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| **FHA Mortgages**    **What Is An FHA Loan?**  The FHA does not make loans. It insures, in the event of a default, mortgage loans made by approved lending institutions, such as credit unions, mortgage companies or banks. FHA's analysis of the transaction takes into consideration the applicants income, past credit history, work history and ability to save and manage financial affairs. Each applicant is considered individually as no two families have exactly the same situation. Family obligations, responsibilities, future prospects, motivation and spending patterns all widely differ.  **Advantages of FHA Loans**   * Low down payment * Less cash from borrower than a conventional loan * Less stringent loan underwriting guidelines * Fully assumable (with qualifying) * No prepayment penalty, however you can incur additional interest charges of up to one month   **Eligibility Requirements**  FHA financing may be by any qualified person, whether a U.S. citizen or not. However, the property must be the occupying borrowers' principal residence. The borrower must also have a social security number.  **FHA Mortgage Insurance**  Mortgage insurance is required on all FHA loans. The insurance is collected by the lender and paid to FHA, who in turn reimburses lenders in the event of loan defaults.   * **MIP** (Mortgage Insurance Premium) is a one-time premium calculated as a percentage of the loan amount that applies to Single Family Residences (SFR) and Planned Unit Developments (PUD). This fee can be 100% financed and added to the base loan. Currently, this fee is 1.5% of the loan amount.   **FHA Loan Programs And Amounts**  The maximum FHA loan amount varies by county.   * **ARM** (Adjustable Rate Mortgage) which can fluctuate based on the index (1-year Treasury Bill) and has a 1% annual cap and a 5% lifetime cap.   **Interest Rates**  FHA does not set interest rates. Rates reflect current market conditions. Discount points need not be paid by anyone, but discount points to obtain a lower than market rate can be paid by either the buyer or the seller.  **FHA Appraisals**  FHA uses the same appraisals for all programs. The appraisals (or Conditional Commitments) are done by FHA assigned/approved appraisers and set forth FHA's estimate of value. If the appraisal is at a value lower than requested, a reconsideration of value may be requested by sending FHA recent comparables indicating a higher value, or the buyer may pay the additional difference.  **Co-signers**  FHA allows a borrower to use a non-occupying cosigner for purposes of qualifying for the loan. The co-signer's income, assets, liabilities and credit history are included in the determination of credit worthiness. The co-signer must be a blood relative or for an unrelated individual there must be documented evidence of a family-type with a long-standing and substantial relationship not arising out of the loan transaction.  **Buyer's Costs**   * Down Payment * Loan Origination Fee (1% of base loan amount - typical, but not required) * Escrow Fee * Appraisal Fee * Credit Report Fee * Recording Fees * ALTA. Lenders Title Insurance Policy * Property Tax Proration and Reserves * MIP (can be 100% financed and added to base loan) * Hazard Insurance and Reserves * Per Diem interest on new loan, based on closing date   **Seller's Costs**   * Escrow Fees * Tax Service Fee\* * Revenue Tax Stamps ($1.10 per $1000 sale price, if applicable) * Standard Owner's Title Insurance Policy * Proration of Property Taxes * Payment of assessments, etc. * Structural Pest Control Inspection and Repairs * Pay Off Existing Trust Deed and Liens * Broker fees   **And Don't Forget...**  Down payment must be paid from the buyer's own funds or can be a non-repayable gift from a relative. FHA does not allow the buyer to pay certain costs and therefore those costs must be paid by the seller (see \* items under Seller Costs above). |