

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



WHAT IS A FHA MORTGAGE?

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.

FHA



WHAT IS A CONVENTIONAL MORTGAGE?

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.

CONVENTIONAL

CREDIT SCORE

A lower score or imperfect credit
• 580+ credit score

Credit scores of 620+
are welcome here



BENEFITS

More forgiving of past bankruptcies, short sales, or foreclosures



Down payment of 3.5%
is perfectly fine



Down payments
of 3% possible



Mortgage proceeds
may only be used
for a primary home



May use mortgage
to purchase a
primary residence,
a second home or
even investment
property



Allows non-occupant
co-borrower (if a relative) to help
a borrower qualify for a loan
Less restrictive requirements on
debt-to-income (DTI)
Streamlined refinancing option

Allows non-occupant
co-borrowers (does
not need to be a
relative)



BOTTOM LINE

Easier to qualify for

Likely to be a less expensive
option if you qualify



Since 1934, the FHA and HUD have insured +34 million home mortgages

Fannie Mae (aka Federal National Mortgage Association or FNMA) dates back to 1938.

