Dispelling Homebuying Myths

Qualifying for a Loan

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Myths

Myth 1: It is hard to qualify for Federal Housing Administration (FHA) insured loans

Myth 2: Without perfect credit, I cannot buy a home

Myth 3: I need to have been on my job for at least two years

Myth 4: FHA-insured loans are only for borrowers with no money/poor credit

Myth 5: I have student loan debt, so I won’t qualify
MYTH 1

It is hard to qualify for FHA-insured loans
Fact: No.

FHA helps working individual and families with average incomes become homeowners.

MYTH 1: It is Hard to Qualify for FHA-Insured Loans

War: FHA helps military families after returning from war.

Recession: FHA steadies falling home prices in oil-producing states.

FHA plays a critical role in serving Borrowers during the Great Recession.
FHA-insured mortgages are an excellent option for today’s homeownership needs.

One in five mortgages are FHA-insured.
MYTH 1: It is Hard to Qualify for FHA-Insured Loans (cont.)

FHA:

• Has low down payment requirements;

• Allows flexible qualifying and debt-to-income ratios;

• Offers more leniency toward past credit issues;

• Allows you to use a co-borrower to help you qualify; and

• Allows the use of gift funds for down payment and closing costs.
MYTH 1: It is Hard to Qualify for FHA-Insured Loans (cont.)

Is it hard to qualify for FHA-insured loans?

No. FHA-insured loans make homebuying easier.
MYTH 2

Without perfect credit, I cannot buy a home
MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

Fact: No.
With less-than-perfect credit, you may still qualify.

Three things you can do:

- Talk with a HUD-approved housing counselor.
- Talk with a HUD-approved lender.
- Review your credit.
MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

If you have a credit score below 680, you can NOT get a loan.
MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

Credit Myth

If you have a credit score below 680, you can NOT get a loan.

Fact: No.

FHA’s average credit score is around 670. However, FHA offers mortgage programs with credit scores as low as 500.

Know your credit score.
MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

If you don’t have a long-established credit history, you cannot get a loan.
MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

If you don’t have a long-established credit history, you cannot get a loan.

Fact: No.

Borrower’s short credit histories, or little or no credit histories may be eligible for FHA financing.
MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

- FHA allows non-traditional credit to determine credit risk.
- Bills, such as the following, may be used to determine eligibility:
  - Utility bills
  - Car insurance
  - Cell phone bills
  - Internet/cable bills
MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

Do you need perfect credit to buy a home?
No. FHA offers mortgage programs for people with low or no credit.
MYTH 3

I need to have been on my job for at least two years
MYTH 3: I Need To Have Been On My Job For At Least Two Years

Fact: Maybe.

FHA generally requires a two-year work history; however, you do not need to be on the same job for the last two years.
MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)

Things you should know:

Two-Year History: Your two-year history should show employment either with the same employer or the same field.

This two-year history may also include time in school or the military.
Acceptable income sources:
- Regular employment
- Self-employment*
- Part-time work/Seasonal*
- Overtime*
- Commission*

*Income is averaged over two years.
Frequent Employment Changes

Even if you have changed jobs more than three times in 12 months, you may still qualify for an FHA-insured loan.

Ask your lender what information you can provide.
MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)

Employment gaps over 30 days within the last two years require further review.

Employment Gaps Greater Than Six Months

For employment gaps of six months or more, you may still qualify if:

• You have been with your current job for six months; and

• You can show a two-year work history prior to your absence.
MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)

Documenting your two-year income

- Paystubs
- W-2 forms
- Verified documentation from your employer
- Self-employed, Federal income tax returns
MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)

Do you need to be on your job for two years?

FHA generally requires a two-year work history; however, you do not need to be on the same job for the last two years.
MYTH 4
FHA-insured loans are only for borrowers with no money and/or poor credit
MYTH 4: FHA-Insured Loans Are Only For Borrowers With No Money/Poor Credit (cont.)

Fact: No.

Anyone may use one of the FHA-insured loan programs to purchase their primary residence.
MYTH 4: FHA-Insured Loans Are Only For Borrowers With No Money/Poor Credit (cont.)

Anyone may use one of the FHA-insured loan programs to purchase a primary residence.
MYTH 5
I have student loan debt, so I won’t qualify
Fact: No.

Student loans will be considered as part of your overall financial picture.
MYTH 5: I Have Student Loan Debt, So I Won’t Qualify (cont.)

Student loans are treated like all other debt. It’s a matter of how much your OVERALL debt is as compared to your income.
Resources

FHA Frequently Asked Questions (FHA FAQ)
- Information on buying a home
- Find a HUD-approved Counseling Agency
- Find HUD-approved lenders in your area

Consumer Financial Protection Bureau (CFPB)
- *Home Loan Toolkit*

US Department of Housing & Urban Development (HUD)
- *First-Time Homebuyers #1*

HUD Info

General Info
Thank you for joining us today!