

## Government loan programs

### FHA loans

An FHA loan is insured by the Federal Housing Administration, a federal agency within the U.S. Department of Housing and Urban Development (HUD). The FHA does not loan money to borrowers, rather, it provides lenders protection through mortgage insurance (MIP) in case the borrower defaults on his or her loan obligations. Available to most buyers, FHA loan programs are designed to help creditworthy low-income and moderate-income families who do not meet requirements for conventional loans.



FHA loan programs are particularly beneficial to those buyers with damaged credit and/or low down payment.

Some of the other benefits of FHA financing:

- Negotiable interest rates
- Only a 3.5 percent down payment is required
- Closing costs can be financed
- Monthly mortgage insurance premiums
- More flexible underwriting criteria than conventional loans
- FHA limits the amount lenders can charge for some closing cost fees
- Loans are assumable to qualified buyers

### VA Loans

VA guaranteed loans are made by lenders and guaranteed by the U.S. Department of Veteran Affairs (VA) to eligible veterans for the purchase of a home. The guaranty means the lender is protected against loss if you fail to repay the loan. In most cases, no down payment is required on a VA guaranteed loan and the borrower usually receives a lower interest rate than is ordinarily available with other loans.



Other benefits of a VA loan include:

- Negotiable interest rates
- VA limits the amount lenders can charge for some closing cost fees
- No monthly mortgage insurance requirement
- Right to prepay loan without penalties
- The mortgage may be taken over (assumed) by the next home buyer if qualified
- Counseling and assistance available to veteran borrowers having financial difficulty or facing default on their loan

Although mortgage insurance is not required, the VA charges a funding fee to issue a guarantee to a lender against borrower default on a mortgage. The fee may be paid in cash by the buyer or seller, or it may be financed in the loan amount.

Veterans can apply for a VA loan with any mortgage lender that participates in the VA home loan program. A Certificate of Eligibility from the VA must be obtained by the lender to qualify for the loan.

## Rural Development (USDA)

Rural Development loans are guaranteed by the U.S. Department of Agriculture and are one of the few options to buy a home with no down payment. In addition to requiring no down payment, some of the closing costs may be financed into the loan, and interest rates are extremely competitive. To be eligible for a Rural Development loan, both the borrower (based on income) and the property (based on location) must meet the requirements set forth in the eligibility guidelines of the USDA website:



<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

Although mortgage insurance is not required, the USDA charges a funding fee to issue a guarantee to a lender against borrower default on a mortgage. The fee may be paid in cash by the buyer or seller, or it may be financed in the loan amount.

Other features of a Rural Development loan include:

- Negotiable interest rates
- Available for typically "rural" homes
- No monthly mortgage insurance requirement
- Right to prepay loan without penalties

## WHEDA

The State of Wisconsin offers mortgage financing for single family homes and duplexes with 3% down payment required, competitive interest rates and fees, and the following features:

- Homebuyer Education required
- Reduced monthly mortgage insurance requirement
- Upper income limit based on household size
- Upper purchase price limit
- Generally restricted to first-time buyers
- Job loss payment protection
- Must be the principal residence
- No condominiums
- 3% Down Payment may be provided by WHEDA secondary financing

