

# FHA Loans - Documents Needed for FHA Loan

..... The most important thing to understand is that the loan approval process is 100% dependant on your documentation. To insure a smooth transaction, it is imperative that you have all of your documents gathered prior to you initial loan application. Following is a list of all the documents you will need. Please feel free print this screen and use this as a checklist.

## Employment Information

- Most recent two years complete *tax returns* with all schedules.
- Most recent two years *W-2's*, 1099's, etc.
- Most recent *pay stubs* covering one month period.
- If Applicable: Self-Employed will need Three years Tax Returns and YTD Profit & Loss Statement.

## Savings Information

- Most recent three months complete *bank statements* for any and all accounts with all pages.
- Most recent statement from retirement **401k**, mutual funds, money market, stocks, etc.

## Credit Information

- Most recent statements from your bills, indicating minimum payments and account numbers.
- Name, Address, and Phone number of your landlord, or 12 months cancelled rent checks.
- If Applicable: Should you have no credit. Copies of your most recent utility bills will be needed.
- If Applicable: Copy of complete Bankruptcy and Discharge Papers.
- If Applicable: If you co-signed for a mortgage, car, credit card, etc, need 12 months cancelled checks. front and rear, indicating you are not making payments.

## Personal Information

- Copy of *Drivers License*.
- Copy of *Social Security Card*.
- If Applicable: Copy of complete Divorce, Palimony, Alimony Papers.
- If Applicable: Copy of Green Card or Work Permit.
- If Applicable: If you own another home(s) - see below

## If a Refinance or you own Rental Property

- Copy of Note & Deed from current loan.
- Copy of Property Tax Bill.
- Copy of Hazard (homeowners) Insurance Policy.
- Copy of Payment Coupon for current Mortgage.
- If Applicable: If property is multi-unit, need Rental Agreements.

Additional documents may be needed upon review of your file and on a case-by-case scenario.

Now that you know the documents that will be needed, learn about how your income will affect your loan qualifications . . .

## FHA Loans - Income Qualifications

..... FHA has designed its program to assist people to purchase homes and refinance existing mortgages. Therefore the income qualifying guidelines are more flexible than traditional Fannie Mae & Freddie Mac Conventional Home Loans.

One of the first questions we will ask will consider is how much of your total income you will spend on housing. This information helps the lender decide whether you can comfortably afford a home.

When you are qualifying for a loan, we will use your gross income. That means all the money you earn before taxes, including overtime, commissions, dividends and any other sources --as long as you can show a steady two year history for these sources.

Your monthly housing expense as a percentage of your monthly income is called the housing expense (a.k.a.: front-end) ratio. FHA suggests to spend about 29% of your income on your house payment (including the mortgage, property taxes, mortgage insurance and hazard insurance).

**Calculate what your new monthly mortgage payment should be by using the formula:**

**Gross Monthly Income multiplied by 29% = Mortgage Payment.**

Sometimes you have to stretch that percentage when you buy a house -- and that's one of the benefits of easier qualifying FHA home loans. To qualify, you're allowed to spend up to 35% of your income on your house payment, as long as everything else in your application shows that you can handle the "stretch."

One important thing FHA will do is compare your housing expense now to the expense you'll have if you buy a home. The smaller the increase, the stronger your application looks.

**Learn what FHA will allow and look for on your credit . . .**

## FHA Loans - Credit Qualifying for FHA Loans

..... In addition to your ability to pay for a mortgage (as indicated by your debts and income), FHA will look at your ability to repay as indicated by your credit report. Your willingness will be judged by your credit record -- that is, how well you've paid your loans and other debts in the past.

If you are unsure what your credit report is like, you may want to begin by getting a free credit report that you can view immediately

online [**Free Credit Report Center**

Get your *Free Credit Report* online now! If you are buying a home or refinancing your mortgage, you should know what is on your credit report so you can avoid any surprises and help insure a smooth loan transaction for yourself! We are happy to provide you with a free credit report in partnership with Consumer info, an Experian® company.

