

# FHA LOANS

- FHA is traditionally the government backed program for subprime
- Guidelines are slightly more lenient
- FHA insures the lender
- 2<sup>nd</sup> most attractive loan OPTION
- FHA requires a minimum cash investment of 3.5%. This money can be a gift.
- Up to 6% Seller Contribution allowed

# PROGRAM ELIGIBILITY

## PRODUCT TYPE

- 30 & 15 –year fixed-rate mortgage
- ARMs: 3/1, 5/1 with 30 year term

## ELIGIBLE PROPERTY TYPES

- 1 unit, detached and attached residences
- PUDs
- Approved FHA Condo
- 2-4 unit
- Spot Condo
- Must be over 600 sq ft
- Property must be in good condition. No fixers.
- Everything must be in working order for loan to fund.

# PROGRAM ELIGIBILITY

## **ELIGIBLE BORROWER TYPES**

- U.S. Citizen
- Permanent resident alien
- First-time homebuyers

## **FHA FOREIGN OWNERSHIP PROGRAM**

- No US residency or citizenship required.
  - Need SS#, credit, income here
  - 3 years or more of legal status to stay in the U.S. through HB1 visa, etc.
  - occupies the property as a principal residence. have a valid social security number
  - Eligible to work in the united states.

## **ELIGIBLE TRANSACTION TYPES**

- Purchase Transactions.
- Rate & Term Refinances.
- Cash-out Refinances(95% LTV)

# LTV REQUIREMENTS

- Max LTV is 96.5%. however, borrower must have 3.5 % of their own funds (or gift) into the transaction (2 months Reserves)
- A non-occupying co-borrower is allowed on FHA transactions and need not be immediate family, however, the LTV is restricted.
- If a non-occupying borrower is related by blood, marriage or law then the LTV can go to the maximum LTV program allowed (1-2 units)

# CREDIT STANDARD

## MINIMUM CREDIT SCORES

- 580 min. Credit Score for all FHA Standard
- 620 min. Credit Score for FHA Jumbo (Loan Amounts Greater Than \$417,000)
- Credit Scores between 580~599 will require an AUS Approve/Eligible

## MANUAL UNDERWRITING

- 600 min. Credit Score for all FHA Standard
- 620 min. Credit Score for FHA Jumbo
- Max. Ratios 35/50 and 3 months total payment cash reserves.

# CREDIT STANDARD

## **INQUIRES IN THE PAST 90 DAYS**

- Explanation required from borrower

## **NON-PURCHASING SPOUSE DEBT & OBLIGATIONS**

- Must be included in the borrower's qualifying ratios

## **BANKRUPTCY**

- CHAPTER 7:
  - 2 year min. seasoning requirement from discharge date
- CHAPTER 13:
  - 1 year of the pay-out period has elapsed

## MAX. QUALIFYING RATIO

- 31%/43% or as allowed with DU or LP
- Ratios up to 35%/50% manually underwritten loans require compensating factors
  - 3 months total payment cash reserves
  - Compensating factors
- Ratios in excess of 35%/50% require AUS approval.

# Typical Documentation Required Upfront

- Two Years W-2's
- Two Years Tax Returns
- Two Months Pay Stubs
- Two Months Bank Statements
- Latest Asset Statements, Investments, or Retirement.



# FHA LOANS

- **Typical FHA customer:**
  - Makes good money
  - Average credit
  - Doesn't have to be a first time home buyer
  - Fair or above condition of home
  - No high-end homes (\$1 million+)