

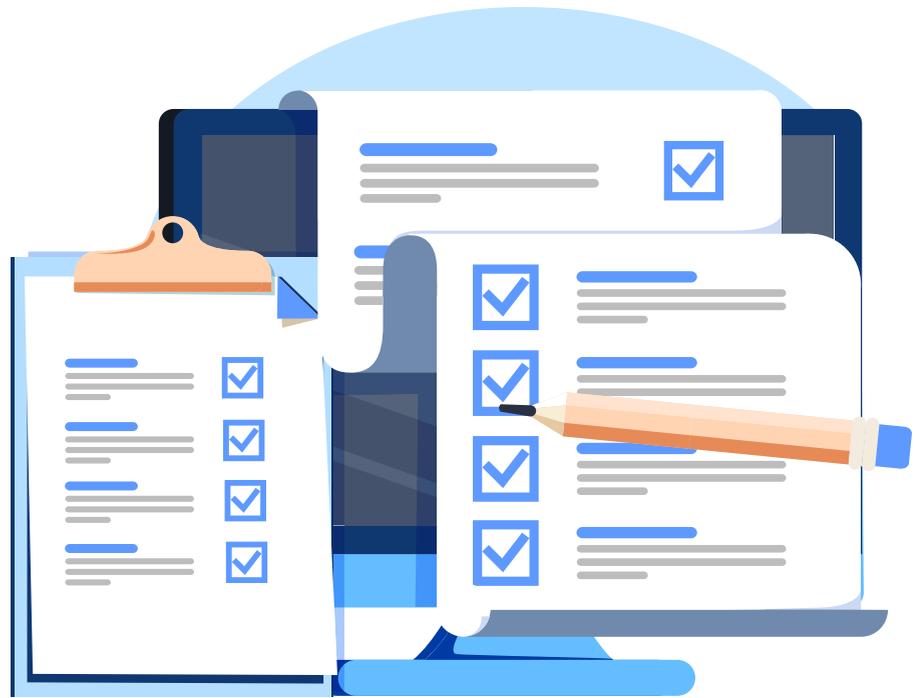


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THE **ABC's** OF FHA LOANS

Like all mortgage loans, FHA loans require proof of steady income and employment as well as a minimum down payment. But they are attractive to consumers because they are government-backed, offering more attractive interest rates and less stringent qualification requirements.



Beyond that, how much more can you share with your clients about FHA loans? Here are seven fast facts to help you brush up:

Credit requirements

With a credit score of 580 or higher, a borrower can qualify for an FHA loan with a down payment as low as 3.5 percent. Those with scores between 500 and 579 need down payments of 10 percent. Under certain circumstances, such as insufficient credit history, exceptions may be made. Check with an FHA specialist.

Down payment funds

In addition to using their own savings, borrowers can use a gift from family members and/or an assistance grant from a state or local government to make the down payment.

Closing costs

The FHA allows sellers, builders and lenders to pay some of the borrower's closing costs, such as appraisal, credit report or title expenses, as an incentive for the borrower to buy the home.

FHA-approved lenders only

Because the FHA is an insurer rather than a lender, borrowers must get their loan from an FHA-approved lender.

Mortgage insurance

Two mortgage insurance premiums are required on all FHA loans. The upfront premium is 1.75 percent of the loan amount, which can be financed as part of the loan amount. The second, called the annual premium, is paid monthly. It varies based on the loan amount, the length of the loan, and the initial loan-to-value (LTV) ratio.

Cash for repairs

A special loan, called a 203(K) loan, is available to borrowers who need extra cash to make home repairs. The loan amount is based on the projected value after repairs are made rather than on the current appraised value.

Loan limits

The FHA changes the maximum or minimum loan limits (called the 'ceiling' and the 'floor') limits for FHA loans each year in response to shifting home prices. The limits are announced by HUD prior to the upcoming year.