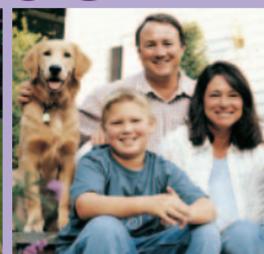


*Shopping for a Mortgage?*  
**FHA IMPROVEMENTS  
BENEFIT YOU**



*FHA Insured Mortgages*

*REALTORS® and FHA: Partners in Homeownership*



NATIONAL ASSOCIATION  
OF REALTORS®

*The Voice for Real Estate®*



## **REALTORS® AND FHA—WORKING TOGETHER TO HELP PEOPLE FULFILL THE AMERICAN DREAM**

REALTORS® and the Federal Housing Administration (FHA), which is part of the U.S. Department of Housing and Urban Development (HUD), have been partners in creating homeownership opportunities for more than 70 years. Since FHA was created in 1934, it has helped more than 34 million families become homeowners, many by working with their REALTOR® to achieve their dream of homeownership.

This brochure illustrates improvements in FHA programs that will benefit you. Many aspects of the FHA mortgage application process have been streamlined to make the process more user-friendly and efficient. Upon reading this brochure, you will see that FHA programs are a valuable asset to REALTORS®, other real estate professionals, and most importantly, those seeking to own a home.

Backed by the full faith and credit of the Federal government, FHA-insured mortgages are one of the safest and most affordable types of mortgages available to homebuyers. Working together, REALTORS® and FHA help millions of families come home.

## **WHAT IS FHA MORTGAGE INSURANCE?**

The Federal Housing Administration (FHA) insures mortgages offered by banks, savings associations, and other financial institutions. An FHA-insured mortgage is backed by the full faith and credit of the United States government. While FHA does not make loans, it benefits the homebuyer by providing mortgage insurance which encourages financial institutions to make affordable financing available.

## **WHAT ARE THE BENEFITS OF AN FHA MORTGAGE?**

FHA offers low down payment options, eligibility with less than perfect credit, a loan at a reasonable cost, and help if there is ever trouble making the mortgage payment. Because an FHA mortgage insures the lender against loss, an FHA mortgage typically has an interest rate that is competitive with the best in your market and lower than the rates charged for subprime and other non-prime mortgages.

FHA not only helps people buy a home, but helps them keep it as well. In return for protecting lenders against loss, FHA requires financial institutions to offer assistance to borrowers experiencing difficulty making mortgage payments.

## WHAT ABOUT ELIGIBILITY?

In order to be eligible for an FHA-insured mortgage, a borrower must:

- Occupy the property as the principal residence;
- Possess a valid Social Security Number;
- Have a two-year employment history;
  - School and military service count towards this two-year requirement.
- Not be delinquent on any Federal debt such as a student loan or other FHA-insured mortgage; and
- Meet flexible credit requirements.

Loan  
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## THERE ARE SEVERAL OTHER FEATURES WORTH KNOWING ABOUT AN FHA-INSURED MORTGAGE:

- FHA adopted the industry appraisal standards permitting the use of the Fannie Mae appraisal forms with no additional specialized documentation, no Valuation Conditions form or Homebuyer Summary.
- FHA has eliminated unnecessary requirements to make minor repairs.
- The homebuyer and the seller, individually or jointly, can pay closing costs as agreed to in the sales contract. FHA no longer limits what closing costs the homebuyer is permitted to pay.
- Caps on payment and debt-to-income ratios are more generous than most standard conforming mortgage products. The payment-to-income ratio may not exceed 31% and the debt-to-income ratio may not exceed 43%.
- A minimum credit score is not required. In fact, one may not be turned down for an FHA mortgage solely for lack of credit history.
- The buyer's *entire* cash investment—as little as three percent—can be a gift from a family member, employer, charitable organization or local government entity.
- The seller can contribute up to six percent of the home's price toward closing costs through a seller's concession.
- There are no prepayment penalties on FHA-insured mortgages.
- U.S. citizenship is not required but, for those who are not citizens, they must be lawful permanent or non-permanent resident aliens with a valid Social Security Number.

## HOW ELSE CAN FHA ASSIST IN ACHIEVING HOMEOWNERSHIP?

In addition to its standard Section 203(b) Mortgage Insurance Program, FHA has a number of other valuable programs designed to facilitate homeownership.

### FHA Adjustable Rate Mortgage (ARM) Products

- FHA offers a standard 1-year adjustable rate mortgage (ARM) as well as 3, 5, 7, and 10-year ARM options.
- ARM products may be good options for those who plan to own the home for only a few years, expect an increase in future earnings, or expect a decrease in interest rates.

### FHA's Limited Repair Program

- FHA's Section 203(k) Limited Repair Program is an excellent financing option for you whether buying or selling homes—especially when repairs are identified during a home inspection or appraisal—because it gives buyers the ability to make repairs after closing.
- Buyers can finance up to an additional \$35,000 into their mortgage to pay for minor remodeling such as replacing flooring, installing new appliances, and painting the interior and/or exterior of the home.

## IN ADDITION TO FHA, THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) OFFERS THESE RESOURCES:

### HUD Homes

The Department has single-family homes in hundreds of communities available for sale to the public. How do you benefit from purchasing a HUD Home?

- Many HUD homes are available with FHA financing, making it easier to purchase a home.
- The Department pays the real estate commission, if it is included in the contract.
- Only a real estate professional licensed by the state and registered with HUD can sell HUD homes.

For more information on available HUD homes, please visit:  
[www.homesales.gov](http://www.homesales.gov)

For more information on selling HUD homes, please visit:  
[www.hud.gov/groups/brokers.cfm](http://www.hud.gov/groups/brokers.cfm)

### **HUD-Approved Housing Counseling Agencies**

Homebuyers often have a lot of questions about getting an FHA-insured mortgage and about the home buying process in general. HUD-approved Housing Counseling Agencies provide buyers the opportunity to get the answers they need by meeting with a housing counselor at a HUD-approved agency in their community. These agencies offer homeownership counseling and financial literacy training at little or no cost. To find a counselor in your neighborhood, call 1.800.569.4287 or visit <http://www.hud.gov/buying/index.cfm> and click on “find a housing counselor” on the right under “counseling and education.”

To learn more about these products or to find out if there are homeownership programs sponsored by your state or local governments and other community organizations, please visit FHA’s website at [www.fha.gov](http://www.fha.gov) or call 1.800.CALL FHA.

For more information about the National Association of REALTORS® and how we work with you, visit our website at [www.REALTOR.org](http://www.REALTOR.org).

**The National Association of REALTORS®,**

*“The Voice for Real Estate,” is America’s largest trade association, representing more than 1.3 million members involved in all aspects of the residential and commercial real estate industries. For more information, please visit [www.REALTOR.org](http://www.REALTOR.org).*

**The Federal Housing Administration (FHA)**—which is part of the U.S. Department of Housing and Urban Development—has been helping people become homeowners since 1934. FHA insures the loan, so lenders can offer you a better deal. FHA offers loans with low down payments, that are easier to qualify for, and can cost less than conventional loans. For more information, please visit [www.fha.gov](http://www.fha.gov).



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