

FHA LOANS

- A. Borrowers may not pay more than one percent loan origination fee to the lender. Interest rates and discount points are fully negotiable between buyer, lender and seller. FHA offers both fixed-rate loans and ARMS with a 1% annual rate cap and a 5% life-of-loan cap. 3.5% down payments.
- B. Some lenders have been approved by the FHA to “automatically fund” the loan. This means the lender has the authority to approve the borrower rather than submit the loan to the FHA for approval, allowing for a quicker close.
- C. Anyone is eligible for FHA loans. That means FHA loans are not just for first time buyers. Current property owners may refinance their conventional loan with a FHA loan. There are no income or purchase price restrictions; only maximum loan amounts. Currently for San Diego County that amount is \$697,500.
- D. Borrowers must be owner-occupants.
- E. The up-front premium is 1.5% and the annual premium is 0.5% is calculated annually, paid on a monthly basis. The up-front fee is not charged on Condo loans or on 15 year loans with a loan to value of 89.9% or less at the present time.
- F. Impound accounts are required on all FHA loans regardless of LTV.
- G. Cancellation of loan insurance may occur on the date the loan balance reaches 78% of the original loan balance, either through amortization or through prepayment of principal.
- H. FHA 203 (b) is the FHA standard fixed rate program for single family detached home.
- I. FHA loans may also be used to purchase up 2-4 units as long as the borrower occupies one unit.
- J. There are no prepayments on FHA loans
- K. FHA loans may be assumed, but some restrictions may apply. Check with your lender.
- L. If the FHA loan is assumable, the one assuming must submit to a full re-underwriting.
- M. There is now a due-on-sale clause in the note and deed of trust.
- N. Loans originated prior to December 1, 1986 are freely assumable. (i.e., can be assumed “subject to”).
- O. Advantages of FHA loans: Lower down payment. Assumable mortgage. No prepayment penalty. Favorable underwriting criteria such as bankruptcy and credit issues.