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[Getting Tougher and Tougher to Get a Home Loan](#)

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Faced with dwindling reserves and rising losses, the Federal Housing Authority (FHA) is set to make it costlier and harder to qualify for a home loan. This would affect potential home borrowers because the FHA insures lenders against losses that conform to its standards. In other words, the FHA does not lend to home borrowers, but acts as a powerful insurance company for home mortgage lenders.

The FHA is considering several changes including:

- **Raising Annual Insurance Premium for Borrowers:** The FHA currently charges an upfront insurance premium of 1.75% of the total cost of the mortgage which borrowers could roll into their loans. Borrowers then must pay an additional annual premiums of 0.5% or 0.55% depending upon their down payments.
- **Setting a Credit Floor:** Although the FHA has not yet decided what that floor might be, it has indicated it wants to require borrowers with less down payments to have higher credit scores. Currently, the top lenders in the nation require at least a minimum 620 credit score (FICO score) for FHA borrowers.
- **Requiring More Down Payment:** The FHA is seriously considering potential increases in down payments.
- **Making FHA-Approved Mortgage Lenders More Accountable:** Since the FHA is ultimately responsible for reckless lending as it insures losses by lenders, the FHA has demanded more documentation from FHA-approved lenders to stem losses.