



**AMERICAN  
PACIFIC  
MORTGAGE**

NMLS 1850

# **INSIDER'S GUIDE:** GOVERNMENT HOME LOAN OPTIONS

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## What are Government Home Loans?

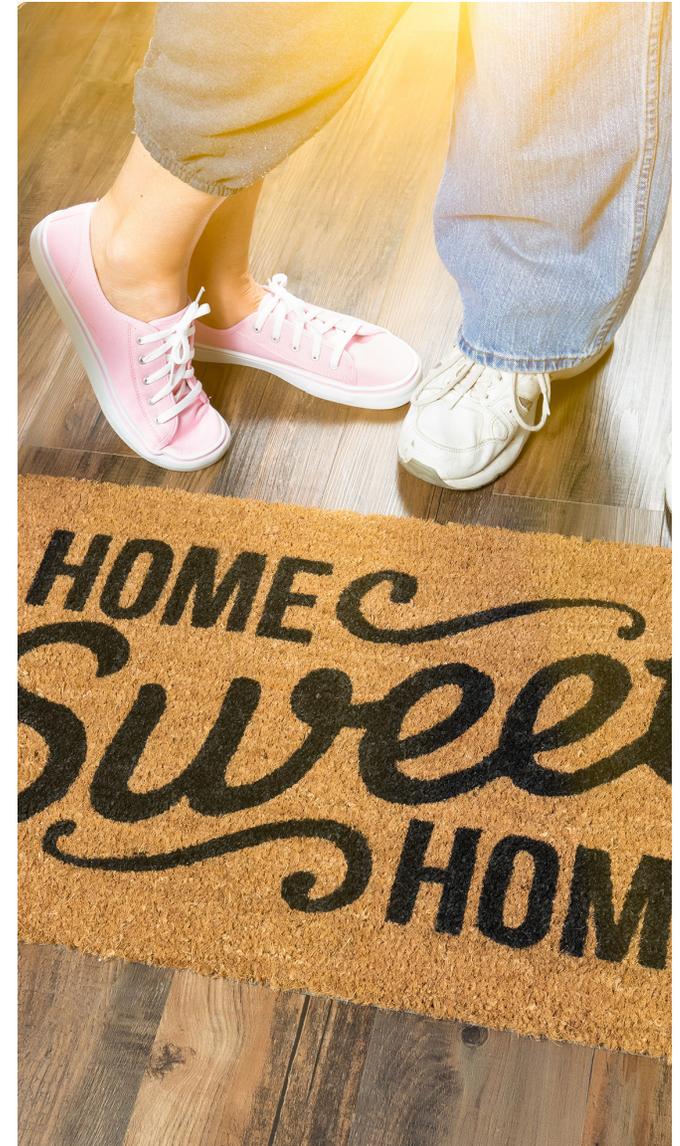
The United States Government wants to make the dream of homeownership possible for Americans. In order to do this, the Federal Housing Administration (FHA) and State Housing Finance Agencies use government-insured loans, bonds, and grants to achieve their missions.

The government doesn't invest in the loans themselves, rather it guarantees certain loan programs to encourage investors to lend to people who may otherwise not qualify for a home loan with stricter guidelines or higher down payment requirements.

If you qualify for a government home loan, the benefits often include attractive interest rates, low down payment options, more lenient qualifying guidelines, and even assistance with down payments and closing costs.

## Is a Government Home Loan Right For You?

Government insured loans help buyers, particularly first time buyers, purchase homes by giving lenders incentives to extend loans with attractive rates, flexible credit requirements, and low- or no-down payment options. Your mortgage loan advisor can help you compare loan program options to determine if you qualify for a government home loan, and which option is best for you. The following pages provide an overview of government home loan options that may be available to you.



# FHA HOME LOANS



## What are FHA Loans?

The Federal Housing Administration (FHA) insures mortgages on loans made by approved lenders throughout the US. FHA is the largest insurer of mortgages in the world. FHA loans have been specifically designed to help borrowers get into homes, and are very popular with first-time homebuyers.

