



OFFICE OF SINGLE FAMILY HOUSING

FEDERAL HOUSING ADMINISTRATION



# *Dispelling Homebuying Myths*

Qualifying for a Loan

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OFFICE OF SINGLE FAMILY HOUSING



# Myths

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Myth 1: It is hard to qualify for Federal Housing Administration (FHA) insured loans

Myth 2: Without perfect credit, I cannot buy a home

Myth 3: I need to have been on my job for at least two years

Myth 4: FHA-insured loans are only for borrowers with no money/poor credit

Myth 5: I have student loan debt, so I won't qualify



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## MYTH 1

**It is hard to qualify for FHA-insured loans**



# MYTH 1: It is Hard to Qualify for FHA-Insured Loans

**Fact: No.**

FHA helps working individual and families with average incomes become homeowners.

1940      1950      1960      1970      1980      1990      2000      2010

War: FHA helps military families after returning from war.

Recession: FHA steadies falling home prices in oil-producing states.

FHA plays a critical role in serving Borrowers during the Great Recession.



# MYTH 1: It is Hard to Qualify for FHA-Insured Loans (cont.)

FHA-insured mortgages are an excellent option for today's homeownership needs.

One in five mortgages are FHA-insured.



# MYTH 1: It is Hard to Qualify for FHA-Insured Loans (cont.)

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## FHA:

- Has low down payment requirements;
- Allows flexible qualifying and debt-to-income ratios;
- Offers more leniency toward past credit issues;
- Allows you to use a co-borrower to help you qualify; and
- Allows the use of gift funds for down payment and closing costs.



# MYTH 1: It is Hard to Qualify for FHA-Insured Loans (cont.)

Is it hard to qualify for FHA-insured loans?

No. FHA-insured loans make homebuying easier.



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## MYTH 2

**Without perfect credit, I cannot buy a home**





# MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

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**Fact: No.**

With less-than-perfect credit, you may still qualify.

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Three things you can do:



Talk with a HUD-approved housing counselor.



Talk with a HUD-approved lender.



Review your credit.

# MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

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***Credit  
Myth***

**If you have a credit score below 680,  
you can NOT get a loan.**

# MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

**Credit  
Myth**

**If you have a credit score below 680,  
you can NOT get a loan.**

**Fact: No.**

FHA's average credit score is around 670. However, FHA offers mortgage programs with credit scores as low as 500.



Know your credit score.

# MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

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*Credit  
Myth*

If you don't have a long-established credit history, you cannot get a loan.

# MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

*Credit  
Myth*

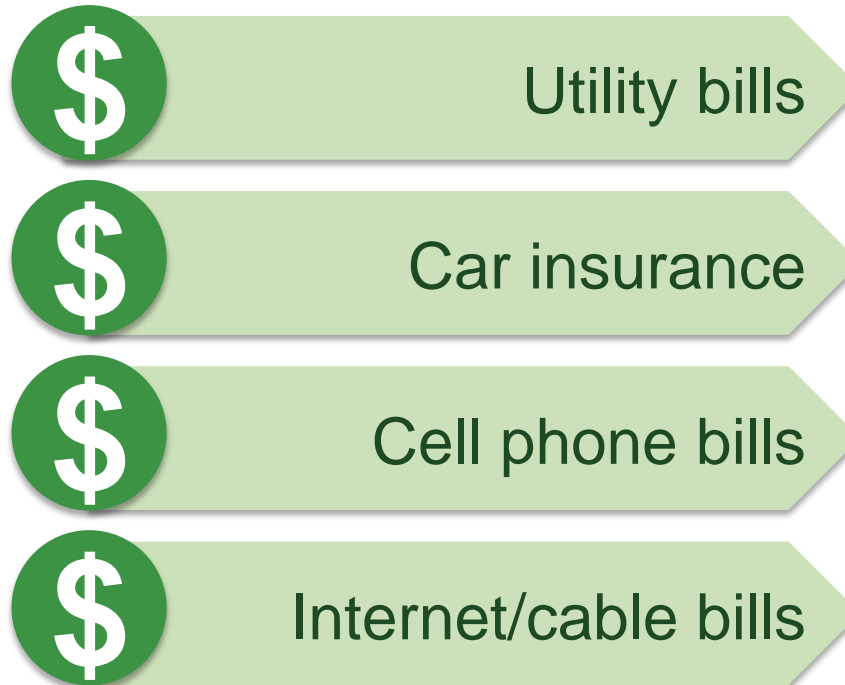
If you don't have a long-established credit history, you cannot get a loan.

