

Make Your House FHA-Loan Friendly

By Terry Sheridan

Know the basics of FHA loan rules and you stand a better chance of selling your house or condo.

Make your house FHA-friendly, and it will appeal to more homebuyers. Why? Because the Federal Housing Administration is insuring the mortgage loans used by about 30% of today's homebuyers.

If your house passes the FHA rules, it will appeal to buyers who plan to use an FHA-insured mortgage. If your house doesn't qualify for an FHA loan, you're cutting out 30% of potential buyers. FHA is especially important to first-time homebuyers and those with small downpayments because it allows borrowers with good credit to make a downpayment as low as 3.5% of the purchase price.

Here's how to make your home appealing to FHA borrowers:

Know the FHA loan limits in your area

Start by checking to see if your home's listed price falls within FHA lending limits for your area. FHA mortgage limits vary a lot. In Yakima and many rural areas of Washington, FHA will insure a mortgage of up to \$271,050 on a single-family home. In major metro areas like Seattle & Bellevue the amount goes up to \$567,500 on a single-family home.

Home inspections

Most buyers will ask for a home inspection, whether or not they're using an FHA loan to buy the home. You must give FHA buyers a form explaining what home inspections can reveal, and how inspections differ from appraisals.

How much do you have to repair?

If the home inspection reveals problems, FHA will not give the okay to buy the home until you repair serious defects like roof leaks, mold, structural damage, and pre-1978 interior or exterior paint that could contain lead.

Dealing with FHA appraisers

Help the lender's appraiser by providing easy access to attics and crawl spaces, which usually must be photographed, says appraiser Frank Gregoire in St. Petersburg, Fla. Your buyer can hire his own appraiser to evaluate your home. But FHA only relies on reports by its approved appraisers. If the two appraisals conflict, the FHA appraisal preempts the buyer's appraisal.

Help with FHA closing costs

Most FHA buyers need help with closing costs, says mortgage banker Susan Herman of First Equity Mortgage Bankers in Miami. So a prime way to make your house FHA-friendly is to help with those costs. FHA currently allows sellers to pay up to 6% of the sales price to help cover closing costs, but is considering lowering that limit to 3% in the fall of 2010.

