

Tapping Into the FHA Market

Have your clients been affected by the recent sub-prime mortgage fallout? Then it's time you considered FHA insured mortgages, expected to grow to over 30% of the mortgage market in 2009.

With an FHA loan, the Federal Housing Administration does not actually loan the money, but insures loans that are financed by other lenders. While FHA insured loans are often considered part of the sub-prime market, there are many benefits and almost anyone can qualify.

Marketing FHA Loans

What makes FHA loans very marketable is that they are not credit score driven, depending instead largely on income. This helps increase eligibility if...

- ... clients have shaky credit, but are currently paying their bills.
- ... clients have a bankruptcy or foreclosure, even within the last 2-3 years, but are now paying their bills on time.
- ... there are extenuating circumstances, such as a death in the family, possibly allowing clients to qualify sooner.

Offering access to FHA loans could be a great marketing niche - and can be even more powerful if you co-brand these loans with another professional (such as a mortgage broker if you're a Realtor or a Realtor if you're a mortgage broker). Consider splitting the costs on a mailing or on advertisements for instance. Invite your mortgage broker to your open house events to offer "on-site financing" and to help educate possible buyers on the benefits of FHA loans. Invite your Realtor to your office to meet with clients who are looking for an FHA qualifying home.

Characteristics of FHA Loans

One of the best aspects of FHA loans is that buyers only need 3.5% down, eliminating the need for the riskier piggyback loans some use to cover high down payment requirements. Additionally:

- The 3.5% can be paid by the seller or come from friends, family members or grants.
- The closing costs can also be included in the loan.
- Unlike a standard mortgage loan, FHA allows a cosigner who does not live in the house for a financial boost.
- There are FHA loans specifically designed to assist buyers with HUD home repairs. (However, under FHA rules, the borrower must live in the home - they do not finance investors.)
- FHA interest rates now run very close (if not equal) to market interest rates.
- The paperwork is only slightly more (a page or two) than your traditional loans.
- FHA default rates are much lower than sub-prime loans, and are only slightly higher than traditional conforming loans.

The catch is, not all mortgage companies currently offer FHA loans. There are some very stringent requirements for companies that do, and you will need to require additional training in order to offer them - however, as the above shows, additional training requirements could be well worth the cost.

Getting Started Checklist

- ✓ If you're a Realtor, find an FHA approved lender to partner with. Or, if you're a mortgage lender, take necessary steps to become FHA approved.
- ✓ Learn all you can about the various FHA loans.
- ✓ Offer educational seminars to potential homebuyers highlighting the benefits of FHA insured loans.
- ✓ Determine your mail targets, including: your sphere of influence, people with adjusting loans, first time home buyers, renters, and people with bankruptcy and foreclosures in the last few years.
- ✓ Locate appropriate mail pieces for FHA oriented campaigns.
- ✓ Locate educational materials including podcasts, videos and booklets that you can pass out to potential clients outlining FHA loan benefits.
- ✓ Establish your marketing plan including the number of mail pieces and a schedule for mailing.