**Fact: No.**

Borrower's short credit histories, or little or no credit histories may be eligible for FHA financing.

## MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

- FHA allows non-traditional credit to determine credit risk.
- Bills, such as the following, may be used to determine eligibility:



# MYTH 2: Without Perfect Credit, I Cannot Buy a Home (cont.)

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Do you need perfect credit to buy a home?

No. FHA offers mortgage programs for people with low or no credit.



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## MYTH 3

**I need to have been on my job  
for at least two years**



# MYTH 3: I Need To Have Been On My Job For At Least Two Years

**Fact:** Maybe.

FHA generally requires a two-year work history; however, you do not need to be on the *same* job for the last two years.



# MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)

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Things you should know:

**Two-Year History:** Your two-year history should show employment either with the same employer or the same field.

This two-year history may also include time in school or the military.

# MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)



Acceptable income sources:

- Regular employment
- Self-employment\*
- Part-time work/Seasonal\*
- Overtime\*
- Commission\*

\*Income is averaged over two years.

# MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)

## Frequent Employment Changes

Even if you have changed jobs more than three times in 12 months, you may still qualify for an FHA-insured loan.

Ask your lender what information you can provide.

# MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)

**Employment gaps** over 30 days within the last two years require further review.

## Employment Gaps Greater Than Six Months

For employment gaps of six months or more, you may still qualify if:

- You have been with your current job for six months; and
- You can show a two-year work history prior to your absence.

# MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)

## Documenting your two-year income



Paystubs



W-2 forms



Verified documentation from your employer



Self-employed, Federal income tax returns

# MYTH 3: I Need To Have Been On My Job For At Least Two Years (cont.)

Do you need to be on your job for two years?

FHA generally requires a two-year work history; however, you do not need to be on the same job for the last two years.





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## MYTH 4

**FHA-insured loans are only for borrowers with no money and/or poor credit**



# MYTH 4: FHA-Insured Loans Are Only For Borrowers With No Money/Poor Credit (cont.)

**Fact: No.**

Anyone may use one of the FHA-insured loan programs to purchase their primary residence.



# MYTH 4: FHA-Insured Loans Are Only For Borrowers With No Money/Poor Credit (cont.)

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Anyone may use one of the FHA-insured loan programs to purchase a primary residence.



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## MYTH 5

**I have student loan debt, so I won't qualify**

# MYTH 5: I Have Student Loan Debt, So I Won't Qualify (cont.)

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**Fact: No.**

Student loans will be considered as part of your overall financial picture.

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# MYTH 5: I Have Student Loan Debt, So I Won't Qualify (cont.)

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Student loans are treated like all other debt.  
It's a matter of how much your **OVERALL**  
debt is as compared to your income.



# Resources

[FHA Frequently Asked Questions \(FHA FAQ\)](#)

[Information on buying a home](#)

[Find a HUD-approved Counseling Agency](#)

[Find HUD-approved lenders in your area](#)



**HUD Info**

[Consumer Financial Protection Bureau \(CFPB\)](#)

[– Home Loan Toolkit](#)

[US Department of Housing & Urban Development \(HUD\)](#)

[– First-Time Homebuyers #1](#)

**General Info**

**Thank you  
for joining us today!**

