

---

# Easy FHA Loan Approval



---

## What is an FHA loan?

An FHA loan is insured by the Federal Housing Administration (FHA) and provided by lenders throughout the country. Most recipients of the FHA fund are first-time buyers, but the program is open to all types of homeowners.

### Benefits of an FHA Loan

FHA loans offer many benefits to applicants, including:

- ✓ **Lower down payments.**
  - Payments are typically anywhere from 3.5 percent to 10 percent of the purchase price.
- ✓ **Low closing costs.**
- ✓ **Flexible credit qualification.**
  - Credit scores will determine down payment percentages.

Borrowers can choose a loan term between 15 and 30 years with an FHA mortgage. The current loan terms and interest rates are available [here](#).

---

## Eligibility Requirements

When applying for FHA loans, applicants must:

- ✓ Pay **mortgage insurance premiums** (MIPs).
  - The FHA requires upfront and annual MIPs.
  - Annual rates vary, but the upfront MIP is a fixed rate of 1.75 percent.
- ✓ Meet **credit score requirements**.
  - Typically, FHA lending terms require a minimum score of 500.
- ✓ Provide **proof of employment** for the previous two years.
- ✓ Meet **debt-to-income** (DTI) standards.
- ✓ Get the property **appraised and inspected**.
- ✓ [Find an approved loan lender.](#)

---

## FHA Loan Disqualification

Not all applicants are eligible for FHA loans. Some potential reasons for **disqualifications** include:

- ✓ **Credit scores** lower than 500.
- ✓ Filing for **bankruptcy** within the previous two years.
- ✓ Filing for **foreclosure** within the previous three years.
- ✓ Property does not meet **FHA standards**.
  - The FHA may not approve a multi-unit property.
  - A home that does not meet federal health and safety regulations does not qualify for an FHA-approved loan.
  - Applicants who do not use the loan towards a primary residence will also be disqualified.
- ✓ A high **debt-to-income** ratio.

---

# How to Get an FHA Loan

Applicants must apply for the loan through an FHA-approved lender. When applying, borrowers must:

- ✓ Submit **proof of income**.
  - This includes W-2 forms, recent paystubs and bank statements.
- ✓ Consent to a **credit report request** from the lender.
- ✓ Submit a loan **application** with the chosen lender.
  - Borrowers may view a sample of an application [here](#) to get an idea of what is required.
- ✓ Provide **proof of identity**, such as a driver's license or state ID card.
- ✓ Show **proof of a down payment** source.
  - Anyone receiving gift funds from approved sources must provide documentation of these funds.

- 
- ✓ Present a **home counseling certificate**, if required.
    - This requirement can vary by loan type.

## **Applying for an FHA Loan**

Only lenders approved by the FHA may provide FHA loans. These lenders must meet strict program requirements and must agree to use the FHA guidelines when underwriting their loans.

Applicants may find an FHA-approved lender by searching the HUD lender list [here](#), on the HUD website. Borrowers can apply in person to a lender or online when available.

It is important to note that the FHA itself does not provide loans, so applicants cannot submit any applications on the HUD website.

---

# FHA Loan Limits

FHA loans place limits on the amount a borrower can finance. The **loan limits** depend on the region, in order to account for cost of living differences.

Within each state, the FHA loan limits can vary by county. Use this [tool](#) provided by the Department of Housing and Urban Development (HUD) to find the FHA limits in your area.

## Maximum Loan Amounts

The FHA sets **maximum loan amounts** in order to prevent homeowners from borrowing more than they can afford.

These maximums are determined by the FHA and HUD each year. National loan maximums also depend in the type of unit.

---

Unit Type	Maximum Loan Amount
One-family	\$679,650
Two-family	\$870,225
Three-family	\$1,051,875
Four-family	\$1,307,175

When conventional mortgage limits change, FHA maximum loan limits change. Changes to the maximum loan limits go into effect on the first day of the new year.

There are also lower-end limits in place for lower-cost areas. These amounts are known as the “FHA floor”. The floor is determined by the U.S. government, and is found through taking 65 percent of the national conforming loan limit.