The FHA Home Loan program was initiated by President Franklin D Roosevelt as part of the National Housing Act in 1934. At the time, only four in ten households owned homes. Since its inception, the *Federal Housing Administration* has insured over 34 million properties.



## How to Qualify for an FHA Loan?

To *qualify for an FHA loan*, you generally will need a minimum credit score of 620 and a minimum down payment of 3.5%. Gift funds from family, friends, and even your employer can be used for your down payment.



## Potential Drawbacks

While the benefits of an FHA loan make this program attractive to many first-time buyers and borrowers looking to pay as little as 3.5% down, there can be a potential drawback to making a lower down payment.

FHA loans with lower down payment requirements will require borrowers to carry mortgage insurance. When you have an FHA loan, your mortgage insurance will also come with a required upfront fee which can be financed as part of your total loan amount.

FHA loans also come with lending limits that are set by region. Depending on where your new home is located your loan limits may fall between a minimum of \$271,050 (where housing costs are low) and a maximum of \$625,500 (in the most expensive areas).

Therefore, in certain high-value markets, the loan amount you want may exceed the FHA loan limits for that area.



# HUD GOOD NEIGHBOR



## What are HUD Good Neighbor Home Loans?

The Department of Housing and Urban Development (HUD) wants to ensure that quality, attainable housing for ownership and rent is available and affordable to individuals and families across a range of incomes. HUD's single-family housing programs are administered through the FHA.

The HUD and FHA together have insured over 34 million home mortgages and 47,205 multifamily project mortgages since 1934. FHA currently has 4.8 million insured single family mortgages and 13,000 insured multifamily projects in its portfolio. One of these *HUD programs* is aimed specifically at helping the men and women who serve their communities through the Good Neighbor Next Door program.



## Good Neighbor Next Door (Teachers & First Responders)

HUD helps law enforcement officers, teachers, firefighters, and emergency medical technicians purchase homes located in revitalization areas at a significant discount. This program makes homes in designated revitalization areas available to law enforcement officers, teachers, firefighters, and emergency medical technicians prior to the homes being listed for sale to other purchasers.

## More About Mortgage Insurance

Mortgage Insurance is generally required when homebuyers wish to buy a home with a down payment less than 20% of the purchase price of the home. Lenders are willing to provide low-down payment options to buyers because mortgage insurance protects them in the event of a default on the home loan.

Mortgage insurance typically costs between 0.5% and 1% of the loan amount annually. Borrowers have different payment options available including a monthly payment which is included as part of the mortgage payment, paying the full cost of the mortgage insurance premium at closing, or financing the mortgage insurance premiums with the total cost of the loan. Some loans, such as an FHA loan, may require an upfront fee paid in addition to monthly premiums.

When lenders are protected from the risk of default with Mortgage Insurance, they are more likely to lend to home buyers who have less than the traditional 20% down payment saved. That means more loan options with lower down payment requirements are available for would-be buyers.





### How to Qualify for the program?

To be eligible for the *Good Neighbor Next Door* program, you must be a full-time law enforcement officer, teacher, firefighter, or emergency medical technician, and must certify that you intend to continue your employment for at least one year after the date of closing. You do not need to be a first-time homebuyer. However, you or your spouse cannot have owned another home for one year prior, and you must agree to live in the HUD home as the principal residence for 3 years.



