

FHA Loans

Product Overview

Federal Housing Administration (FHA) loans are a good alternative to traditional conventional loan programs for borrowers who have slightly lower credit scores and can't afford a large down payment. Down payment requirements are as low as 3.5% with these loans, and it offers greater flexibility in where the down payment funds can come from as well. This makes an FHA loan a popular option for first-time homebuyers as well as those with tighter budgets and less money saved up.

The Most Frequently Asked Question

Q Why would I want an FHA loan versus a conventional loan?

A The truth is that you probably would take a conventional loan over an FHA loan if you have the choice. However, many borrowers aren't able to meet the more stringent requirements of conventional loans. For those borrowers, an FHA mortgage is the difference between buying a house or not. Without the more expansive credit and down payment options, some borrowers simply wouldn't qualify for a loan. These expanded guidelines do come at a cost though. FHA mortgages require both an Upfront Mortgage Insurance Premium (UFMIP) as well as a monthly Mortgage Insurance Premium (MIP). In addition, the monthly MIP must be paid as long as the loan exists. By comparison, conventional loans with down payments less than 20% require what's called Private Mortgage Insurance (PMI). However, this monthly premium automatically disappears once the loan has amortized down below 78% of the property value, which means you typically pay less over the long-haul with a conventional loan.



Member Benefits

- More flexible qualification requirements
- Lower down payment of just 3.5%
- Accommodates lower credit scores
- Friends and family can 'gift' the borrower money for the down payment
- Allows sellers to contribute up to 6% of the sales price towards closing costs without downpayment limitations that come with a conventional loan



Questions to Consider

- Are you having trouble saving for the down payment?
- Do you suspect you'll have trouble qualifying for other mortgages (due to reasons such as lower credit) to save money in the long run?
- Do you have a friend or family member who will gift you money toward your down payment?



**MEMBER
ADVANTAGE
MORTGAGE**

FOR INTERNAL USE ONLY, DO NOT DISTRIBUTE