PROGRAM COMPARISON BUYER DECISION GUIDE

FHA vs Conventional for First-Time Buyers

FHA and conventional loans solve the same problem - buying a home without 20% down - but they charge for it differently. FHA is more forgiving on credit and debt, with a mortgage insurance premium that usually sticks around for the life of the loan at low down payments. Conventional demands a somewhat stronger file but its private mortgage insurance can be cancelled once you build equity, and it gets cheaper as your credit score improves. The right answer isn't which program is 'better' - it's which one matches your credit score, your debt load, and how long you plan to keep the loan.

Reviewed: August 2026
Read time: ~15 minutes

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Guide: readinessiq.ai/guides/fha-vs-conventional-first-time-buyers

Key facts at a glance

FHA MINIMUM SCORE
580 - For 3.5% down; 500-579 requires 10% down.

CONVENTIONAL MINIMUM SCORE
~620 - Typical; pricing improves well above it.

FHA MORTGAGE INSURANCE
Usually life of loan - At down payments below 10%.

CONVENTIONAL PMI
Cancellable - By law once you reach 78% loan-to-value.

The one-minute answer

FHA and conventional loans solve the same problem - buying a home without 20% down - but they charge for it differently. FHA is more forgiving on credit and debt, with a mortgage insurance premium that usually sticks around for the life of the loan at low down payments. Conventional demands a somewhat stronger file but its private mortgage insurance can be cancelled once you build equity, and it gets cheaper as your credit score improves. The right answer isn't which program is 'better' - it's which one matches your credit score, your debt load, and how long you plan to keep the loan.

Buy now if:

Your credit score is 620 or higher, your debts are moderate, and you'd rather have mortgage insurance that disappears once you hit 20% equity - conventional usually wins.

Wait if:

Your score is under 620, or debts push your ratios past what conventional underwriting allows, but your income and cash to close are otherwise solid - FHA is built for exactly this file.

Consider an alternative if:

You qualify for both. Run the actual monthly cost side by side, including mortgage insurance, before assuming either program is automatically cheaper.

THE ENTRY POINT

Credit score and down payment: where the programs actually diverge

> BRIAN MIX, NMLS #111175
> FHA was built to say yes to files conventional underwriting says no to. That's the whole program in one sentence.

The first fork in this decision is credit. FHA loans allow a minimum credit score of 580 with as little as 3.5% down. Borrowers with scores between 500 and 579 can still qualify, but only with at least 10% down. There's no cliff below 500 in FHA's own rules, but very few lenders will actually originate below 580 because of the added risk.

Conventional loans, sold to Fannie Mae or Freddie Mac, typically require a minimum score of 620, though the exact number can vary by lender overlay. Conventional down payments start at 3% for qualifying first-time buyers, which is actually lower than FHA's 3.5% - the myth that FHA is always the low-down-payment option isn't true anymore.

So the practical filter is:

- Score under 620 FHA is likely your only agency-backed option today.
- Score 620-679 both are possible, but conventional mortgage insurance gets noticeably more expensive at the lower end of this range.
- Score 680 and up conventional usually pulls ahead on total monthly cost, sometimes by a wide margin.

Down payment source matters too. Both programs allow gift funds from family, but FHA is more permissive about who can give and how it's documented, and both permit non-occupant co-borrowers (like a parent co-signing) to help a buyer qualify - FHA's rules here are generally more flexible than conventional's.

Run your own numbers before assuming a program: the affordability calculator and DTI calculator will show where your file actually lands relative to these thresholds.

> FAST
> A 620 score is the rough dividing line. Below it, FHA is usually the only path. Above roughly 680, conventional usually costs less per month once mortgage insurance is factored in.

THE COST THAT NEVER SHOWS UP IN THE AD

Mortgage insurance: the single biggest cost difference

This is where FHA and conventional actually part ways in dollars, not just eligibility.

FHA mortgage insurance premium (MIP)
FHA loans carry two charges: an upfront mortgage insurance premium, currently financed into the loan, plus an annual premium paid monthly as part of your payment. For most borrowers putting down less than 10%, that annual premium lasts for the life of the loan - it does not automatically cancel as you build equity. The only ways off it are refinancing into a conventional loan or, for a smaller number of borrowers who put down 10% or more, an 11-year cancellation window.

