

FHA Policy Changes You Should Know About

Anyone shopping for a new home and interested in an FHA loan should be aware of several changes to FHA loan requirements now in effect or scheduled to take effect soon. Those who have purchased a home before will notice some important changes in FHA rules that affect not only the cost of FHA loans, but also how an FHA loan can be applied for and approved.

For borrowers, one of the most important alterations to FHA loan requirements is in the area of credit scores. New FHA borrowers must have a minimum credit score of 580 to qualify for the FHA's most favorable down payment plan, currently at 3.5%. Borrowers with credit scores of less than a 580 FICO score will be required to put at least 10% down. It's important to understand that having a credit score of less than 580 does NOT disqualify applicants from getting an FHA loan, but the down payment requirements are stricter under the announced guidelines.

Up Front Mortgage Insurance premiums have increased to 2.25% for all FHA case numbers assigned after April 5th, 2010 for purchase money mortgages, plus the FHA's Streamline Refinance program and full-credit qualifying refinances.

Seller concessions have also changed. The FHA has lowered seller concessions from 6% to 3% in a move FHA officials say is designed to eliminate the temptation to inflate the appraised value of a home for sale.

Another important change involves increased transparency in the FHA loan process. FHA lenders are now subject to a "neighborhood watch" program which, according to the FHA, reports "lender performance rankings to complement currently available Neighborhood Watch data." This information is available on the Department of Housing and Urban Development's official site. The website lets the public view a lender's loans and how many are delinquent or seriously delinquent, giving a snapshot of that bank or lender's financial health.

This neighborhood watch program is part of a larger plan to increase enforcement and monitoring of FHA lenders to insure full compliance with FHA loan requirements and FHA regulations. According to an FHA press release, a proposed Amendment of the National Housing Act also requires "all approved mortgagees to assume liability for all of the loans that they originate and underwrite."

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