

Q&A - Advantage Homebuyer Programs

Q. Is an FHA loan the best option for an applicant that has limited savings for a down-payment?

A. Typically not. For many years FHA provided the best alternative for low to medium income families to purchase homes with a down-payment of 3% or less. However, over the past decade conventional (non-government) lenders have begun to supplant FHA financing with alternatives that provide financing with zero down and in some cases, without the necessity of purchasing private mortgage insurance. AmeriFund's Advantage Homebuyer Program and Veteran's Homebuyer Program both permit an applicant to purchase a home with less cash required at closing than the FHA alternative. With an FHA loan the applicant will be required to pay closing costs and prepaids (hazard insurance and escrows for payment of taxes and insurance) in addition to a downpayment of between 2.75% and 3.00% of the purchase price. Thus, on a \$70,000 purchase, the applicant will be required to pay closing costs of about \$1,200, prepaids of around \$800 in addition to a downpayment of \$2,100 for a total cash required at closing of in excess of \$4,100. With AmeriFund's Advantage Homebuyer Program the applicant can purchase the same property with no down-payment and he/she can finance the closing costs.

Q. Isn't it easier to qualify for an FHA loan?

A. In most cases it is easier to qualify for an AmeriFund Advantage Homebuyer loan than to qualify for an FHA loan, especially if the applicant has a better-than-average credit profile. For example, applicants with excellent credit could possibly qualify for an AdvantageHomebuyer loan with debt-to-income ratios exceeding 60%. This would never be possible with an FHA program. The qualification guidelines under the Advantage Homebuyer Program are less stringent in other respects as well.

Q. Is the interest rate paid on the Advantage Homebuyer Program higher than that paid on an FHA loan?

A. No. The pricing on AmeriFund's Advantage Homebuyer Program is usually the same or less than the rate on a comparable FHA loan. And because a mortgage insurance (MIP) of 2% or more is added into the loan amount on an FHA loan the higher resulting loan amount on the FHA loan results in a monthly mortgage payment that is typically more than the mortgage payment under the Advantage Homebuyer Program.

Q. Are there any other disadvantages to an FHA loan?

A. The mortgage insurance premium (MIP) paid on an FHA loan is always significantly higher on an FHA loan than the private mortgage insurance on AmeriFund's Advantage Homebuyer Program. On an FHA loan the borrower will be charged a mortgage insurance premium equal to more than 2% of the purchase price of the property and a renewal premium of .500% in subsequent years. By contrast no prepaid mortgage insurance premium is required on a AmeriFund's Advantage Homebuyer Program and the monthly premium can be as low as .3%. Under conventional, FHA and VA underwriting guidelines an applicant's income must be verified by obtaining direct verification of employment and income from the applicant's employer, obtaining copies of the applicant's paystubs and W-2's and copies of the applicant's tax returns in some situations. Under AmeriFund's EZ-Doc loan program the applicant's income is not verified by any of these methods. The applicant is qualified from the income stated on his loan application. And with less money down or higher equity on refinances the applicant is qualified without the necessity of even stating his or her income.