Conventional private mortgage insurance (PMI)

Conventional loans with less than 20% down require private mortgage insurance, but PMI is priced by risk - meaning your credit score, down payment, and loan type all move the price, sometimes dramatically. A borrower with a 760 score and 10% down can pay a fraction of what a 620-score borrower pays for the same coverage.

Critically, PMI is cancellable. Under the Homeowners Protection Act of 1998, lenders must automatically terminate PMI once your loan balance reaches 78% of the home's original value (assuming you're current on payments), and you can request cancellation yourself once you reach 80%. That's a real, federally guaranteed exit - FHA's low-down-payment MIP has no equivalent.

What this means in practice
- A buyer with strong credit and a plan to build equity quickly often ends up paying less over time with conventional, even if the monthly payment starts out similar.
- A buyer with weaker credit may find FHA's MIP is still cheaper than the PMI they'd be quoted, at least at first.
- The only way to know for sure is a side-by-side monthly comparison - see the cost examples below.

> WATCH
> FHA's life-of-loan mortgage insurance is the most misunderstood cost in first-time-buyer lending. Many buyers assume it drops off automatically the way conventional PMI does. For most FHA loans with under 10% down, it does not - you refinance out or you keep paying it.

UNDERWRITING FLEXIBILITY

Debt-to-income ratios and compensating factors

Debt-to-income ratio (DTI) compares your monthly debts, including the new housing payment, to your gross monthly income. This is where FHA earns its reputation as the more forgiving program.

FHA's automated underwriting can approve files with DTI ratios well above what conventional programs typically allow, especially when compensating factors are present - things like significant cash reserves, minimal payment shock (your new payment isn't much higher than your current rent), or additional income not used in qualifying. HUD Handbook 4000.1 lays out these compensating factors explicitly for manual underwriting decisions.

Conventional loans through Fannie Mae and Freddie Mac's automated systems can also stretch DTI in strong files, but the flexibility tends to be more dependent on a higher credit score offsetting the debt load, rather than the qualitative compensating factors FHA considers.

Where this matters most
- Buyers with student loans, car payments, or credit card balances relative to income often find FHA's ratio flexibility opens a door conventional underwriting keeps shut.
- Buyers who've paid off debt before applying may qualify for either program at a much lower rate and cost - see should I pay off debt before buying for the tradeoffs of doing that first.
- Run your real ratio before assuming either program is out of reach - the DTI calculator uses your actual debts and income, not a lender's rough estimate.

Neither program is a rubber stamp. Both still require documentable, stable income, and both can decline a file with a high DTI and no compensating factors. The difference is in how much room each system gives a borderline file before it says no.

> TIP
> If your DTI is high but you have several months of reserves or your new payment is close to your current rent, tell your loan officer explicitly - those are compensating factors an FHA underwriter may weigh in your favor.

THE HOUSE HAS TO QUALIFY TOO

Appraisal standards, loan limits, and property condition

Both programs require an appraisal to confirm value, but FHA appraisals also check that the property meets minimum property standards - the home has to be safe, sound, and secure, not just worth the price. An FHA appraiser will flag things like exposed wiring, missing handrails, peeling paint (a lead-paint concern in older homes), or a roof with active leaks. Those issues typically have to be repaired before closing.

Conventional appraisals focus primarily on value and general marketability. They're not blind to serious safety issues, but the bar for required repairs is generally lower than FHA's.

What this means for house hunting
- Fixer-uppers and estate sales are sometimes harder to finance with FHA because of the property condition requirements, unless you use an FHA 203(k) renovation loan built for that purpose.
- New construction and recently updated resale homes rarely run into FHA property issues.
- If you're comparing new construction vs. existing homes, factor in which loan program you're likely to use - an older existing home paired with FHA financing can mean a longer path to closing if repairs are required.

Loan limits
Both FHA and conventional loans are capped by county-specific loan limits set annually. FHA limits are generally lower than conventional (conforming) limits in most counties, though both rise in high-cost areas. If you're shopping near the top of either limit, check your county's figure before you get attached to a price point - a loan amount even a dollar over the limit pushes you into jumbo financing with different rules entirely.

Seller concessions
FHA allows sellers to contribute up to 6% of the sale price toward closing costs and prepaids. Conventional caps are lower and scale with your down payment - often 3% with less than 10% down, up to 9% with 25% or more down. If you're negotiating for seller-paid costs, know your cap before you ask.

> WATCH
> An older home with deferred maintenance can fail an FHA appraisal on condition alone, even if the price and value are fine. Ask your agent to flag likely FHA issues - peeling paint, roof condition, handrails - before you write an offer with FHA financing.

