

Three Types of Loans

There are three main ways in which FHA helps in the financing of home improvements. They are: loans insured under Title I of the National Housing Act; refinancing mortgages insured under Section 203(b); and loans insured under Sections 203(k) and 220(h). The 220(h) loans are like 203(k) loans in all except minor details, but they can be used only in urban renewal areas.

This publication is intended to help the borrower in choosing the type of FHA insured loan best suited to his situation.

Deciding on the Financing Method

Choice of the financing method to use should be made only after careful study. From the borrower's standpoint the choice depends on a number of factors. For instance: What kind of, and how much, debt is already on the property? What is the borrower's financial condition? What type of, and how much, work is to be done?

In most cases, a Title I loan would be best for minor improvements and a 203(k) loan for major changes. In some cases, it might be more advantageous to refinance and include the cost of the improvements in the new mortgage.

Choosing Between Title I and 203(k)

When a choice between Title I and 203(k) is to be made, the amount of loan needed is a deciding factor. If more than \$3,500 is needed, Title I, which has a top limit of \$3,500, cannot be used.

To obtain a Title I loan the borrower needs a good credit standing and enough income to repay the loan over its term. Security other than his signature is seldom required. A 203(k) loan is secured by a lien against the property.

It takes about one to three days to get a Title I loan and about two to three weeks to get a 203(k) loan. Improvements under