

FHA Loans, Plant Today, Harvest Tomorrow

Community banks that plant programs and services within their bank today will benefit from a harvest of new customers and fee income tomorrow. As a community bank you have the ability to lead your community in homeownership with the right lending programs and products. The FHA Program is an excellent option for community banks that need to offer loans above 80 percent loan to value, because today, most mortgage insurance companies are not insuring these loans.

Mortgage underwriters no longer cringe when they hear the words, "FHA Loan." The Federal Housing Authority has streamlined and simplified the process. In today's lending market, your community bank can use the FHA program to reach first-time homebuyers and low-to-moderate-income families with less than perfect

credit. The misconception that these loans are slow to close and require substantial employee-time dedication is fading fast.

The federal government operates on the basis of a fiscal year running from October 1st of one year to September 30th of the next. During fiscal 2008 FHA approved 1,199,624 mortgage applications. This number is up 125 percent from fiscal 2007 when FHA agreed to insure 532,337 mortgage loans. The breakdown of the types of loans endorsed by FHA is as follows:

- 631,667 loans were for the purchase of a new home, up 126.9 percent over 2007
- 492,295 loans or 77.9 percent were first time homebuyers
- 455,803 loans or 38 percent of all loans

insured by FHA, were for refinancing up 211.4 percent

- 166,475 borrowers refinanced as a cash out transaction, or 36.5 percent of all refinances
 - 356,722 borrowers converted their conventional loans to FHA loans
- Plan and plant the seed today to become an FHA lender or begin using the FHA program so your bank can increase your lending business while helping a segment of your community achieve the dream of homeownership.

For details on the requirements of each level of approval visit; www.hud.gov/offices/hsg/sfh/lender/20020902.pdf. ■

ON THE WEB: www.icbamortgage.com

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FHA AND FREDDIE MAC PROGRAM COMPARISONS

Primary Residence	FHA Program	Freddie Mac Home Possible
LTV/CLTV¹ maximum	96.5% for purchase 97.75% for rate/term Refis	97%, 97% Decrease by 5% if declining market area/703 closing costs required
Term programs	15 & 30 Fixed & Adjustable Rate	15, 30, 40 Fixed & Adjustable
Loan limits	95% of median home price or 87% of FHLMC limits	Fannie Mae/Freddie Mac sm Loan Limits
Seller contribution to closing costs/ pre-paids/ discounts	6%	3%, not to exceed actual CC, pre-paids/ Escrows
Secondary financing	Allowed	Allowed
Gifts	All funds may be gifted	All funds may be gifted
Income restrictions	None	Yes
Debt ratios	31%, 43% 33%, 45% energy	31%, 43%
Mortgage insurance	1.75% 1.50% for streamline refis	0
Monthly mortgage insurance	0.50, 0.55	Not eligible if under 97% (18% coverage)

¹ sale or transfer to its HUD delegated sponsoring lender Freddie Macsm

There are several ways for your bank to become an approved FHA lender.

1. Loan Correspondent (Mini Eagle)

a community bank that meets all of the FHA qualifications, which has as its principal activity the origination of HUD delegated sponsoring lender. All loans originated under this designation must be underwritten and funded by a sponsoring Non-Supervised Mortgagee.

2. Non-Supervised Mortgagee (Full-Eagle)

a community bank that has obtained Direct Endorsement authority through the FHA/HUD field office in his or her employment area. The non-supervised mortgagee must have in their employment an FHA/HUD approved underwriter and may originate, fund, hold, service, purchase and sell FHA mortgage loans.