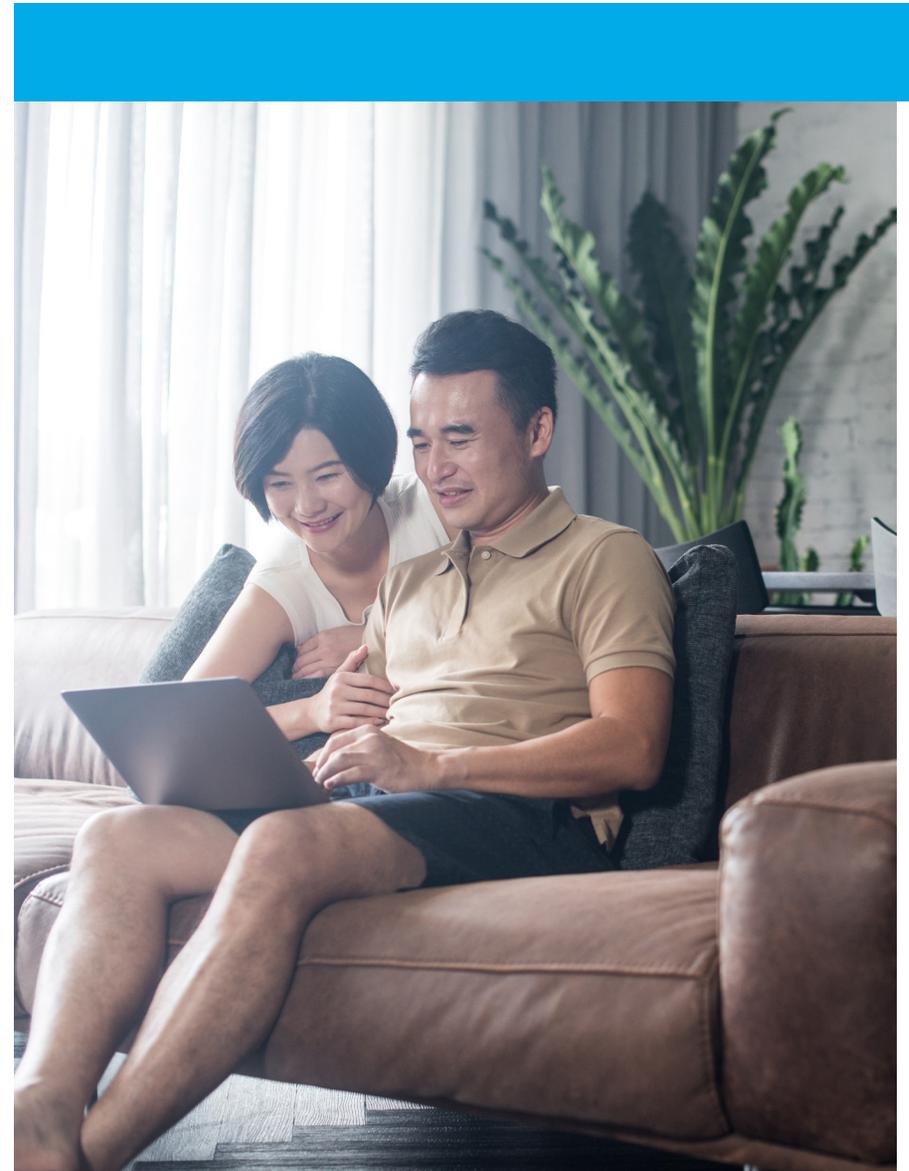
### Benefits of Good Neighbor Program

Each year, a limited number of properties from HUDs inventory are sold at a 50 percent discount from the list price to eligible persons in these professions. Eligible participants may apply for an FHA-insured mortgage with a down payment of only \$100.



### Potential Drawbacks

In order to purchase a Good Neighbor Next Door property at the discounted sales price and with a \$100 down payment, you must fulfill a 36-month occupancy requirement. If you don't plan on staying in a home for at least 3-years, or if you plan on leaving your occupation in under a year, you won't meet the qualifying guidelines for this FHA-insured program.



# STATE BOND HOME LOANS



## What are State Bond Home Loans?

State Bond loans are obtained through state or local Housing Finance Agencies (HFAs). The HFAs sell tax-exempt *housing bonds*, which are also known as Mortgage Revenue Bonds (MRBs) to investors. The bond proceeds are used to provide eligible buyers a below-market interest rate to purchase a home.

State Housing Bonds have made the dream of homeownership possible for more than 3 million low-income families over the past 40 years.