## Regional Loan Amounts

You can find the FHA loan limits in your county by [using this search tool](#) offered by HUD. You can enter your preferred search criteria, including your state, county or metropolitan area. The limits posted on the results page are effective only for the current year.

---

## Debt-to-Income Ratios

A borrower's debt-to-income ratio, or DTI, determines how much he or she can afford to spend on a home. It is important that homebuyers do not borrow more than they can pay.

Calculating the DTI helps buyers determine their **borrowing limits** and narrow the list of homes they can afford.

You can quickly **estimate your own mortgage limit** by finding your DTI. The steps to do so include:

- ✓ Add up all of your monthly income. Include your spouse's income if applicable.
- ✓ Add up the total amount of debt you pay monthly. This includes:
  - Rent.
  - A current mortgage.
  - Home insurance.
  - Student loan payments.

- 
- Auto payments.
  - Credit card bills.
  - Child support and other debts.
- ✓ Divide the total amount of your debt by the total amount of your monthly income to find your DTI.

Most lenders will not approve you for an FHA loan if your DTI is higher than 43 percent.

---

# FHA Loan Rates

The FHA sets rough guidelines for FHA loan rates, but it is up to the mortgage lender to determine the exact rate that a borrower must pay.

FHA interest rates may either be **fixed or variable** percentages of the entire loan amount.

- ✓ A **fixed-rate FHA loan** means the interest rate stays the same throughout the length of the loan, even when national averages increase.
  - Ideal with national rates are low.
  - Provide protection from extreme and sudden hikes in monthly mortgage payments.
  - Dependent on the length of the loan.
- ✓ **Variable mortgages** are also known as adjustable rate mortgages (ARMs). These types of loan rates do not stay the same for the entire duration of the borrowing term.

- 
- Comes with a fixed interest rate period, after which the loan rate will adjust periodically.
  - New rates fluctuate based on the current market rates.
  - Typically has a cap or ceiling that restricts the maximum amount of interest the lender may charge during the life of the loan.
  - Borrowers who plan to sell or refinance their homes within a short period of time are ideal ARM candidates.
  - For more information about FHA ARM increases and policies, make sure to visit the [HUD website](#).

---

# FHA-Approved Lenders

Borrowers must apply for a loan through companies approved by the FHA to offer the mortgage. Lenders with the FHA designation have agreed to operate under a standard set of rules to evaluate applicants

## How to Find an Approved Lender

Borrowers can use the methods below to find suitable lenders:

- ✓ **HUD FHA Finder Tool:** HUD has a [search tool](#) that allows applicants to find approved lenders, based on a variety of search criteria.
- ✓ **Online searches**
- ✓ **Referrals** from family, friends, colleagues and real estate agents.
- ✓ **Homebuyer Education Workshops:** Applicants may need to attend courses before receiving approval. Loan applicants can find a list of HUD-approved counseling agencies [here](#).

---

## Finding FHA Lender Qualifications

Although the FHA does evaluate a lender's qualifications, borrowers should also conduct their own research on their potential lenders.

Applicants can use the following resources to verify a lender's qualifications:

- ✓ HUD Website
- ✓ Better Business Bureau (BBB) Rating
- ✓ State Licensing

---

# Types of FHA Loans

The FHA has a variety of loans to eligible borrowers, including reverse mortgages and repair loans. See below for the types of loans backed by the FHA:

✓ [203\(b\) Basic Mortgage Insurance](#)

- Popular with first-time homebuyers.
- Has minimal down payments and flexible credit terms.
- Borrowers can receive assistance for loan expenses.

✓ [Home Equity Conversion Mortgage](#)

- The only federally insured reverse mortgage program.
- Available to seniors 62 years of age and older.
- Used so seniors can capitalize on the equity in their homes and supplement their incomes. Seniors can also use this to buy a new home.

---

✓ [203\(k\) Rehabilitation Loan Mortgage Insurance](#)

- Allows the borrower to obtain additional funds, alongside a home purchase or a home refinancing, to be used towards repairs, modernization upgrades and improvements that meet eligibility requirements.
- Recipients must use a minimum amount towards the repairs or improvements.
- Repairs and improvements must be completed within six months of issuance.

