
What is an FHA mortgage loan?

In 1965 the Department of Housing and Urban Development (HUD) was formed. Within HUD operates the Federal Housing Administration (FHA), which has the primary responsibility for administering the government home loan insurance program. This program allows a first time home buyer who might otherwise not qualify for a home loan to obtain one because the risk is removed from the lender by FHA who insures the loan for the lender.

The most popular FHA home loan program for a first time home buyer is by far is the 203(b). This is your standard fixed rate loan for 1-4 family owner occupied houses and only requires a minimum of 3% from the borrower. This loan also permits 100% of their money needed to close to be a gift from a relative, non-profit organization, or government agency.

The main advantage to a FHA home loan is that the credit criteria for a first time borrower are not as strict as Conventional Loans sold to Fannie Mae (FNMA) or Freddie Mac (FHLMC). Someone who may have had a few credit problems or no traditional credit should not have a problem obtaining FHA financing. Also, FHA home loans are assumable, allowing a person to take over the mortgage without the additional cost of obtaining a new loan. In addition, the seller or lender must pay for part of the "traditional" [closing costs](#) (called non-allowable costs) while a borrower's allowable costs can partially be wrapped into the loan. The monthly [mortgage insurance premium](#) is cheaper for an FHA loan versus a conventional loan with 3% down. Finally, FHA loans may require less income to qualify as they will exceed the Conventional debt ratios of 28/36% as their standard is 29/41%. [To learn more about debt ratios, please see the income section.](#)

Many people make the mistake and assume that FHA loans are only available for first time home buyers. This is not true. FHA loans are available to anyone, whether your first or fifth home and can be used to purchase a home or refinance a home. If refinancing a home the current loan **DOES NOT** have to be an FHA loan.

The greatest disadvantage of FHA home loans is that FHA limits the loan size that a borrower can borrow. Please see the link for [FHA Loan Limits](#) in your area. Others may try and convince you that the FHA upfront mortgage insurance premium (MIP) is a disadvantage. However this amount makes just a very small increase in the borrower's month payment and is partially refundable. See the section on [MIP refunds](#) for more information.

New FHA Single-Family Loan Limits for California Counties and Coconino County in AZ:

California			
County	Loan Amount	County	Loan Amount
Alameda County	\$729,750	San Bernardino County	\$500,000
Alpine County	\$547,500	San Diego County	\$697,500
Amador County	\$443,750	San Francisco County	\$729,750
Calaveras County	\$462,500	San Joaquin County	\$488,750
Contra Costa County	\$729,750	San Luis Obispo County	\$687,500
El Dorado County	\$580,000	San Mateo County	\$729,750
Inyo County	\$437,500	Santa Barbara County	\$729,750
Los Angeles County	\$729,750	Santa Clara County	\$729,750
Madera County	\$425,000	Santa Cruz County	\$729,750
Marin County	\$729,750	Shasta County	\$423,750
Mendocino County	\$512,500	Solano County	\$557,500
Merced County	\$472,500	Sonoma County	\$662,500
Mono County	\$462,500	Stanislaus County	\$423,750
Monterey County	\$729,750	Sutter County	\$425,000
Napa County	\$729,750	Tuolumne County	\$437,500
Nevada County	\$562,500	Ventura County	\$729,750
Orange County	\$729,750	Yolo County	\$580,000
Placer County	\$580,000	Yuba County	\$425,000
Riverside County	\$500,000		
Sacramento County	\$580,000		
San Benito County	\$729,750		
ARIZONA			
County	Loan Amount		
Coconino County	\$450,000		