

# FHA Loans – Quick Reference Guide

UPDATED 1/28/16 (call us to make sure you have the most recent update)

## Down Payment and Seller Concessions

- 3.5% down
- A relative can either GIVE the money to the borrower or LEND the money to the borrower
- 6% seller concessions are allowed

## Borrower Eligibility

- NOT limited to first time homebuyers
- NO income limitations
- Non-occupying co-borrowers are allowed (occupying borrower does not need any income to qualify)

## Occupancy Requirements

- Primary residences
- 2, 3, and 4 units properties are allowed, as long as one unit is occupied by the borrower
- Two FHA loans to the same borrower are OK, but they need 25% equity in the first property

## Maximum Loan Size

- Varies by county
- The maximum loan size is \$458,850 in Metro-Denver counties
- Loan size is higher for 2, 3, and 4 family units

## Credit Requirements

- Minimum credit score of 580
- Bankruptcy – Chapter 7 is 2 years from the discharge date, Chapter 13 is 1 year of timely payments
- Foreclosure – 3 years from the recording date of the Public Trustee's Deed
- Short Sales – no waiting period if the mortgage was not delinquent at the time of the short sale, 3 years if the mortgage was delinquent – (other restrictions may apply – call us for details)
- FHA does NOT require collection accounts to be paid, but some lenders may require them to be paid

## Mortgage Insurance

- 1.75% up-front mortgage insurance premium is required, but it can be financed into the loan
- Monthly mortgage insurance premium is based on a 0.85% annual rate (for most FHA loans)
- If the borrower has less than 10% down, the mortgage insurance NEVER goes away. However, it does decrease each year.
- If the borrower has 10% or more down, the mortgage insurance goes away after 11 years

## Appraisals

- They are NOT any more restrictive than conventional appraisals (safety issues must be addressed)

## Who Should Get an FHA Loan?

- People with credit scores below 700 – credit scores don't affect the interest rate with FHA loans
- People who have had a recent bankruptcy, short sale, or foreclosure – see the waiting periods above

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