

Conventional vs FHA: Which Do You Choose?

Depending on your specific situation you may possibly qualify for both, and then you can select the one that will cost you the least over the period you hold the loan, provided you correctly identify which one that is. FHA loans are typically considered to be an easier loan to qualify for. However, that is not always the better option for you. Take a look below for a general comparison.

Additional overlays and restrictions may apply.

Contact your Mortgage Loan Officer for guidance to make an informed decision.

Conventional

FHA



Feature	Conventional Loan	FHA Loan
Minimum Down Payment Requirement	5%	3.5%
Minimum Credit Score Requirement	620	620
Upfront PMI/MIP Cost	Private Mortgage Insurance is required only for loans exceeding 80% loan to value and only monthly or single premium. Premium rate is credit score and LTV sensitive. PMI will automatically end at 78% loan to value.	1.750% upfront one time mortgage insurance premium can be rolled into loan. Up to 1.05% yearly renewal for the life of the loan. Required on all FHA loans regardless of loan to value.
Maximum Financing Concessions (can only be applied towards and not to exceed actual closing costs)	3% contribution with < 10% down payment 6% contribution with 10% - 25% down payment 9% interested contribution for closing costs for down payments over 25%	6% of Sales Price
Occupancy	Primary, 2 nd home or Investment	Primary Owner Occupy Only
Maximum Loan Amount	Visit the website link below. https://www.fanniemae.com/singlefamily/loan-limits Loan limits vary depending on the county where the subject property is located.	Visit the website link below. https://entp.hud.gov/idapp/html/hicostlook.cfm Loan limits vary depending on the county where the subject property is located.
Eligible Property	SFR, Condo, PUD, 2-4 units	SFR, Condo, PUD, 2-4 units
Reserve Requirements	2 – 12 months (varies subject to occupancy, loan to value and automated underwriting findings)	1 – 2 units: No Reserve Requirement 3 – 4 units: 3 months PITI
Gifts funds	Heavy restrictions on gift funds	Gift funds allowed
Maximum Debt to Income Ratio	45%	43%
Derogatory Credit (per AUS approval)	Bankruptcy Chapter 7 or 11: 4 years from discharge or dismissal date. Bankruptcy Chapter 13: 2 years from discharge date or 4 years from the dismissal date. Foreclosure: 7 years	Bankruptcy Chapter 7: 2 years prior to case # assignment Bankruptcy Chapter 13: 12 months prior to case # assignment Foreclosure: Title to the property that the foreclosure occurred on must have been transferred at least 3 years prior to case # assignment.



Contact Us Today For a Free No Obligation Home Loan Quote!
MortgageDuck can help you save a hefty chunk of cash on your monthly mortgage payment!

Toll Free 888.419.8545

Visit us online www.MortgageDuck.com

780 Roosevelt
Suite 115
Irvine, CA 92620
NMLS ID: 1263040 / BRE License No. 1973506

Visit us on Facebook at <https://www.facebook.com/MortgageDuck>

