

## **7 Things All Borrowers Should Know About FHA Loans**

RISMEDIA, July 1, 2010--FHA Pros, LLC, a national FHA condo approval service, has developed a list of facts speaking to the top misconceptions associated with FHA loans in order to help home buyers better navigate an already confusing market. FHA loans are mortgages issued by qualified lenders and insured by the Federal Housing Administration (FHA).

**1. FHA Loans Are Not Only For Lower-Income Borrowers.** FHA loans are available to everyone. In fact, even Bill Gates can get one. There is no maximum income restriction associated with FHA loans. Borrowers do need to substantiate income and assets by submitting proper documentation. This requirement ensures that borrowers are well-vetted and truly able to afford their future homes.

**2. FHA Loans Are Not Only For First-Time Buyers.** Many people believe FHA loans are available only to first-time homebuyers. This is not the case. Whether borrowers are making their first home purchase or their fifth, they can look to FHA loans as a home financing option.

**3. FHA Loans Are Not Just Small Loans;** In Fact, Loan Amounts Can Be As High As Almost \$800,000. The government recently raised the maximum loan amount from its original cap of \$362,790 to \$793,750 as a way to help stabilize the housing market. The amount a buyer can borrow varies from county to county. Later this summer, condo buyers interested in FHA loans can visit [www.checkfhaapproval.com](http://www.checkfhaapproval.com) to instantly identify FHA-approved condo associations and review maximum loan amounts for a given location.

**4. FHA Loans Are Not Affiliated With The Section 8 Housing Program.** While both programs are administered by the U.S. Department of Housing and Urban Development (HUD), FHA loans have nothing to do with low-income subsidized housing. FHA loans are simply mortgages insured by FHA. This insurance provided by the federal government allows lenders to lend more freely by assuring them that they will be repaid in the event of default. Most traditional lenders, including

Wells Fargo & Co., JP Morgan Chase and Citigroup are able to provide FHA loans to their customers.

**5. FHA Loans Are Often More Affordable Than Conventional Loans.** While FHA loans typically offer the same interest rates as other loans, borrowers benefit from a much lower down payment of as low as 3.5 percent.

**6. FHA-Approved Condo Developments Are More Desirable To Buyers.** With 87 percent of home buyers indicating that they plan to use FHA loans, condo associations that are not FHA approved are missing out on a significant pool of prospective buyers. Under rules in place since February 2010, an entire condominium development must now apply to HUD and be granted FHA approval before a buyer can purchase a unit in an association with an FHA loan or before an existing unit owner can refinance into an FHA loan.

Due to the general unwillingness of today's lenders to extend credit with respect to conventional loans, many borrowers find that FHA is their best bet. Lenders don't mind lending when the federal government (FHA) assures them of repayment.

Homeowners associations (HOAs) should note that although FHA-insured mortgages might be easier to obtain, they are not "risky" loans, due in large part to the strict "full documentation" requirements placed on borrowers.

Individual buyers or sellers can initiate the approval process or current owners can encourage their HOA to apply. More information about the FHA- approval process is available at [www.getfhaapproval.com](http://www.getfhaapproval.com).

**7. FHA Loans Are Assumable.** In addition to lower down-payment and credit-qualifying requirements as compared to conventional loans, FHA loans are assumable. This means that when a seller with an FHA loan sells his or her property, the loan and its financing terms (interest rate) can be transferred to the new buyer. This unique feature will certainly make a property more valuable in

times of rising interest rates.

“Now, more than ever, buyers and sellers need to understand the options available to them when it comes time to buy a home,” continued Gardner. “At FHA Pros we have worked with countless HOAs, attorneys and individuals to easily and efficiently navigate the historically tricky FHA-approval process.”