If you know of a family, friends, or co-workers that may want a "[Free Credit Report](http://www.fha-home-loans.com/free_credit_report.htm)", please refer them[ [http://www.fha-home-loans.com/free\\_credit\\_report.htm](http://www.fha-home-loans.com/free_credit_report.htm)]

**To help you understand why credit is important and why FHA will look at your credit, please try to understand the following:**

Perfect credit is what you are supposed to have. Whenever you borrow money (credit cards, auto loans, student loans, etc.) you are making a commitment to that creditor to pay them back on the terms mutually agreed upon. If you are late making the payment then you broke the commitment and the lender can indicate this on your credit report.

The lender does not know why you are late, they just know that you broke the commitment agreed upon. They are not responsible on helping you manage your bills and debt, as they simply make and offer and the borrower accepts the terms.

This is why your credit is very important in qualifying for a home loan. Although you are supposed to have perfect credit, FHA will allow for minor past credit issues, as long as there is a "reasonable" reason why there was an issue.

FHA will look mostly at the last two years of your credit history. If there are some credit issues, we may be able to overcome them with sufficient explanations and supporting documents of why the issues occurred. Following is some the reasons FHA will accept:

- Lost of Job
- Job Transfer
- Serious Illness

As long as it seems to make sense, and it is not just because you did not make the payment or because you had too much other debt.

You should not rule yourself out of qualifying for FHA loan to buy a home or refinance your existing mortgage because of credit issues until a mortgage professional has reviewed your credit.

There are some credit issues that you must allow for a certain time (seasoning) to past before you can qualify for a FHA loan. They are follows:

- **Two years from the date of discharge for a Bankruptcy**
- **Three years from the date of Foreclosure**

Also FHA would typically require that any outstanding collection accounts, judgments, charge off's be paid off in full before closing your loan but not necessarily before "approving" your loan.

If you have a "Federal Tax Lien" that is in a repayment agreement, you do not have to pay it off in full but you must be able to qualify with the monthly payment. "State Tax Lien" typically must be paid in full prior to closing your loan.

Another advantage of FHA loans is that FHA does not require a credit scoring item call a FICO (Fair Issac Company) score. This allows more home buyers to qualify to purchase or refinance a home.

When you apply to get pre-qualified for a FHA home loan, we will order a credit report for you. The credit report will show your record of payments on loans, charge cards and other similar debts. If you have never had a loan or a charge card, you can show that you have a good record of payment on your utility bills and rent payments.

**We will review your credit report with you. Should you have some credit issues that prohibit you from qualifying for a FHA loan now, we will show you how to correct the issues so that you we can help you qualify to purchase a home or refinance your mortgage in the future or you can contact visit this law firm specialized in [credit repair](http://www.lexingtonlaw.com/) [http://www.lexingtonlaw.com/].**

**Credit Report Repair: 1-800-458-4206**

**Learn how FHA will look at your bank accounts and savings in determining your loan qualification :** ([http://www.fha-home-loans.com/savings\\_qualifying\\_fha\\_loans.htm](http://www.fha-home-loans.com/savings_qualifying_fha_loans.htm)) **or read the following:**

## **FHA Loan - Savings Qualifications**

..... As for your savings, FHA is the easiest of all types of loans to qualify. FHA does not require that you have a savings or checking account and the money you will be using for your purchase does not have to be "seasoned" (meaning in the bank for the last three months), like conventional loans.

FHA will allow for a homebuyer to receive the down payment for the purchase of a home as a "Gift" (meaning you do not have to pay it back), from a family member or non-profit organization.

When purchasing a home with FHA financing and you are receiving a "Gift", you must provide the complete papertrail of the money's being giving to you. Typically, we will need the persons bank statement whom is giving you the money (to prove that they had it to give int he first place)

Additionally, if you have a 401K or retirement account, you may be able to draw or borrow from these funds for your down payment. If you must borrower against an account, you must be able to qualify with the monthly repayment amount.

If you have a bank account(s), you will need to provide three months of the complete bank statements. FHA will review them to insure that you are balancing and managing your bills properly. Also they will look to see that the debts match up to your monthly payments and that the deposits are close to what you are netting on your paycheck. If there are any large deposits, they will need to be explained.

