

POSTING

F.H.A. Loans Help Sales

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WHEN the credit markets snapped shut last year, getting a home mortgage became tricky business. The federal government stepped in to fill some of that void with loans insured by the [Federal Housing Administration](#). The loans now make up nearly a quarter of the market, up from just 2 percent three years ago.



Tina Fineberg for The New York Times
Hamilton Lofts on Edgemcombe Avenue in Harlem.



Richard Perry/The New York Times
The 10-50 Jackson Avenue condo in Long Island City

Loans insured by the F.H.A., an arm of HUD, protect lenders from losses, thereby encouraging them to provide financing to those who might otherwise be refused a mortgage.

These loans are typically 30-year fixed-rate products, but they require only a small down payment, as low as 3.5 percent — significantly less than the 20 percent standard of recent months. Often, the loans are made to people who don't have perfect [credit scores](#).

Sound familiar?

“When I tell people about this, they say, ‘That’s what got us into trouble!’” said Romy Goldman, the president of Gold Development, which recently received F.H.A. approval for her condominium development in [Harlem](#), Hamilton Lofts. “But that wasn’t what got us into trouble. Those were people who weren’t properly vetted to see if they could pay their mortgage. These people can pay — they just can’t put down that much cash.”

According to Meg Burns, the F.H.A.’s director of single-family program development, these loans actually perform very well. “That’s kind of a shock to most people because we serve borrowers with riskier profiles,” she said. “But we have pretty stringent underwriting standards. You have to have sufficient verifiable income and employment to make your mortgage payments.”

Because financing is so difficult to obtain these days, the F.H.A. is serving a wider range of borrowers, according to Ms. Burns. This includes people who would in the past have gone with conventional mortgages, which, traditionally, have been a bit cheaper. (F.H.A. loans include an upfront insurance premium that is folded into the borrower’s monthly payments.)

As the overall volume of these loans has increased, their presence in the condominium market has risen as well. To make them available to buyers, condominium developers must submit the entire project for approval. In the days when buyers could get 90 percent financing simply by showing up, developers generally did not bother to apply.

To win approval, a building must meet a variety of financial, structural and environmental standards and restrictions. Ms. Goldman of Gold Development said that she had probably spent \$10,000 to \$15,000 to get the

Hamilton Lofts, two six-unit buildings on Edgecombe Avenue, approved. She expects the building will receive its certificate of occupancy next month.

Another restriction that F.H.A. loans bring with them is a price cap. They insure loans only up to \$729,750, and that high only in the most expensive parts of the country, like [New York City](#) and Washington. This limit on the loans prices them out of large swaths of [Manhattan](#). But Ms. Goldman's apartments in Harlem range from \$539,000 to \$715,000, and developers in other parts of the city are taking advantage of this financing option as well.

In Long Island City, [Queens](#), 10-50 Jackson Avenue has also sought and gained F.H.A. approval.

“Lehman went under, banks went under; we were worried about our buyers,” said Kara Kasper, a senior vice president at the Corcoran Group and the exclusive agent for 10-50 Jackson. “Where were they going to be able to get financing?”

So far, no apartments have yet been bought with F.H.A. loans at this 48-unit building, which is about 75 percent closed. But Craig Axelrod, whose company, Emmy Homes, is one of the developers of 10-50 Jackson, said that having F.H.A. approval was worth it. “We still have to sell eight or nine units,” he said. “This is a good tool to have.”

At the Belle Shores Condominium in Rockaway Park, Queens, some 80 percent of the sold units have used F.H.A. loans since the project received approval last winter.

“Three years ago, people could decide to buy where they wanted to buy, and that was O.K.,” said Michael Kerris, the chief financial officer at the FrameWorks Group, the developer of Belle Shores. “Now, you have to go where the banks will allow you to buy.”