

# *What Is an FHA Home Loan?*

## **FHA home loans benefits and requirements**

An FHA home loan is a government-backed mortgage program offered by FHA-approved participating lenders that gives you financial flexibility when buying a home, such as a low-down payment and other benefits. FHA home loans are insured by the Federal Housing Administration (FHA), which is part of the U.S. Department of Housing and Urban Development (HUD). Thinking about buying your first home? An FHA loan may be just what you need. These mortgages benefit first-time homebuyers in that you can have a non-occupant, like a parent or relative, be a co-applicant on the loan with you. Your down payment can be as low as 3.5% of the purchase price.

### **What Are The Benefits of an FHA Home Loan?**

Because the FHA insures the loan, FHA-approved lenders can offer you financing with advantages like:

- A down payment requirement as low as 3.5%.
- The option for the seller to contribute up to 6% of the sale price.
- The flexibility for a parent or relative to be a co-applicant on your loan as a non-occupant.

Note that FHA home loans require mortgage insurance to protect lenders against losses that result from defaults on home mortgages. You'll be able to finance the upfront mortgage insurance premium into your loan. You will also be responsible for paying an annual premium.

### **What Are Requirements for an FHA Home Loan?**

#### **Eligible Borrowers**

When you apply for your home loan, the underwriter will consider your income, assets, liabilities, and credit history. Don't worry — having less than perfect credit is not a barrier to qualification. To be eligible for an FHA home loan, you must also meet the following criteria:

- You must have a down payment of at least 3.5%.
- Your total monthly mortgage payment must not exceed 30% of your gross monthly income.
- You must have consistent employment for at least two consecutive years and verifiable income.

### Eligible Properties

An FHA home loan may be used to purchase or [refinance](#):

- A family home with 1–4 units
- A condominium unit
- A manufactured housing unit (must be on a permanent foundation)

KeyFactor works with a preferred FHA-approved lending institution and is not acting on behalf of or at the direction of HUD/FHA or the federal government. Guidelines are subject to change without notice.

### **FHA Home Loans Are Useful For Fixer Uppers**

In addition to low upfront out-of-pocket requirements, the FHA also offers the [203\(k\) home loan](#). This program allows you to buy a home and finance qualifying improvements or repairs. It's available in two forms:

- Limited — Allows you to finance up to \$35,000 in home renovations, though only certain types of repairs are eligible.
- Standard — Allows you to finance a minimum of \$5,000 in home repairs with no maximum, though all repairs must be supported by the property appraisal. More extensive structural repairs are permitted with the Standard version of this program.

If you have more questions about an FHA cash-out refinance loan or other home refinancing options, then start the conversation with your licensed KeyFactor\_MLO today!

**Ready To Take The Next Step?**