

# Rules To Follow When Applying For A Mortgage

The National Housing Act created the Federal Housing Administration in 1934 to encourage improvement in housing standards and conditions to facilitate sound home financing and to exert a stabilizing influence in the mortgage market. Testimony at the hearings which preceded enactment of this legislation clearly indicates that the Congress intended FHA to be a self-supporting agency of the Federal Government.

## MUTUALITY PROVISIONS

Section 203 of the National Housing Act established the permanent residential-type mortgage insurance program under which FHA insures approved lenders against loss. Each loan represents a separate contract of insurance between FHA and the lender, or mortgagee.

Only with respect to this one program did the Act provide for a system of mutuality whereby any portion of mortgage insurance premiums collected but not needed by FHA to conduct its operations would be refunded to the mortgagor following payment in full of the mortgage, or termination of the insurance upon receipt of a joint request from mortgagee and mortgagor.

AS DIRECTED by the provisions of the Act, FHA established a Mutual Mortgage Insurance Fund to account for income and expense incident to the Section 203 program. Into this fund is deposited all income arising from fees and premiums collected in connection with mortgages insured under Section 203, and all income resulting from the investment of monies in the fund.

Charged against the fund are operating expenses which consist of FHA's costs relating to this particular program, including amounts estimated as necessary to establish adequate reserves for losses resulting from defaults, as well as unforeseen additional losses occurring, if any, which are in excess of reserves theretofore established.

Initial fees and premiums collected by FHA are never sufficient to cover the cost of insuring a new loan; in fact, several years of premium income are required to absorb initial insuring costs. Whether or not a credit balance in the fund develops with respect to any mortgage and the amount thereof, which represents a distributive share, is dependent upon the length of time the mortgage was insured and upon FHA's operating experience during that period.

# Explain Benefits Of FHA Insurance

The FHA does not make loans. It insures mortgage loans made by banks, building and loan associations, mortgage companies and other lending institutions approved by FHA, and this insurance makes it possible for home buyers to finance homes on more liberal terms than would otherwise be available.

You can apply for an FHA-insured mortgage loan to any approved lending institution. The lender will supply the necessary forms, help you to complete them, and then, if willing to make the loan, will submit your application to the FHA insuring office.

WHEN your application reaches the FHA Office, the staff there will start to process it. FHA's processing involves a thorough analysis of the entire transaction—your qualifications as a mortgagor; the property's estimated value and conformance to FHA minimum property standards for location, design, and construction; and the suitability of the mortgage terms for you and for FHA.

After the lending institution notifies you that FHA has approved your application, it will arrange with you for the closing of your loan. At closing, FHA will endorse the mortgage for insurance. Closing costs consist of such items as the lender's service charge, the cost of title search and insurance, and charges for preparing, recording, and notarizing deed and mortgage.

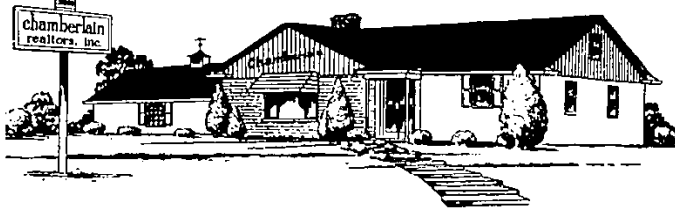
The chief requirements for you as a borrower are that you have a good credit record, the cash required

for downpayment and closing costs, and a steady income which will enable you to make the monthly mortgage payments without difficulty.

FHA has no arbitrary rules with respect to age or

income. It does consider these factors, but only in relation to your ability to repay the loan over the period of your mortgage. Each application received by FHA is considered individually on its own merits.

There are guide lines, but they are not rigid. No two families have exactly the same circumstances. Family obligations, responsibility, future prospects, and ideas on spending all differ widely.



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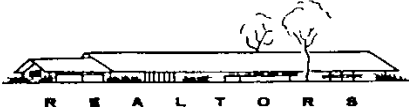
## RE One Has Record In April

Real Estate One has announced its April sales volume reached a record high of \$8,542,381. There were 391 properties sold as compared to the previous high of 350 sales produced in March.

For the first four months of the year, sales totaled 1,371 units at \$34,599,990. According to President Richard Elsea sales production will increase even further with a soon to be announced Guaranteed Sales Plan.

Real Estate One is the giant new firm comprised of Elsea Realty and Investment Company, Deremo and Son, Mathers, Stevens and Martin, and the Gordon Williamson Company.

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