



## FHA Title I Provides Home Improvement Help : Part 2

The first half of this article discussed the possible uses of the FHA Title I loans. This part explains the benefits and requirements of the program.

The HUD sponsored FHA Title I loans are available to homeowners for home improvement projects. They can especially help those without any equity in their homes. There are many great aspects of this loan that you cannot always get with a traditional refinance loan. For example: As state above, you do not need to have any existing equity in your home to qualify. You can even start the application process right after you close the first mortgage loan on your home. Unlike refinances, there is no time requirement for how long you must have occupied the home before you apply. The Title I loan can be your first, second, or third loan taken out against your home. You can use it in conjunction with FHA or VA loans. There are no prepayment penalties attached. You do not need to have money for a down payment or closing costs. Both can be subtracted from the total of your loan amount. Your debt ratio can be higher with FHA Title I funds. For a home loan, you generally cannot exceed the 28/36 rule. With this loan your debt ratio can be as high as 45% Title I loans are ready to go in just a few days; the application to closing process can take as little as 10 business days. Don't forget about the tax benefits. In most cases, interest on Title I loans can be deducted from your taxes. There are some important requirements to keep in mind though. First, the borrowed funds must be used only for a home improvement project. There is no possibility for cashing out on this loan for debt consolidation or other expenses. On the loan application, you will be required to explain the project and provide the timetable of how you will complete it. The FHA will also send out an inspector starting six months after you receive the funds, to check your progress.

Other loan terms of the Title I loans are that you must have at least 50% ownership in the home you are improving and that your interest rate will be based on your overall credit rating. Also, the length of the loan will not exceed 20 years, but it must be longer than 32 days.

There will be several documents required of you during your application process. They include the following: A copy of your first mortgage settlement statement The deed and the note for your home W-2s from the past two years Pay Stubs from the past three months  
Or if you are self-employed, you will need: Complete tax returns from the past two years A year-to-date statement of profit and losses

If it is time to improve your home that has been sitting on the market for months, get needed handicapped fittings, or create an extra bedroom for your ailing mother-in-law, the Title I loan may be perfect for you. If you don't have any existing home equity and feel this type of loan could help you, contact HUD at their toll-free number, 800-669-5152.