



FHA PURCHASES

Purchasing a new home is exciting! Finding the right home for you and your family requires a great deal of decision making. However, finding the right mortgage that works for you is just as important as finding the perfect home.

Many home buyers take advantage of FHA loans when doing a purchase for a new home. Don't stress, our team can help you to learn more about the benefits of an FHA Loan.

FHA REFINANCING

An FHA Refinance makes it possible to both lower your interest rate and your monthly payments. You may also be able to take out cash from the equity in your home to pay off debt accumulated or make home improvements.

QUALIFYING FOR AN FHA MORTGAGE

To be approved for an FHA mortgage, you must have a satisfactory credit history, which shows your commitment to paying off debts in a timely manner. Also, you must be able to prove that the total monthly

FHA LOAN PROGRAM

FHA PURCHASE

- 3.0 % Down to \$729,750
- 0 Down with Approved Down Payment Assistance Program
- Funds may be 100% Gift for Down Payment and Closing.
- Up to 6.0% Seller or Lender Credit OK!
- No Pre-Payment Penalty

FHA REFINANCE

- Rate & Term Refinance to 97% LTV
- Cash out Available to 95% LTV
- Past Credit Problems OK!

mortgage payment will be less than 29 percent of your monthly income. The number arrived at after multiplying your total monthly income by 29 percent is referred to as PITI, or principle, interest, property taxes, and insurance. The PITI amount is the highest amount that your monthly mortgage payments may be. Furthermore, long-term debt, such as car loans and credit card balances, in addition to the monthly PITI amount cannot be more than 41 percent of your total monthly income. More information about loan qualifications is available from the FHA. While these qualifications may seem a little stringent, they are actually more lenient than traditional mortgage qualifications. The decreased down payment makes this type of mortgage even more desirable for many people.

HOW AN FHA MORTGAGE WORKS

FHA insures that the total mortgage will in fact be paid to the lender if the buyer defaults. The private lender is responsible for making the decision on whether or not they will lend the money. The FHA Mortgage Program tends to be much more forgiving than conventional mortgages in terms of one's past credit history. This gives you the benefit of the doubt if you struggled in the past and want to start over! A bankruptcy

discharged as little as two years prior may not get in the homeowner's way from qualifying for the FHA program. On average, FHA mortgages don't require more than a 3-5% down payment. Unlike traditional loans, the money may also be a gift to the homebuyer and does not need to be secured as the homeowner's personal money. Often, there are "points" associated with FHA mortgages that are usually worth about 1 percent of the total mortgage value. These points are paid to lenders to help lower the interest rate of the mortgage.

Borrowers will also have to pay PMI (private mortgage insurance) on the mortgage. PMI is used to ensure that the total amount of the mortgage will be paid to the lender if the buyer defaults. Usually, a PMI will not be put into effect until 20 percent of the mortgage has been paid. FHA mortgages have no mortgage value cap. In other words, you can take out an FHA mortgage for \$150,000 - \$729,750 without any restrictions, other than credit applicability. Closing costs on FHA (or conventional loans) are usually between 2-3 percent of the total mortgage amount and are the responsibility of the buyer. However, FHA closing costs can be financed into the total amount of the mortgage and paid off accordingly.

