

ON FEBRUARY 17TH, 2009 PRESIDENT OBAMA SIGNED INTO LAW NEW INCENTIVES FOR FIRST TIME HOMEBUYERS. PULTE HOMES IS HERE TO HELP YOU UNDERSTAND THIS NEW INCENTIVE AND HOW IT MAY BENEFIT YOU. *

The American Recovery and Reinvestment Act of 2009 FHA LOAN LIMITS INCREASES WILL RESULT IN MORE AFFORDABLE FINANCING FOR NEW HOME BUYERS

How will these new increased FHA loan limits effect new home buyers?

The new higher loan limits will allow FHA loans (which require a low 3.5% down payment) to be available for a greater range of home price options where conventional loans (requiring 10-20% down) would normally have been the only available option for financing. For example, FHA will temporarily increase the maximum loan limits in high cost markets from the current amount of \$625,500 to \$729,750.

How can FHA help me buy a new home?

FHA insured mortgages offer many benefits that only come with FHA:

- **Easier to Qualify:** Because FHA insures your mortgage, lenders may be more willing to give you loan terms that make it easier for you to qualify.
- **Less than Perfect Credit:** You don't have to have a perfect credit score to get an FHA mortgage. In fact, even if you have had credit problems, such as a bankruptcy, it's easier for you to qualify for an FHA loan than a conventional loan.
- **Low Down Payment:** FHA loans have a **3.5% down payment** and that money can come from a family member, employer or charitable organization as a gift. Other loan programs don't allow this. FHA loans also require no cash reserves in many cases.
- **Costs Less:** FHA loans have competitive interest rates because the Federal government insures the loans. Always compare an FHA loan with other loan types.
- **Competitive Rates & Terms:** Compared with other lower down payment programs, FHA interest rates are similar. In some cases FHA loans offer lower overall monthly payments when including its lower cost of monthly mortgage insurance vs. PMI (Private Mortgage Insurance).
- **Non-occupying co-borrowers are allowed:** such as family members that are needed to help you in qualifying for your loan, but won't actually be living with you in your new home.
- **Helps You Keep Your Home:** The FHA has been around since 1934 and will continue to be here to protect you. Should you encounter hard times after buying your home, FHA has many options to help you keep you in your home and avoid foreclosure.

Who qualifies for FHA financing?

To be eligible for an FHA loan, you must have a valid social security number and have lawful residency in the United States (US Citizens, Permanent Resident Aliens, and Non-Permanent Resident Aliens) and be of a legal age to sign on a mortgage in your state. Lenders will verify income, assets, liabilities, and credit history for all parties on the loan.

FHA's mortgage programs do not typically have maximum income limits for qualifying, although you must have sufficient income to qualify for the mortgage payment and other debts. Income limits may be present when qualifying for down payment assistance or other secondary financing programs that may be used in along with an FHA loan.

Is FHA just for First Time Home Buyers?

Although it's known as a popular first-time homebuyer program, FHA is not restricted to first time homebuyers. An FHA loan can be an excellent choice for anyone buying a new home including buyers who have used FHA mortgages in the past.

If I've had credit problems in the past, will this hurt my chances of being approved on an FHA loan?

As a general rule of thumb after having credit problems (such as bankruptcy or foreclosure in the past), you should be in a situation where you've made your payments on time for at least the past 12-24 months for an FHA loan.

What are the FHA loan limits in the community or area I'd like to buy a home in?

The FHA loan limit varies depending on the cost of the state/county in which you are buying.

For more details click on the following link to the FHA website and select the State and County that you are buying in: <https://entp.hud.gov/idapp/html/hicostlook.cfm>

****Effective Date****

Now that the President has signed the bill into law, two things must happen prior to loans being closed with the new higher amounts: 1) FHA must determine whether pricing, policy or delivery requirements will change. 2) FHA must communicate or give guidance on their new requirements to lenders typically in the form of a mortgagee letter. This may take several weeks to take place.

OTHER:

Can FHA financing be used to purchase second homes or investment property?

FHA financing may only be used to purchase a primary residence and is currently not used for second homes or investment properties.

Can gift funds come from the seller, lender or other interested party?

The gift donor may not be a person or entity with an interest in the sale of the property, such as the seller, real estate agent or broker, builder, or any entity associated with them. Gifts from these sources are considered inducements to purchase and must be subtracted from the sales price for mortgage calculation purposes.

The exceptions to this rule are:

1. When parents are the sellers.
2. When the real estate agent is a relative.

Is it acceptable to get a loan for the down payment?

Funds can be borrowed for the total required investment as long as satisfactory evidence is provided that the funds are fully secured by investment accounts or real property. Such assets may include stocks, bonds, automobiles, collections, real estate (other than the property being purchased), etc.

In addition, certain types of loans secured against deposited funds, such as signature loans, the cash value of life insurance policies, loans secured by 401(k)s, etc., in which repayment may be obtained through extinguishing the asset; do not require consideration of a repayment for qualifying purposes. However, in such circumstances, the asset securing the loan may not be included as assets to close or otherwise considered as available to the borrower.

An independent third party must provide the borrowed funds. The seller, real estate agent or broker, lender, or other interested third party may not provide such funds.

Unacceptable borrowed funds include signature loans, cash advances on credit cards, borrowing against household goods and furniture and other similar unsecured financing.

We encourage you to contact a Pulte Homes Sales Associate to learn more about these new FHA rules and how they can help you get the home of your dreams. It really has never been a better time to buy a quality Pulte Home.

****This information is provided for general awareness only, and is not intended for the purpose of providing legal, accounting, financial, tax advice or consulting of any kind. Please consult with your lender for complete details on any lending program.***