

CONSUMER CREDIT PROTECTION ACT

ue, or (2) the old mortgage balance plus the cost of repairs or improvements and the costs of getting the loan.

DOWN PAYMENT. Under Section 203 the down payment is the difference between the insured mortgage and the acquisition cost of the home. (Acquisition cost is the purchase price plus closing costs. It does not include prepaid items.) The insured mortgage is a percentage of the FHA estimate of value or of the acquisition cost, whichever is less.

The purchase price and the FHA value are not always the same. If the purchase price is more than the FHA value, the home buyer pays the difference in cash. If the purchase price is less than the FHA value, the ratio of loan to acquisition cost is figured in the same way as the ratio of loan to property value.

Under Section 203(b) a borrower must be prepared to pay the down payment (including closing costs) and the prepaid items in cash or the equivalent of cash. If he owns his lot, that may count as all or part of the down payment, depending on the value of the lot and how much he has paid on it. A buyer 62 years of age or older may borrow the money for down payment and prepaid items from a person or corporation approved by the FHA.

TIME ALLOWED FOR REPAYMENT OF LOAN. A Section 203(b) or 203(i) loan may be repaid in monthly payments over a term of 10, 15, 20, 25, or 30 years. In a few special cases the term may be 35 years.

MINIMUM PROPERTY STANDARDS. The minimum standards for property as well as for location are somewhat lower for Section 203(i) loans than for Section 203(b) loans.

Low and Moderate Priced Homes (Section 221)

LOAN AMOUNT. A mortgage insured under Section 221 on a one-family home is limited to not more than \$11,000. This limit may be increased to as much as \$15,000 in high-cost areas. Limits have been set by the FHA for the area served by each of its insuring offices, based on cost levels in the area.

RATIO OF LOAN TO PROPERTY VALUE. A Section 221 mortgage for the full value of the property can be insured if the owner is to occupy it as his home. There is an exception to this. If the house is approved for mortgage insurance after building was started and before the house is a year old, the mortgage cannot be more than 90 percent of value.

For a borrower who is buying and improving a home to live in, the mortgage amount insured under Section 221 cannot exceed the estimated cost of repairs plus the estimated value of the home before the improvements are made.

For a borrower other than an owner-occupant, a Section 221 mortgage cannot be more than (1) 85 percent of the amount FHA can insure for an owner-occupant, or (2) 85 percent of the property value -- whichever is less. If an owner-occupant borrows to refinance, the mortgage limit is set in one of two ways. The 85 percent ratio can apply. Or the limit can be the amount of his present mortgage balance plus the cost of repairs or rehabilitation and the costs of getting the loan.