A lender cannot collect a discount from an FHA home buyer. But the FHA cannot prevent the lender from asking a borrower to pay a charge of that kind if he is building houses for sale, or building a home to live in, or refinancing a mortgage. Nor can the FHA prevent the charge if the borrower is buying a home from a Government agency that cannot pay a discount.

MONTHLY PAYMENT. The monthly mortgage payment includes interest, part of the loan balance, and amounts for mortgage insurance premium, fire and other property insurance, and taxes and special assessments.

ADVANCE PAYMENTS. A home owner can pay off his entire mortgage balance, or make one or more extra payments of principal, whenever he makes a regular monthly payment. But he must give his lender written notice at least 30 days in advance that he intends to do this. By making extra payments, he can repay his loan faster and save interest.

If in any calendar year extra payments of principal total more than 15 percent of the original loan, the FHA may charge an adjusted premium when the loan is paid off. The charge is not made if the mortgage insurance has been in force for at least ten years when final payment is made. Nor is it made if the owner pays the loan in full when a new FHA-insured mortgage is placed on the home by him or by a new owner.

THE RESALE. If a home is sold while the insured mortgage is in force, there are several ways in which the buyer can finance. The person who sells the home should talk with his mortgage lender about this and be sure he understands how the financing will affect him.

1. The buyer can pay cash, and the seller can pay off the mortgage balance. This ends the seller's obligation.

2. With the consent of the FHA, the lender can put the new owner's name on the mortgage and take the seller's name off. This ends the seller's obligation. The buyer must be approved by the FHA and he must make a down payment equal to the difference between the selling price of the home and the unpaid mortgage balance.

3. The buyer can buy the home subject to the mortgage. FHA approval is not needed; but the seller's name will still be on the mortgage, and if the buyer fails to make the mortgage payments the lender will look to the seller for payment. This could damage the seller's credit; it could result in serious claims against him; and it could have other undesirable results. Also, he might not be able to obtain an insured mortgage loan on another house while he was still liable on the old mortgage. The first or second arrangement mentioned above is usually better for the seller.

TWO PLANS OF FHA HOME MORTGAGE INSURANCE

What has been said so far applies to any home mortgage insured by the FHA. But the FHA has two major plans of home mortgage insurance. The special features of each plan are outlined here.