WHY TWO BUYERS WITH THE SAME LOAN PAY DIFFERENT AMOUNTS

How credit score drives conventional pricing (and why FHA doesn't work that way)

One of the most surprising things for first-time buyers is that FHA's mortgage insurance rate is the same regardless of your credit score (it varies mainly by loan term, down payment, and loan amount). A 580-score borrower and a 780-score borrower putting the same amount down pay the same FHA mortgage insurance rate.

Conventional PMI works the opposite way. Fannie Mae and Freddie Mac use loan-level price adjustors and PMI companies use risk-based pricing grids that scale directly with credit score. The difference between a 620 score and a 760 score on the same loan can mean a materially different PMI rate - often the difference between PMI costing nearly as much as FHA's MIP, or costing a fraction of it.

The practical upshot
- Lower scores (below ~660): FHA's flat mortgage insurance pricing often beats conventional PMI, even though FHA's MIP doesn't cancel automatically.
- Mid scores (660-719): it's genuinely close, and worth a direct lender comparison rather than an assumption.
- Higher scores (720+): conventional PMI is usually cheaper, sometimes by a wide margin, and it cancels once you reach 78-80% loan-to-value.

This is also why a borrower sitting just below a pricing tier - say, a 618 score chasing 620 - can sometimes save more by spending sixty days improving credit than by locking in a rate today. See should I get preapproved before looking for how early credit review fits into your timeline.

Ask any lender to run both programs side by side at your actual score, not a rounded estimate. The gap is often bigger than buyers expect in either direction.

> LOCAL
> Some state housing finance agencies pair FHA or conventional loans with their own down payment assistance and reduced mortgage insurance pricing for first-time buyers. Check state guides and the down payment assistance finder before comparing rates alone.

THE EXIT PLAN

Refinancing out of FHA later - what it actually takes

Because FHA's mortgage insurance often lasts the life of the loan, many first-time buyers plan to refinance into a conventional loan once they've built enough equity. This is a common and reasonable strategy, but it comes with real conditions.

What you need
- Enough equity. You'll generally need at least 20% equity to refinance into a conventional loan without new PMI, though refinancing with less equity and new PMI can still make sense if the payment improves enough.
- A credit score that still qualifies, ideally in the range that earns competitive conventional pricing - refinancing

doesn't reset your credit history.
- Stable, documentable income at the time of the refinance, exactly like a purchase.
- Closing costs, typically 2%-5% of the new loan amount, which have to be earned back through monthly savings within a reasonable time frame. The refinance calculator runs that break-even math against your numbers.

The FHA streamline alternative
FHA also offers a streamline refinance for existing FHA borrowers, which can simplify documentation, but it refinances into another FHA loan - meaning FHA mortgage insurance continues rather than disappearing. It can still lower your rate and payment; it just doesn't solve the mortgage-insurance question.

The honest planning point
A refinance is never guaranteed. Rates, your credit, your income, and the home's appraised value all have to cooperate at that future date. If your plan to buy FHA today depends entirely on refinancing out in three years, build the plan around your actual amortization schedule and equity growth - not a rate you're hoping shows up.

> TIP
> Track your amortization schedule after closing. Once you're close to 20% equity through paydown, appreciation, or both, ask your lender to run the conventional refinance numbers - sometimes it's cheaper to request PMI removal on an existing conventional loan than to refinance an FHA loan.

BRINGING IT TOGETHER

So which one should you actually pick?

Neither loan is better in the abstract - each is built for a different starting point. Here's the plain version:

Pick FHA if:
- Your credit score is below roughly 620, or
- Your debt-to-income ratio is high and you have compensating factors like reserves or low payment shock, or
- You have limited cash and want the lowest possible down payment combined with more forgiving underwriting, or
- You're comfortable planning to refinance out later once you build equity.

Pick conventional if:
- Your credit score is 680 or higher, where PMI pricing is typically favorable, or
- You can put down at least 5-10%, shrinking both your loan amount and your mortgage insurance cost, or
- You want mortgage insurance that cancels automatically once you reach 78% loan-to-value under the Homeowners Protection Act, or
- You're buying a home with condition issues that might not clear an FHA appraisal.

