing and Urban Development) Since both agencies have a long history of helping individuals with homeownership, many first time buyers turn to them for assistance.  Here is a list of some of the basic functions and advantages of the FHA Loan:   1. **. The FHA insures mortgage loans made to individuals.** 2. **. The FHA serves as an insurance policy for lenders**, protecting them against losses incurred in the event the borrower stops making his/her scheduled loan payments. FHA insurance often times makes lenders more willing to work with an individual who does not completely fit their credit standards. 3. **. FHA insurance is more flexible than many other privately issued insurances in that borrowers are given more flexibility.** The average lender requires that an individual have a debt to income ratio of 28/36 which means that no more than 28% of the borrower's gross monthly income can go towards housing and no more than 36% of the monthly income can towards monthly debt (including housing). FHA has opted for a ratio of 29/41 instead. For those with a heavy debt load, that extra five percent debt allowance (41% - 36%) could make the difference when it comes to qualifying for a loan. 4. **. Down payment requirements through FHA** are often times lower as well. FHA only requires that the borrower place under 5% down. 5. **. The Family Money Rule is another option is that FHA allows.** This rule states that the money used for both down payment and closing costs may come from a family member. FHA has recently changed this rule to allow for 100% help from family members. 6. **. FHA insured loans are assumable loans.** This can be an attractive feature when it comes to selling your home. With an assumable loan, the homebuyer can take over the payments on the loan instead of obtaining a new mortgage loan. This loan can bypass a lot of paperwork and may help you sell your house faster. If the original mortgage was obtained in times of lower interest rates, a buyer would find a below market interest rate loan a good opportunity. 7. **. The Streamline Refinancing option** is another FHA paperwork saving advantage. This is an ideal refinancing option for those who have been locked into a high rate and now wish to refinance into a much lower one with minimal paperwork. 8. **. FHA allows a variety of loan programs**, the most popular of which being a 30 or 15 year fixed rate loan or a one year adjustable rate mortgage (ARM) loan. The FHA-insured ARM is an extremely attractive option for first-time homebuyers. The interest rate on the loan is guaranteed never to increase by more than 1% each year, and never more than 5% total. Most ARM loans allow increases of 2% and 6% respectively. Borrowers using the FHA ARM loan can also qualify based on the introductory interest rate. Many lenders will require higher down payments to qualify a borrower based on the introductory interest rate on a non FHA ARM loan. 9. **. The FHA “ buy and fix-it program” known as the 203(k)** has become increasingly popular as well. This program allows a homebuyer to borrow the money needed to purchase the house and the money needed to make repairs to the property with one loan. FHA also has very distinct loan programs set up for all sorts of instances, including condominium mortgages, disaster relief, rural area home mortgages and construction loans. 10. **Insurance costs through FHA** are often times more expensive than most privately issued mortgage insurance. The money spent on this fee pales when one considers the fact that it can open the door of homeownership. There are no income restrictions on FHA-insured loans; however, borrowers are limited to the amount that they can borrow. Loan limits are set according to the county in which the property resides but are usually high enough to cover most moderately priced homes in the area. 11. **The FHA offers a variety of programs and services** aimed at making homeownership a reality. A few phone calls can give you all of the information that you need. If your local lender cannot answer your questions, contact the local office of the Department of Housing and Urban Development. Those with internet access can view the FHA website [**http://www.hud.gov/offices/hsg/hsgabout.cfm**](http://www.hud.gov/offices/hsg/hsgabout.cfm) |