

There Are Several Other Features Worth Knowing About an FHA-Insured Mortgage:

- The homebuyer and the seller, individually or jointly, can pay **closing costs** as agreed to in the sales contract. The seller can contribute up to six percent of the home's price toward the closing costs through a seller's concession.
- There is **no minimum income requirement**. But a buyer must prove steady income for at least two years, and demonstrate that bills have been paid consistently and on time.
- A buyer's **entire cash investment** — a down payment of 3.5 percent — can be a gift from a family member, employer, charitable organization or local governmental entity.
- **Caps on payment and debt-to-income ratios are more generous** than most standard conforming mortgage products. The payment-to-income ratio may not exceed 31% and the debt-to-income ratio may not exceed 43%.
- There are **no prepayment penalties** on FHA-insured mortgages.
- **The FHA program has loan limits** — the maximum amount that can be lent to a home purchaser. For current, specific amounts, visit <https://entp.hud.gov/idapp/html/hicostlook.cfm>

Buying a Condo With an FHA Loan

An important part of your condominium search is the financial well-being of the condominium association. The FHA program is concerned with the following questions: Are there adequate funds in the association's account to take care of maintenance and repairs of common areas? Are there adequate reserves to help take care of larger repairs, replacements, etc. in the future? Is the association in good fiscal shape?

If you choose to get an FHA-insured mortgage, there are specific rules regarding the condominium association. FHA and lenders will inquire about the owner-occupancy rate, the association's reserves, and if there are owners who are in arrears with the association assessments. This inquiry is done to enable approval of the association for FHA financing for individual purchasers/loan applicants. FHA approval of the condo association is required in order for you to get an FHA-insured loan.

The condominium building must be primarily residential, contain at least two dwelling units and can be detached, semi-detached, a row house, a walk-up, mid-rise, including those with or without an elevator, or manufactured housing.

For these reasons, you will want to work with an experienced lender who really understands and stays up-to-date on FHA rules.

Homebuyers often have a lot of questions about getting an FHA-insured mortgage and about the homebuying process in general.



HUD-approved Housing Counseling Agencies provide buyers the opportunity to get the answers they need by meeting with a housing counselor in their community.

To find a counselor in your neighborhood, call **1-800-569-4287**.



**ILLINOIS
REALTORS®**