## How to Qualify for a State Bond Home Loan?

To qualify for a State Bond loan, you must meet the income and purchase price limits for the area in which you are purchasing. The loans are generally available to first-time buyers who have not owned a home in the prior three years, however in certain target areas, there are no first-time requirements. Your loan advisor can help you determine if you meet the qualifications for a bond in your state.





### **Benefits of a State Bond Loan**

State bonds come with low-interest rates, and their eligibility limits make it possible for lower-income families to purchase a home with lower monthly payments. Depending on your state or local HFA, you may even be able to get cash assistance to help with closing costs on your loan. Attractive interest rates, flexible credit requirements, and low-down payment options make state bond loans an appealing program for first-time buyers.



### **Potential Drawbacks**

When you get a State Bond loan, your Housing Finance Agency is the investor of your loan, but typically does not insure it. Which means your loan will generally be combined with an FHA, VA, USDA, or a conventional loan, and may have mortgage insurance requirements with upfront and monthly premium payments.

Since program participants must meet income limits and purchase a home that falls within the program's purchase price, there is a limit to the borrowers and properties which can utilize these loans.



# USDA HOME LOANS



## What are USDA Home Loans

USDA loans are government insured loans for rural property outside of major metropolitan areas. USDA loans offer unique benefits, including no down payment requirements for buyers who want to purchase outside of a major metropolitan area.

The United States Department of Agriculture (USDA) *Rural Development* is committed to improving the economy and quality of life in rural America, by offering loans, grants, and loan guarantees to rural communities.



## How to Qualify for a USDA Loan?

In order to qualify for a USDA loan, you must purchase a home in an eligible rural area as defined by the USDA. Typically, these "rural" areas are outside of major metro areas, although they may not necessarily be farmland. You must also meet income eligibility requirements, which will vary by location. Your loan advisor can help you determine if you and the property you wish to purchase fall within the *qualifying guidelines for a USDA loan*.



## Benefits of a USDA Loan

USDA loans are the only loans which offer 100% financing with zero down payment requirements to homebuyers. Sellers are allowed to pay all of the closing costs if negotiated in the contract. USDA loans often offer attractive interest rates, as well.



## Potential Drawbacks

If you take advantage of 100% financing with a USDA loan, you can expect private mortgage insurance requirements which may include both an upfront and ongoing monthly premium. Property and income limitations mean not all buyers or all properties will qualify for USDA loans.



