

## FHA Financing

### Is it the best option for you?

FHA loans represent equally good opportunities for the same reasons Conventional Loans are so appealing - the loan limit goes all the way to \$729,750, and the rates are low.

Advantages of FHA Loans include:

- Small down payment of only 3.5% of purchase price
- Debt ratios up to 57%
- Entire down payment can be a “gift”
- More flexible credit standards with scores as low as 620

For borrowers with income but very limited cash reserves, FHA represents the only viable financing option.

Disadvantages of an FHA loan include:

- Slightly higher rates
- Monthly mortgage insurance regardless of down payment size
- Up Front Mortgage Insurance Premium” payment equal to 1.75% of the loan amount

### Qualifying for an FHA Loan

FHA guidelines are far more flexible than Conventional guidelines. As long as you have a two-year employment history, adequate credit (scores above 620), and manageable levels of debt, you are likely to qualify for FHA financing. Bankruptcies are OK if discharged for two years and credit has been re-established. Likewise, past foreclosures are OK too if they are over three years old and your credit history has been good since the foreclosure.

