

BUYING A HOME

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A Home Buyer's Story: Deciding on an FHA Loan

By Kristin Offiler

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When it comes to choosing the type of loan to go with when buying a house, the [home loan](#) possibilities can at first seem confusing and overwhelming. One option which is appealing to more homebuyers these days is an [FHA loan](#), backed by the Federal Housing Administration. Me and my now-husband Matt went with this type of loan for probably the same reasons a lot of people do—it was easier for us to qualify for an FHA loan and it requires a smaller down payment than the traditional 20%.

Our loan required 3.5% down, which was a much more affordable amount for a couple also paying for wedding expenses while house hunting. We opted for the FHA loan for another reason, too—it took both of our credit histories into account and both of our names were on the loan, even though we weren't married yet. We

were able to secure a larger loan since our credit histories were working together. Here are some other great reasons to [consider an FHA loan](#):

Low Down Payment. Down payments can be in the 3 percent range (the minimum downpayment is 3.5 percent), and it's ok if the down payment is gifted to the borrower. That can make home ownership more affordable for a first-time buyer.

Low Closing Costs. You can get lower closing costs than a traditional mortgage, especially if you have a lower credit score or smaller down payment.

Easier Qualifying. The federal government insures FHA loans, and this can be particularly helpful for people who have less-than-stellar credit. FHA allows for a higher debt-to-income ratio, and this allows for more loans to qualify.

Lower Overall Costs. FHA loans can often provide better interest rates, which reduces the cost of the loan.

The Federal Housing Administration doesn't actually give out loans. What they do is guarantee to reimburse your lender in the event that you don't pay back your loan. You will probably end up with a lower interest rate with an FHA loan, although you do have to pay monthly fees on it.

In the course of our research we did consider a few other options before going with an FHA loan. Since my husband Matt is a veteran, he was eligible for a [VA loan](#), which appealed to us since that type of loan didn't require a down payment and it was pretty much guaranteed to him. Unfortunately, at the time we weren't yet married and my high credit score wouldn't have been taken into account. The loan would only have been in Matt's name, so we might not have been able to get a loan for as much as if we went another route.

There was also the option of going with a Rhode Island Housing loan, but we had heard the requirements were a little more difficult. At that point in our search, we decided to make things as easy as possible for ourselves. Of course there are lots of other loan options out there, and what worked for us may not be the best solution for others. It's a good idea to discuss with your mortgage banker or loan officer your own special circumstances before deciding which kind of [home loan](#) to go with.

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Kristin Offiler is a freelance writer who recently completed a Master of Fine Arts in Creative Writing. She lives happily in her new home in the Northeast with her husband and dog.

Missed the first part of this series? Read it from the start at "A HomeBuyer's Story (Part 1): [Deciding When to Buy.](#)"

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