# VA HOME LOANS



## What are VA Home Loans

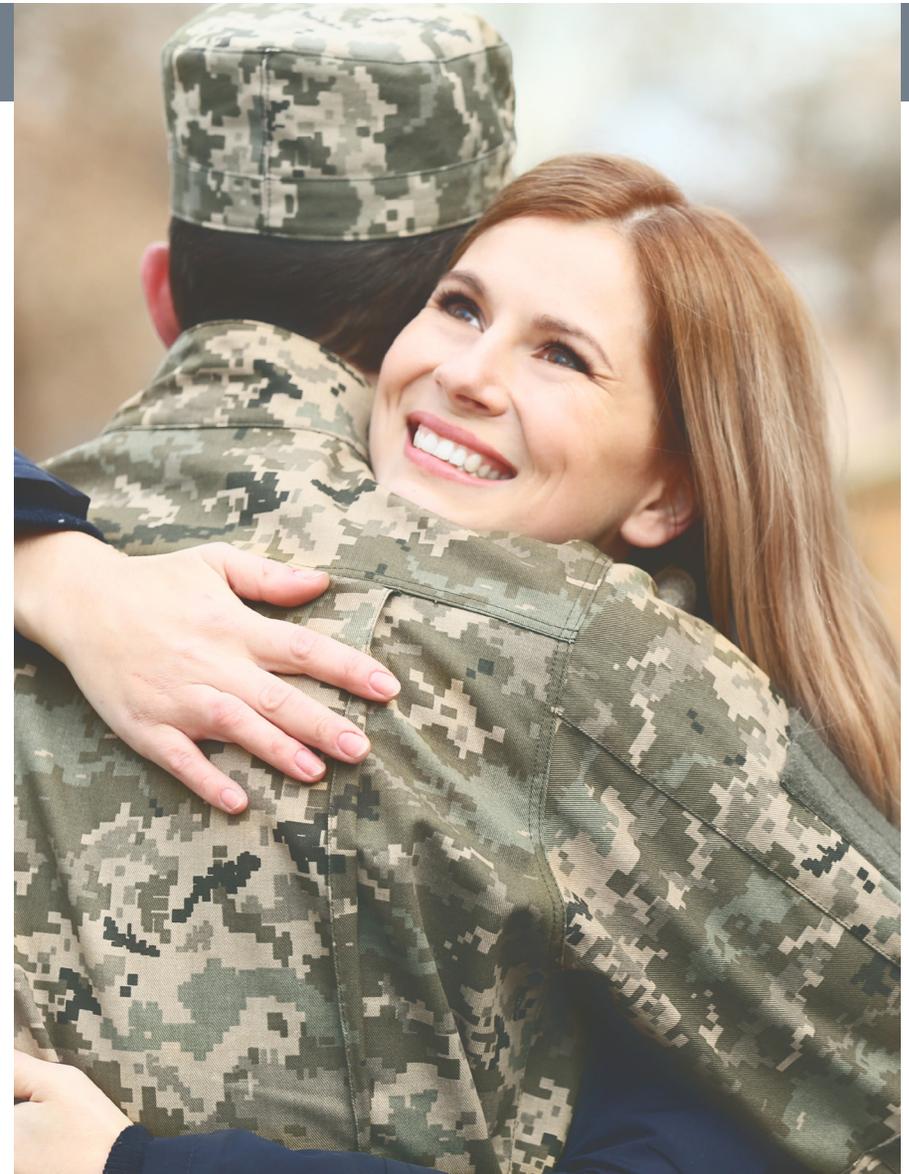
A VA loan is insured by the *U.S. Department of Veterans Affairs* and issued by VA-approved lenders. This government guaranteed loan encourages these approved lenders to lend with more flexible and lenient qualifying guidelines to our military heroes.

The U.S. government created a military loan guaranty program in 1944 to help returning service members purchase homes. Since its inception, more than 20 million veterans and their families have been helped by the VA loan program to find affordable home financing.



## Who Qualifies for a VA Loan?

Veterans, active duty service members, and surviving spouses of veterans may qualify for a VA loan if you have satisfactory credit, adequate income to meet your monthly obligations, and a valid Certificate of Eligibility.





### Benefits of a VA Loan

Veterans purchasing their first homes with a VA loan can get 100% financing with no mortgage insurance requirements. Homebuyers can even purchase a home which needs remodeling and finance the costs of repairs into the VA loan up to 103.15%.

VA funding fees may be financed into your overall loan amount. Closing costs are limited for VA loans, and sellers are allowed to pay most or all of those expenses. With a VA loan, our military men and women could potentially purchase a home with no money due at closing.



### Potential Drawbacks

VA loans offer unmatched benefits to our veterans, active duty, and surviving spouses with virtually no drawbacks. A VA funding fee is required with each VA loan, which goes directly to the VA to keep the program running for future military homebuyers. Fees will vary and are waived for veterans with service-connected disabilities. VA borrowers can finance the funding fee.

The VA loan is the government home loan which offers unmatched benefits to our heroes, with no potential drawbacks.





## About APM

As a company, we embrace the concept of ownership with enthusiasm and optimism for the future of housing in America. As individuals, every employee at American Pacific Mortgage takes personal ownership in creating experiences that matter for our customers and clients. Every transaction represents a family, a home, and a life decision - we understand and appreciate that our participation is a privilege and our job is to delight everyone involved at every point of the process so that their experience matters.

Contact us for more information on the home loan options available to you, and for the answers to any question you have about buying your first home.



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