

PROGRAM: FHA-Insured Mortgage Program, Section 203(b)

AGENCY: Federal Housing Administration (FHA), Dept. of Housing and Urban Development (HUD)

DESCRIPTION: Insures lender's mortgages for financing single-family home purchases, construction or improvement for first-time home buyers and others unable to afford conventional loans. This is the most basic and commonly used mortgage insurance program.

ELIGIBLE USES:

- Insures one to four-family unit home mortgages.

PROGRAM/LOAN STRUCTURE:

- Maximum Program Benefits: Insurers up to 97% of the first \$25,000 plus 95% of the remainder if the borrower intends to live in the dwelling. For dwellings less than 1-year old, the mortgage limit is 90% of the value, up to 85% for refinancing, and up to 75% of the value if the property is being bought or built as an investment.
- Equity: A minimum of 3%. For every \$1,000 in value exceeding \$5,000, an additional \$50 must be paid in cash.
- Maturities: May be amortized over a term of 10, 20, 25 or 30 years.
- Rates: Are negotiable between the lender and the borrower, and may vary among lenders.
- Fees: Applicants may pay the following fees: up to a 1% origination fee; a commitment fee to lock-in a rate for a period of time; applicable closing costs; a monthly insurance premium included with the principal and interest payment; and discount points.

QUALIFICATION CRITERIA/COMMENTS:

- For lenders, participation requires HUD approval.
- There are two methods for processing FHA-insured single-family loans:
 - Direct Endorsement - lenders are authorized by HUD to issue loan commitments without prior submission of paperwork to HUD; and
 - HUD processing - lenders submit paperwork to HUD prior to approval for insurance.
- Visit the FHA Resource Center at <http://www.hud.gov/offices/hsg/sfh/fhresourcectr.cfm> or call (800) CALLFHA or (800) 225-5342
- Specifics on the 203(b) program: <http://www.hud.gov/offices/hsg/sfh/ins/sfh203b.cfm>