INTRODUCTION

Few families are able to pay cash for their homes. A basic purpose of the Federal Housing Administration is to help the family that finances its home purchase to buy it on a sound basis.

Under the FHA system a home buyer makes a small down payment and obtains a mortgage loan for the rest of the purchase price. The mortgage contract calls for monthly payments over a long term of years. The loan is made by a bank, building and loan association, mortgage company, insurance company, or other FHA-approved lender, and is insured by the FHA. It is not a Government loan. The FHA does not lend money or build homes.

FHA mortgage insurance protects the lender against loss on the loan. Because the loan is insured, the lender is able to lend on more liberal terms than the home buyer might otherwise be able to obtain. In this way, many more families can own their homes.

Mortgages insured by the FHA can be used to pay for building, buying, or refinancing homes.

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THE FHA AND THE HOME BUYER

WHO CAN BORROW? An FHA borrower must have a good credit record. He must have the cash needed at closing. He must have enough steady income to make the monthly mortgage payments without hardship.

The FHA has no rigid age limit for a borrower. Nor does it say he must have a certain amount of income to buy a home at a certain price. His age and his income will be considered along with other factors that help the FHA to judge whether or not he will be able to repay the loan.

THE PROPERTY. It must at least meet FHA minimum standards. The house must be well planned, well built, and located in a suitable neighborhood.

HOW TO APPLY. Application can be made to any lender that has been approved by the FHA to make insured mortgage loans. If the lender is willing to make the loan, he provides the necessary forms and helps the borrower to complete them. Then he forwards the papers to the FHA insuring office that serves the area in which the property is located.

The FHA office reviews the forms in order to judge whether the loan would be a reasonable one for the borrower to take on. The FHA tells the lender what it has decided. The lender informs the borrower. If FHA has approved the application the lender arranges with the borrower for the closing of the loan.