If you're genuinely on the fence
Get quotes for both, side by side, with the same rate lock date and the same loan amount. Compare the total monthly payment including mortgage insurance, not just the interest rate - the headline rate rarely tells the whole story between these two programs. The mortgage payment calculator can build both scenarios so you're comparing real numbers, not marketing language.

Whatever you choose, this is a decision you can revisit. A loan taken out today isn't a life sentence - it's a starting point you can refinance, pay down, or restructure as your credit and equity improve.

> FAST
> There's no universal winner. Run both programs against your actual credit score, down payment, and debts before deciding - the gap between them is often hundreds of dollars a month in either direction.

Your options, compared

FHA loan

Government-insured loan built for lower credit scores and higher debt loads.

Pros

- Minimum credit score as low as 580 with 3.5% down
- More flexible debt-to-income underwriting with compensating factors
- Seller concessions allowed up to 6% of the sale price
- Assumable by a future qualified buyer, which can be a resale advantage

Cons

- Mortgage insurance premium usually lasts the life of the loan below 10% down
- Upfront mortgage insurance premium adds to the loan amount
- Stricter property condition standards can complicate older-home purchases
- Mortgage insurance pricing doesn't reward a high credit score the way PMI does

Best for: First-time buyers with a credit score under 620, higher debt ratios, or limited cash who need underwriting flexibility.

Avoid if: Your score is well above 680 and you can put at least 5% down - conventional will likely cost less overall.

Conventional loan

Fannie Mae/Freddie Mac-backed loan that rewards stronger credit with lower costs.

Pros

- Down payments as low as 3% for qualifying first-time buyers
- Private mortgage insurance is cancellable once you reach 78-80% loan-to-value
- PMI pricing improves meaningfully as your credit score rises
- Fewer property condition restrictions than FHA

Cons

- Typically requires a credit score around 620 or higher
- PMI can be expensive for lower credit scores in the 620-660 range
- Debt-to-income flexibility relies more heavily on strong credit to offset

- Seller concession caps are lower than FHA's, especially with a smaller down payment

Best for: Buyers with a credit score of 680 or higher, moderate debt, and at least 3-5% to put down.

Avoid if: Your score is under 620 or your debt ratios are high without compensating factors - FHA is more likely to approve the file.

FHA now, refinance to conventional later

Use FHA to get in the door, then refinance out once equity and credit improve.

Pros

- Opens homeownership sooner for buyers who don't yet qualify for conventional pricing
- Refinancing can remove life-of-loan FHA mortgage insurance entirely
- Gives time to improve credit while building equity through payments and appreciation
- Keeps the FHA streamline refinance available as a fallback if a full conventional refinance isn't ready yet

Cons

- Refinancing is never guaranteed - it depends on future credit, income, and appraised value
- Refinance closing costs (roughly 2%-5% of the loan amount) have to be earned back
- Requires discipline to track equity and revisit the numbers rather than assuming it will 'just happen'

Best for: Buyers who qualify for FHA today, expect their credit or income to improve, and are willing to actively manage a future refinance.

Avoid if: You'd rather have one loan with predictable long-term costs and no dependency on future market or credit conditions.

State housing finance agency loan

State-run first-time buyer programs layered on top of FHA or conventional financing.

Pros

- Often pairs with down payment assistance grants or deferred loans
- Some agencies offer reduced mortgage insurance pricing for eligible buyers
- Usually built specifically around first-time and moderate-income buyers

Cons

- Income and purchase price limits apply
- Homebuyer education course is typically required
- Some assistance carries repayment terms or shared-appreciation clauses

Best for: First-time buyers under their state's income limits who want assistance layered onto either FHA or conventional financing.

Avoid if: Your income or purchase price exceeds the program's limits, or you don't want repayment or occupancy conditions attached.

Decision tree

1. Is your credit score below 620?

FHA allows scores down to 580 with 3.5% down, and 500-579 with 10% down. Most conventional lenders won't go below roughly 620.

Verdict: Yes FHA is likely your path

2. Is your debt-to-income ratio high, with reserves or low payment shock as compensating factors?

FHA underwriting explicitly weighs compensating factors that conventional automated systems weigh less heavily.

Verdict: Yes FHA gives more room

3. Is your credit score 680 or higher?

At this range, conventional PMI pricing is usually favorable compared to FHA's flat mortgage insurance rate.

Verdict: Yes compare conventional pricing seriously

4. Can you put down at least 5%?

A larger down payment lowers your loan amount and, on conventional loans, can meaningfully reduce PMI cost.

