

Doron F. Eghbali Residential Real Estate Law

[New FHA Rules Make It Harder to Get a Home Loan](#)

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The Federal Housing Administration (FHA) has decided to raise down-payment requirements, boost insurance premiums, and tighten its underwriting practices in a bid to increase its capital reserves in the face of mounting home foreclosures and delinquencies.

Despite the necessity of some of these moves, these steps undoubtedly make it harder for the American Dream to be realized. As [explained earlier](#), the FHA was under pressure from Congress to stanch bleeding and remain solvent.

Here are the specifics of some of these new standards:

1. INCREASE IN MORTGAGE INSURANCE PREMIUMS

The premium will rise to 2.25% from 1.75%. The rise applies both to the up-front and annual premiums the FHA charges. The FHA does not provide such loans directly to home borrowers, but it provides a government guaranty against default for home mortgages issued by approved lenders. The new premium rate increase will take effect in the spring.

2. TIGHTER FICO CREDIT SCORE REQUIREMENTS

Now, new home buyers must have a minimum 580 FICO credit score to be qualified for the FHA 3.5% down payment program. New borrowers with less than 580 FICO credit score will be required to put down at least 10% of the purchase price. This change would go into effect in the early summer after a notice and comment period.

3. INCREASE IN LENDERS' ACCOUNTABILITY

The FHA will publicly announce lender performance rankings to supplement the currently available Neighborhood Watch Data. This report will be available on the Housing and Urban Development website starting February 1. However, enhanced monitoring of lenders' compliance with the FHA requirement is effective immediately.

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