



05/12/2007

Need Home Improvement Funds? Let Uncle Sam Give You a Hand

Has a lack of funding stalled your much needed home improvement project? Did you know that the government secures home improvement loans to qualified borrowers? It's true. In its quest to encourage widespread homeownership, the Department of Housing and Urban Development (HUD) has created a program that helps Americans be responsible homeowners by getting them the money needed to make valuable and necessary home improvements. If you are in the market for a home improvement, consider taking advantage of a government-backed Title I loan.

With Title I, the government does not actually finance your loan. What they do is to secure your loan. That means that they will promise to reimburse your lender for losses up to 90 percent if you default on repaying the home improvement loan. It basically makes it easier for you to get funding, because your lender is not taking as big of a risk by lending to you. They are guaranteed money even if you do not keep up your end of the bargain. For this reason they can offer you competitive rates on a home loan.

The Federal Housing Authority (FHA), a branch under HUD, will provide interested and qualified candidates with a list of approved lenders. You can contact your local FHA or HUD office for a list of approved lenders or visit their website for details. You are a qualified borrower if you are the owner or leaser of the property, or if you are purchasing the property under a land installment contract.

You can get a Title I loan for any type of house – single-family, manufactured homes, duplexes and multiplexes, even non-residential properties. You can only receive so much funding for each type though. The maximum you could receive for a single-family home is \$25,000, while the maximum for each unit of a multifamily complex is \$12,000, but you cannot get more than \$60,000 total for a multi-unit building. For a manufactured home, the maximum loan amount is \$17,500.

There is also a term limit for each type of home improvement loan. For a single-family dwelling, the loan must be repaid within 20 years. Loans made on manufactured homes and multi-family units must be repaid within 15 years.

The requirements for the use of the home improvement funds are pretty broad. According to information on the HUD website, Title I loan money must be used for “permanent property improvements that protect or improve the basic livability or utility of the property... The loans can also be used for fire safety equipment.” This definition should encompass just about anything you want or need to do to the property.

Some great points about these government-backed home improvement loans include the fact that the interest rates are generally pretty low – definitely lower than the rate you would get on a non-secured loan from a bank or credit union. It is generally a fixed rate that is based on the going market rates in your area. Another selling point of these loans is that there is no prepayment penalty. If you can repay the loan sooner, you are not punished for doing so.

If you are interested in taking advantage of one of these FHA home improvement loans, start by finding an approved lender and submitting a Title I from to him or her.