Verdict: Yes conventional often costs less monthly

5. Are you buying an older home with visible condition issues?

FHA's minimum property standards can require repairs before closing that conventional appraisals wouldn't flag.

Verdict: Yes conventional may close faster

6. Do you plan to refinance once you build equity?

FHA now with a conventional refinance later is a reasonable strategy if you track your equity and revisit the numbers rather than assuming it happens automatically.

Verdict: Maybe FHA now, refinance later

7. Have you compared the actual total monthly payment for both programs?

Rate alone doesn't tell the story. Mortgage insurance is often the deciding factor between FHA and conventional.

Verdict: Run both before deciding

Cost examples

Amara - 640 credit score, 3.5% down, $320,000 home

A first-time buyer with a 640 credit score comparing FHA at 3.5% down against a conventional loan at 5% down on the same $320,000 home. Illustrative numbers only - actual pricing varies by lender and market conditions.

	FHA (3.5% down)	Conventional (5% down)
Down payment	$11,200	$16,000

Loan amount (before upfront MIP)	$308,800	$304,000
Upfront mortgage insurance	~$5,404 (financed into loan)	None
Monthly mortgage insurance	~$220 (life of loan)	~$180 (cancellable)
Cancels automatically?	No, in most cases	Yes, at 78% loan-to-value
Minimum property condition standard	Stricter (FHA minimum standards)	Value-focused, fewer condition rules

> **TAKEAWAY**
> At a 640 score, the monthly mortgage insurance costs are close, but conventional's PMI is cancellable while FHA's typically isn't. Amara would need to compare her lender's actual quotes, but the equity-based exit is a real long-term advantage for conventional here.

Devon - 700 credit score, 10% down, $280,000 home

A buyer with stronger credit comparing the same two programs at a higher down payment. Illustrative figures for comparison purposes only, not a rate quote.

	FHA (10% down)	Conventional (10% down)
Down payment	$28,000	$28,000
Loan amount (before upfront MIP)	$252,000	$252,000
Upfront mortgage insurance	~$4,410 (financed into loan)	None
Monthly mortgage insurance	~$130	~$95, priced for a 700 score
MIP cancellation window	11 years (10%+ down)	Can request at 80% LTV, automatic at 78%
Total monthly mortgage insurance cost over 5 years (approx.)	~$7,800	~$5,700

> **TAKEAWAY**
> At a 700 score with 10% down, conventional mortgage insurance is meaningfully cheaper and exits sooner. This is the range where a stronger credit score starts to clearly favor conventional financing over FHA.

Timeline

Before you apply - check your credit and debts

Pull your credit report and calculate your debt-to-income ratio with the DTI calculator. This single step tells you which programs are realistically available.

Get quotes for both programs

Ask your lender to run FHA and conventional side by side at the same rate lock date, showing total monthly payment including mortgage insurance.

Confirm the property will qualify

If you're considering an older home, ask your agent about likely FHA condition issues before writing an offer with FHA financing.

Lock your rate and finalize the program

Once you've compared real numbers, lock the loan that fits your actual monthly budget, not just the lower headline rate.

Track equity after closing

If you chose FHA planning to refinance later, track your amortization schedule and home value so you know when you're approaching the equity needed for a conventional refinance.

Request PMI removal or refinance when eligible

Conventional borrowers can request PMI cancellation at 80% loan-to-value; FHA borrowers evaluate a refinance once equity and credit support it.

Common mistakes

Assuming FHA is always cheaper because it's more forgiving

FHA is more forgiving on credit and debt, not necessarily cheaper. A buyer with a 700+ score can often get a lower total monthly payment with conventional PMI than with FHA's flat mortgage insurance rate.

Not realizing FHA mortgage insurance may never cancel

Below 10% down, FHA's annual mortgage insurance premium generally lasts for the life of the loan. Many buyers assume it drops off like conventional PMI does, and are surprised years later when it doesn't.

Choosing a program before checking the property's likely condition

FHA's minimum property standards can require repairs conventional financing wouldn't flag. Confirm your target homes will pass before committing to FHA financing.

Comparing rates instead of total monthly payment

A lower interest rate on one program can still produce a higher total payment once mortgage insurance is included. Always compare the full number.

Ignoring how much credit score moves conventional PMI pricing

Because PMI is risk-based, a borderline score can make conventional PMI cost nearly as much as FHA's flat rate. A 20-point credit improvement can materially change which program wins.

