

FHA - FAQ

What is the minimum down payment?

FHA requires 3.5% down payment. Funds must be documented and the seller cannot contribute toward down payment.

What is the maximum seller concession?

Maximum seller concession for FHA is 6% toward buyer's closings costs and/or prepaids.

What do MIP & MI stand for and what are they?

MIP: Mortgage Insurance Premium -the one time fee buyers will pay for the pleasure of having an FHA mortgage.

MI: Mortgage Insurance – the monthly fee, included in the mortgage payment on FHA mortgages until the loan to value is below 79%.

Why is the loan amount higher than the allowable 96.5% Loan to Value?

The loan amount includes the MIP. The borrower is required to come out of pocket 3.5%, but is also allowed to finance the MIP.

How are MIP and MI calculated?

MIP:

Step 1: Take the sales price and multiply by 96.5%. This gives you the BASE loan amount which is the number you put on your contract.

Step 2: Take your base loan amount and multiply by 1.75% and you get your upfront MIP.

Step 3: Take your base loan amount and your MIP and add them together. This is your TOTAL loan amount. (This is the amount used for doc stamps.)

MI:

Step 1: Take your total loan amount and multiply by .55%.

Step 2: Divide that number by 12 and you get your monthly mortgage insurance.

Example

Sale Price: \$200,000

Base Loan Amount: $\$200,000 * 96.5\% = \$193,000$

Loan Amount: $(\$193,000 * 1.75\%) + \$193,000 = \$196,377.50$

MI/ month: $(\$196,377.50 * .55\%) / 12 = \90.01