An occasional "NSF" may suffice if there is proper explanation as to why it occurred. At the time of your loan application, you should have your last three months bank statements with you.

If you have recently sold an item or have your money saved at home, you can still purchase a home now using your money. You will simply have to provide documents verifying the sale of the item or write a budget letter explaining how and why you save your money at home.

Should you be purchasing or refinancing a 3 or 4 unit property, FHA requires that you have a minimum of 3 months of the future mortgage payments in savings. These savings are called "Reserves".

**Learn about how your Ratio's will affect your loan qualifications with a FHA real estate mortgage loan:** ([http://www.fha-home-loans.com/debt\\_ratios\\_fha\\_loans.htm](http://www.fha-home-loans.com/debt_ratios_fha_loans.htm)) **or reading the following:**

## FHA Loans - FHA Debt Ratio's Guidelines

..... In addition to your income, a lender will look at your minimum monthly debts to calculate your debt ratios. The debt ratio's is what will determine "how much" loan you can afford.

Following are the two types of debt ratio's that will be used:

- **Front-End Ratio** - this is your gross income divided by the new PITI mortgage payment. This standard guideline is 29%.
- **Back-End Ratio** - this is your gross income divided by the new PITI mortgage payment and also your minimum monthly payments from your liabilities. The standard guideline is 41%

Following is the typical debts used to determine your qualifying ratio's:

### **Front-End Ratios**

- your current and or future house payment

**Back-End Ratios-** the minimum required monthly payments on all of the following:

- Auto Loans - (except if there is less than 9 months left to pay off)
- Student Loans - (except if there is less than 9 months left to pay off)
- Personal Loans (except if there is less than 9 months left to pay off)
- Charge Cards - minimum required payments only.
- Child Support - (except if there is less than 9 months left to pay off)
- Alimony - (except if there is less than 9 months left to pay off)

- Federal Tax Lien Repayment Schedules - (if less than 9 months not calculated)

Following are monthly liabilities that are not used to calculate debt ratio's:

- Utility Bills
- Car & Health Insurance
- Cell Phone Bills

The percentage of debts to income is called the debt-to-income (a.k.a.: back-end) ratios. A good goal is to spend no more than 38% of your income on all debts, including house payment. However, under FHA home loan guidelines you're allowed to spend up to 41% of your monthly income on housing and other debts -- if the rest of your application shows you can handle it.

**An example of the income to debt calculation is as follows:**

Income = \$3,000

New Mortgage Payment = \$900.

Minimum Monthly Payments = \$300

"Mortgage" divided by "Income" = 30%

"Mortgage + Monthly Payments" divided by "Income" = 40%

In this scenario, your front-end is 30% and back-end is 40% which is acceptable for a FHA loan.

These ratios can also adjusted or exceeded if there are item(s) you can payoff, lower interest the interest rate, lower the loan amount, etc.

FHA is the most flexible lender regarding debt ratio's. Never rule yourself out of buying a home until you have spoken to a mortgage professional.

**Learn exactly how much of a FHA loan you can qualify for:** (<http://www.fha-home-loans.com/startonline.htm>) or reading the following,

## Get Qualified for a FHA Home Loan Online

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 First, we thank you for the opportunity to be of service to you. This is a free service and there is no obligation. All information is strictly confidential.

In order to better assist you, please get started by providing some brief information below:

Prefix:

Name (First & Last):

Email Address

Loan Purpose

State Property is Located in:

Please press submit once and allow up to 10 seconds. You will be forwarded to our loan request page of our nearest FHA mortgage partner.

Submit

Go to: <http://www.fha-home-loans.com/startonline.htm> for the above form or contact a local FHA Loan Originator such as Lori Harris of Anchor Mortgage at:

Down loan a FHA Loan Application and be ready and prepared: [http://www.fha-home-loans.com/download\\_fha\\_loan\\_application.htm](http://www.fha-home-loans.com/download_fha_loan_application.htm)

The above information was obtained from the **FHA WEB site** and offered to you

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