

# FHA Mortgage Center.com

## Your Guide to FHA Loans

**FHA Mortgage Center.com is your premier FHA Loan center.**

Unlike your local bank or other lenders, we **specialize** in FHA loans. We work with them every day, all day, and will do everything we can to get you into your dream home.

Purchasing a home is a big deal, and you will likely have questions. Our FHA Specialists will take you through the entire process step by step. From getting **prequalified** to **closing** on your loan, we will make sure to answer each question and explain every detail so you understand the ins and outs and never feel lost.

Please feel free to **contact us at any time** to get your FHA Loan process started. Our Specialists are here to help!

### **What is an FHA Mortgage Loan?**

An FHA loan is backed by the Federal Housing Administration, which means if a borrower defaults on the loan, the FHA guarantees it will pay the lender. As a result, lenders will issue larger loan amounts and give you lower rates.

### **Can anyone get an FHA Loan?**

Practically everyone can get an FHA loan. Typically, it does not matter how much or how little you make. What does matter is how much you wish to borrow. There are limits to how much you can borrow, and these depend on your county or state. To check how much you can borrow in your area, visit the HUD's Web site:

**<https://entp.hud.gov/idapp/html/hicostlook.cfm>**

### **What are the benefits of an FHA Loan?**

- Low down payment: It can be as low as 3.5% of the purchase price.
- Looser credit standards: You do need decent credit, but you do not need perfect credit.
- Low closing costs: Most can be included in the loan!
- Easier to qualify for than a conventional loan



## How does an FHA Loan work?

An FHA loan is a home loan backed by the **Federal Housing Administration**. This means that the FHA promises to pay the lender if a borrower defaults on their FHA loan.

In order to fund this guarantee, the FHA requires that you **pay mortgage insurance**. Usually if a borrower is putting less than 20% down, he or she will be required to pay mortgage insurance.

The minimum down payment required for an FHA loan is **3.5%** (as of 2009), and most borrowers choose to put less money down.

The borrower pays the mortgage insurance every month at a low rate of **.5%** of the loan amount. The FHA also requires an upfront mortgage insurance premium (MIP), which is **1.5%** of the loan amount. This fee is paid at closing and can be financed into the loan.

## Does my income matter?

Generally, people of all income levels may qualify for an FHA mortgage loan. However, your **debt -to -income ratio** is an integral part of qualification.

These rules are established in order to ensure you are not taking on a bigger load than you can handle. In other words, they want to make sure that you can afford your monthly mortgage payment.



**Calculations:** Our Specialists will divide your FHA mortgage by your gross monthly income to get the first ratio. This ratio should not exceed **29%**.

The second ratio is your FHA mortgage payment and other liabilities, such as car payments, credit card payments and any other monthly obligations you have that are present on your credit report, which are added up and divided by your gross monthly income. This ratio should not exceed **41%**.

There are some exceptions to this rule. For example, if you are able to make a down payment of more than 3.5% of the purchase price, then a ratio higher than 29/41% might be accepted. Just ask your FHA Specialist if you have any questions about your debt -to -income ratio — we are here to help!

### **Where does my job stability factor in?**

It is important to the FHA that you show you can **maintain consistent employment**.

Typically, to qualify for an FHA loan you have to have two years of consistent work in the same field or with the same employer, or maintain a steady income.

If you recently started a new job, you may still qualify. You either need past experience in that field, or the job should be in the same field as your previous job.

### **How does credit come into play?**

Although you do not need perfect credit, you **do need decent credit history**. By looking at several areas of your past credit, the lender can determine whether you are able to make timely mortgage payments.

First, the FHA likes to see **two lines of credit** on your credit report. Examples of credit report items are a credit card issued through MasterCard or Visa or a credit card for a department store such as JCPenny or Younkers.

If you do not have any credit lines established, the FHA will allow substitute payments such as car insurance, utility, telephone or cell phone, previous rental or mortgage, etc.

The second area is **late payments**. The underwriter will look at the overall pattern of your credit payments, instead of focusing on specific late payments.

So if you had a period of financial difficulty, you should be fine as long as you have maintained a good pattern since then.



The good news is that if you have filed for **Chapter 7 Bankruptcy** in the past, you are not automatically disqualified from getting an FHA loan. The FHA requires that at least two years must have passed since the discharge date rather than the filing date.

If you are still paying on a **Chapter 13 Bankruptcy**, you may still qualify as long as you have made good payments for at least a year.

In both situations, you also must have re-established good credit, have good job stability and qualify financially.

Typically, persons who have a **foreclosure** upon their property within the past three years will not qualify for an FHA loan. However, if the foreclosure was caused by extenuating circumstances out of your control, you may still be eligible. The underwriter may grant an exception if you have good credit and submit a letter of explanation.



Whether you have any **judgments, collections** or **federal debts** will also factor into approval.

A **judgment**, which is a court ordered lien against a home you may own, must be paid in full before you close on your home.

However, you may still qualify for an FHA loan if it is not yet paid off, but you will not be able to close until it is.

If you have **debt in collections**, whether medical or non-medical, you may still be eligible for an FHA loan. Medical accounts in collections do not have to be paid in full in order to get an FHA loan.

Non-medical debts may be overlooked if you show substantial documentation explaining the reasons for the debts.

In order to get an FHA loan, you cannot have any **delinquent federal debts**, such as a student loan or tax lien. In order to be eligible, you must make sufficient arrangements to pay off the debts and submit the plan in writing.

**Just ask!** Please be sure to ask any questions you might have concerning your credit. Even if you think that the status of your credit will keep you from qualifying for an FHA loan, **please do not let this prevent you from applying.** We will try to get you qualified in every way we can. In many of the situations described above, these issues can be overlooked with a letter of satisfactory explanation and good credit history.

### **Where do I go from here?**

**Are you ready to get started?** Contact one of our FHA Specialists to help you begin. He or she will go through each step with you and make sure you understand everything that comes your way.

Or, **let us contact you:** By filling out a short form with some basic information, one of our FHA specialists will be in touch with you shortly and get you on your way.

We recommend that you first get **prequalified.** One of our FHA Specialists will determine whether you are a good candidate for an FHA loan and how much you can afford — all in a simple phone call!

Once you're prequalified, you will know what price range to look in and can start searching for your home. We suggest getting a **real estate agent** who is familiar with the area. He or she can do most of the searching for you and will be there to help you until you close on your new house.

We know how excited you must be to purchase a home, and we promise to do everything we can to make this experience what it should be — enjoyable!

**Get in touch with one of our specialists now.**

We look forward to being a part of such an important time in your life.