✓ [203\(h\) Mortgage Insurance for Disaster Victims](#)

- Disaster victims may apply with an approved lender up to **one year** from the date that the U.S. President declares an area a disaster zone.
- Applicants must pay upfront and ongoing mortgage insurance premiums for the FHA mortgage insurance.
- Maximum loan amount will be limited by FHA loan limits.

---

✓ [Title I Property Improvement Loan Insurance](#)

- Applicants can use the loan toward the cost of light-to-moderate rehabilitation properties, as well as for the construction of a nonresidential building on the property.
- Any addition or improvement that is made to the home must be permanent.
- The improvement must either protect or improve the livability or utility of the home.

✓ [FHA Manufactured Home Loan Insurance \(Title I\)](#)

- Provides the opportunity to obtain FHA manufactured home loan insurance for the purchase of a home, home lot or combination of the two.
- The mobile home must meet certain [requirements](#).

---

✓ Energy Efficient Mortgage Program

- This program offers financing for home repairs and improvements that improve the energy efficiency of an applicant's home.
- Applicants must get an assessment of energy use in their homes.
- There is a maximum amount that applicants will receive based on a percentage of the home's adjusted value, the median area price or the national conforming mortgage limit.

Applications for the various loans are handled by HUD-approved lenders. You can find a list of these lenders [here](#).

---

# Federal Homeownership Assistance Programs

If you are a homeowner that is struggling with high mortgage payments or interest rates, or if you are interested in purchasing a new or used home, take the time to review the different federally backed programs that are available in the United States.

- ✓ [Indian Home Loan Guarantee Program \(Section 184\)](#)
  - This loan offers attractive interest rates, low down payment requirements, flexible underwriting and protection from predatory lending.
  - Only available in specific regions and states in the U.S. but available towards purchases on or off Native lands.
  - A complete list of federally recognized tribes is available [here](#).
  - A complete list of approved counties by state is available [here](#).

---

## ✓ HUD Homes

- The Department of Housing and Urban Development (HUD) assumes ownership of foreclosed houses that are financed by the FHA.
- Foreclosed properties that had FHA loans are listed on the [HUD Home Store](#). Look for a local broker on the HUD Home Store website [here](#).
- Only available as a primary residence for the purchaser.

## ✓ Good Neighbor Next Door Program

- Teachers, first responders and law enforcement officers receive incentives for moving into HUD homes located in revitalization zones.
- Homebuyers must agree to live in their new homes for a minimum of 36 months (three years).
- Eligible applicants can locate a home on the [HUD Home Store](#).

- 
- HUD requires recipients to have a second mortgage equal to the value of the discount received on the home.

✓ [Single Family Housing Direct Loans \(Section 502\)](#)

- Available to low- and very-low-income families who wish to purchase homes in rural areas. Eligibility is based in income, credit score and receiving a direct loan for the rural home.
- This loan offers payment assistance, and this assistance can help lower mortgage payments temporarily and offer lower interest rates.
- This loan can offer longer repayment periods of 33 or 38 years.
- The USDA single-family direct loan income limits are available [here](#). The USDA's property eligibility tool is located [here](#).

- 
- The [single family housing eligibility assessment tool](#) can help applicants determine eligibility based on income, credit history and other factors.

✓ [Single Family Housing Guaranteed Loan Program](#)

- Offers loans to families who need assistance buying homes in rural areas and are not able to receive financing on their own from other sources.
- A [list of approved lenders](#) helps applicants find loan providers. The [Rural Development \(RD\) office](#) in each state can assist applicants having trouble locating a lender in their area.
- Any unsure of their eligibility can refer to [this chart](#) to find the income limits of their area. Applicants can also use [this tool](#) to determine if their family will qualify based on income.
- A search of eligible properties is available [here](#).

---

# Additional Resources

[HUD Counseling Services](#)

[HUD Counseling Locator](#)

[Streamlining an FHA Mortgage](#)

[Tips for Avoiding Foreclosure](#)

[Fair Housing Information & Complaints](#)

[Regional Fair Housing and Equal Opportunity \(FHEO\) Office Information](#)

[Contact Information for Fair Housing Initiatives Program \(FHIP\)](#)