



FHA Loans

FHA home loans are mortgage loans that are insured against default by the Federal Housing Administration (FHA). FHA loans are available for single family and multifamily homes. These home loans allow banks to continuously issue loans without much risk or capital requirements. The FHA doesn't issue loans or set interest rates, it just guarantees against default.

FHA loans allow individuals who may not qualify for a conventional mortgage obtain a loan, especially first time home buyers. These loans offer low minimum down payments, reasonable credit expectations, and flexible income requirements.

What is an FHA Loan?

In 1934, the Federal Housing Administration (FHA) was established to improve housing standards and to provide an adequate home financing system with mortgage insurance. Now families that may have otherwise been excluded from the housing market could finally buy their dream home.

FHA does not make home loans, it insures a loan; should a homebuyer default, the lender is paid from the insurance fund.

- Buy a house with as little as 3.5% down.
 - Ideal for the first-time homebuyers unable to make larger down payments.
 - The right mortgage solution for those who may not qualify for a conventional loan.
 - Down payment assistance programs can be added to a FHA Loan for additional down payment and/or closing cost savings.
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Documents Needed for FHA Loans

Your loan approval depends 100% on the documentation that you provide at the time of application. You will need to give accurate information on:

Employment

- Complete Income Tax Returns for past 2-years
- W-2 & 1099 Statements for past 2-years
- Pay-Check Stubs for past 2-months
- Self-Employed Income Tax Returns and YTD Profit & Loss Statements for past 3-years for self-employed borrowers

Savings

- Complete bank statements for all accounts for past 3-months
- Recent account statements for retirement, 401k, Mutual Funds, Money Market, Stocks, etc.

Credit

- Recent bills & statements indicating account numbers and minimum payments
- Landlord's name, address, telephone number, or 12-months cancelled rent checks
- Recent utility bills to supplement thin credit
- Bankruptcy & Discharge Papers if applicable
- 12-months cancelled checks written by someone you co-signed for to get a mortgage, car, or credit card, this

indicates that you are not the one making the payments.

Personal

- Drivers License
- Social Security Card
- Any Divorce, Palimony or Alimony or Child Support papers
- Green Card or Work Permit if applicable
- Any homeownership papers

Refinancing or Own Rental Property

- Note & Deed from any Current Loan
- Property Tax Bill
- Hazard Homeowners Insurance Policy
- A Payment Coupon for Current Mortgage
- Rental Agreements for a Multi-Unit Property

FHA Versus Conventional Loans

The main difference between a FHA Loan and a Conventional Home Loan is that a FHA loan requires a lower down payment, and the credit qualifying criteria for a borrower is not as strict. This allows those without a credit history, or with minor credit problems to buy a home. FHA requires a reasonable explanation of any derogatory items, but will use common sense credit underwriting. Some borrowers, with extenuating circumstances surrounding bankruptcy discharged 3-years ago, can work around past credit problems. However, conventional financing relies heavily upon credit scoring, a rating given by a credit bureau such as Experian, Trans-Union or Equifax. If your score is below the minimum standard, you may not qualify.

What Can I Afford?

Your monthly costs should not exceed 29% of your gross monthly income for a FHA Loan. Total housing costs often

lumped together are referred to as PITI.

P = Principal

I = Interest

T = Taxes

I = Insurance

Examples:

Monthly Income x .29 = Maximum PITI

\$3,000 x .29 = \$870 Maximum PITI

Your total monthly costs, or debt to income (DTI) adding PITI and long-term debt like car loans or credit cards, should not exceed 41% of your gross monthly income.

Monthly Income x .41 = Maximum Total Monthly Costs

\$3,000 x .41 = \$1230

\$1,230 total - \$870 PITI = \$360 Allowed for Monthly Long Term Debt

FHA Loan ratios are more lenient than a typical conventional loan.

Bankruptcy and FHA Loans

Yes, generally a bankruptcy won't preclude a borrower from obtaining a FHA Loan. Ideally, a borrower should have re-established their credit with a minimum of two credit accounts such as a car loan, or credit card. Then wait two years since the discharge of a Chapter 7 bankruptcy, or have a minimum of one year of repayment for a Chapter 13 (the borrower must seek the permission of the courts). Also, the borrower should not have any credit issues like late payments, collections, or credit charge-offs since the bankruptcy. Special exceptions can be made if a borrower has suffered through extenuating circumstances like surviving a serious medical condition, and

had to declare bankruptcy because the high medical bills couldn't be paid.

Get a Quick Quote

First Name *

Last Name *

Email *

Phone Number *

Loan Amount *

- Select an option - 

Property Value *

- Select an option - 

Loan Type *

- Select an option - 

Credit Score *

- Select an option - 

- ☐ By providing your phone number and/or email and clicking "Submit" you agree to our [Terms of Service](#) and [Privacy Policy](#) and consent to receive marketing communications from Romeo Echo Home Loans via text, call, or email, including automated messages. To opt out, reply 'STOP' to any text. Message and data rates may apply.

Submit

About Us

We've been helping customers afford the home of their dreams for many years and we love what we do.

Company NMLS: 2547387

Personal NMLS: 2058567

NMLS Consumer Access

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