











# WHAT'S YOUR MORTGAGE TYPE? FHA *or* CONVENTIONAL

For many first time homeowners, choosing a mortgage program often comes to a choice between these two mortgage types: FHA or Conventional? Both are good options, but mortgages are a bit like power tools, you want to choose the one that is right for the job. The following summary can help you understand the key elements of both programs before you make your selection and apply.

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LET'S TAKE A LOOK AT FHA AND CONVENTIONAL LOANS

 <p><b>WHAT IS A FHA MORTGAGE?</b></p> <p>FHA home loans are mortgages insured by the Federal Housing Administration. The FHA is a government agency and doesn't issue loans. It provides mortgage insurance on loans made by approved lenders. The insurance paid on these loans protects the lender in the event of payment issues, which makes it easier for the lender to approve a loan.</p>	 <p><b>WHAT IS A CONVENTIONAL MORTGAGE?</b></p> <p>These loans conform to standards set by Fannie Mae and Freddie Mac neither of which is a government agency. Borrowers may be required to carry insurance for these loans if a down payment is less than 20%. Once the borrower's home equity reaches 22%, the insurance is no longer required.</p>
<p><b>FHA</b></p>	<p><b>CONVENTIONAL</b></p>
<p><b>CREDIT SCORE</b></p>	
<p>A lower score or imperfect credit • 580+ credit score</p>	<p>Credit scores of 620+ are welcome here</p> 
<p><b>BENEFITS</b></p>	
<p>More forgiving of past bankruptcies, short sales, or foreclosures</p> 	
<p>Down payment of 3.5% is perfectly fine</p> 	<p>Down payments of 3% possible</p> 
<p>Mortgage proceeds may only be used for a primary home</p> 	<p>May use mortgage to purchase a primary residence, a second home or even investment property</p> 
<p>Allows non-occupant co-borrower (if a relative) to help a borrower qualify for a loan</p> <p>Less restrictive requirements on debt-to-income (DTI)</p> <p>Streamlined refinancing option</p>	<p>Allows non-occupant co-borrowers (does not need to be a relative)</p> 
<p><b>BOTTOM LINE</b></p>	
<p>Easier to qualify for</p>	<p>Likely to be a less expensive option if you qualify</p>
 <p>Since 1934, the FHA and HUD have insured +34 million home mortgages</p>	<p>Fannie Mae (aka Federal National Mortgage Association or FNMA) dates back to 1938.</p> 