

## FHA Examples Lesson 3

### SELLER CONTRIBUTIONS

Example: The Johnson's are buying a home for \$254,000 and financing the purchase with an FHA loan. The seller has agreed to pay the lender \$16,000 to buy down the interest rate on the Johnson's loan. Six percent of the sales price is \$15,240, so the buydown is \$760 over the 6% limit on seller contributions (\$16,000 - \$15,240 = \$760). The \$760 excess seller contribution will be treated as an inducement to purchase.

### INDUCEMENT TO PURCHASE

Example: Returning to the previous example, suppose that the seller has also agreed to give the Johanssons \$1,000 towards their moving costs. This \$1,000 and the \$760 excess in seller contributions are considered inducements to purchase, and they're subtracted from the property's sales price before the maximum loan amount is calculated.

\$254,000	Sales Price
- 1,760	Inducements to Purchase
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\$252,240	Adjusted Sales Price
x .965	Maximum Loan-to-Value Ratio (96.5%)
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\$243,411	Maximum Loan Amount

### UPFRONT MIP

Example: John Rubino is buying a house with a \$350,280 FHA loan. His upfront premium will be \$3,520.80.

\$350,280	Loan Amount
x 1.00%	Premium Percentage
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\$3,520.80	UFMIP

### FINANCED UFMIP

Example: Rubino has chosen to finance his upfront MIP instead of paying it in cash at closing.

\$350,280.00	Loan Amount
+ 3,520.80	UFMIP
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\$353,782.80	Total Amount Financed

# FHA QUALIFYING WORKSHEET

## Income Qualifying -- FHA-Insured Loans

### Effective Income

Base salary  
 Wage earner 1 \_\_\_\_\_  
 Wage earner 2 \_\_\_\_\_  
 Overtime \_\_\_\_\_  
 Commissions \_\_\_\_\_  
 Bonuses \_\_\_\_\_  
 Other + \_\_\_\_\_  
 Total \_\_\_\_\_

### Recurring Charges

Car loans \_\_\_\_\_  
 Credit Cards \_\_\_\_\_  
 Student loans \_\_\_\_\_  
 Other debts \_\_\_\_\_  
 Child support \_\_\_\_\_  
 Alimony \_\_\_\_\_  
 Other + \_\_\_\_\_  
 Total \_\_\_\_\_

### Debt to Income Ratio

\_\_\_\_\_ Effective income  
 \_\_\_\_\_ × .43 Maximum ratio (43%)  
 \_\_\_\_\_ Maximum fixed payments  
 - \_\_\_\_\_ Recurring charges  
 \_\_\_\_\_ Maximum mortgage  
 \_\_\_\_\_ payment (PITI) under debt  
 \_\_\_\_\_ to income ratio

### Housing Expense to Income Ratio

\_\_\_\_\_ Effective income  
 \_\_\_\_\_ × .31 Maximum ratio (31%)  
 \_\_\_\_\_ Maximum mortgage  
 \_\_\_\_\_ payment (PITI) under  
 \_\_\_\_\_ debt to income ratio

**Maximum Mortgage Payment (PITI)** \_\_\_\_\_

**Maximum Loan Amount** \_\_\_\_\_

_____	Loan amount	_____	1/12 of taxes, insurance
× .0175	1.75% of base loan	_____	1/12 of annual MIP
_____	Upfront MIP	+	P & I payment
+	Loan amount	_____	PITI payment for loan
_____	Total amount financed	_____	with financed UFMIP

**Total Amount Financed** \_\_\_\_\_

_____	Maximum loan amount
÷ .965	Loan-to-value ratio (96.5%)
_____	Sales price
-	Loan amount
_____	Minimum cash investment

**Sales Price**