Planning to refinance out of FHA without a realistic equity timeline

Refinancing depends on future credit, income, and appraised value all cooperating. Build your FHA decision around your actual amortization schedule, not a hoped-for market shift.

Not asking about seller concession caps before negotiating

FHA allows up to 6% of the sale price in seller-paid costs; conventional caps are lower and scale with down payment.

Know your ceiling before you ask a seller for help.

Overlooking state housing finance agency programs

Some state programs pair either FHA or conventional financing with reduced mortgage insurance pricing or down payment assistance for eligible first-time buyers, often overlooked in a quick two-program comparison.

Financing a car or opening new credit mid-application

New debt or a credit inquiry between pre-approval and closing can change your DTI or score enough to affect which program you actually qualify for.

Expert tips

- Ask your lender to show FHA and conventional quotes on the same one-page comparison, with total monthly payment, not just rate and mortgage insurance listed separately.
- If you're within 20 points of a conventional pricing tier, ask about a rapid rescore before committing to FHA - the PMI savings can be significant.
- Get a home inspection even if it's not required, especially with FHA financing, so condition issues surface before the appraisal does.
- If you're using FHA planning to refinance later, ask your lender to project your equity timeline based on your actual amortization schedule and local appreciation trends.
- Check whether your state housing finance agency pairs down payment assistance with either loan type before assuming you have to choose between the two options alone.

Decision checklist

- [ ] I know my current credit score and how it compares to the 580 and 620 thresholds
- [ ] I've calculated my debt-to-income ratio, not estimated it
- [ ] I understand FHA's mortgage insurance usually lasts the life of the loan below 10% down
- [ ] I understand conventional PMI cancels automatically at 78% loan-to-value
- [ ] I've asked a lender to quote both programs at the same rate lock date
- [ ] I've compared total monthly payment, not just the interest rate
- [ ] I've asked my agent whether the homes I'm considering are likely to pass an FHA appraisal
- [ ] I know my county's FHA and conventional loan limits
- [ ] I know the seller concession cap for whichever program I'm using
- [ ] If I'm planning to refinance out of FHA later, I have a rough equity timeline in mind

Frequently asked questions

What credit score do I need for FHA vs conventional?

FHA allows a minimum score of 580 with 3.5% down, and 500-579 with 10% down. Conventional loans typically require a minimum around 620, though pricing continues to improve as your score rises above that threshold.

Does FHA mortgage insurance ever go away?

For most FHA loans with less than 10% down, the annual mortgage insurance premium lasts for the life of the loan. With 10% or more down, it can cancel after 11 years. The most common way to remove it sooner is refinancing into a conventional loan once you have enough equity.

Is conventional PMI cheaper than FHA mortgage insurance?

It depends heavily on your credit score. Above roughly 680-700, conventional PMI is often cheaper than FHA's flat mortgage insurance rate. Below that range, especially near 620, the two can be close, and FHA sometimes comes out ahead.

Can I remove PMI on a conventional loan?

Yes. Under the Homeowners Protection Act of 1998, lenders must automatically terminate PMI once your loan balance reaches 78% of the home's original value, assuming you're current on payments. You can also request cancellation yourself once you reach 80%.

Which loan is easier to qualify for, FHA or conventional?

FHA is generally more forgiving on credit score and debt-to-income ratio, particularly when compensating factors like cash reserves or low payment shock are present. Conventional underwriting can also flex on debt ratio, but usually relies more on a stronger credit score to do so.

Can I use FHA and then refinance to conventional later?

Yes, this is a common strategy. Once you have enough equity, typically around 20%, and your credit and income still qualify, you can refinance into a conventional loan and remove FHA's mortgage insurance entirely. It's not automatic and depends on future conditions cooperating.

Do I need 20% down to avoid mortgage insurance?

Only on conventional loans. FHA charges mortgage insurance regardless of down payment size, though a larger down payment can shorten or reduce it slightly. Conventional loans avoid mortgage insurance entirely once you put down 20% or more.

Why does FHA allow a lower credit score than conventional?

FHA loans are insured by the federal government, which absorbs some of the lender's risk on lower-credit borrowers. That insurance is what allows FHA to approve files that conventional, privately insured loans typically can't.

Can sellers pay closing costs on FHA or conventional loans?

Yes, both allow seller-paid closing costs, called concessions, but the caps differ. FHA allows up to 6% of the sale price. Conventional caps are lower and scale with your down payment, often 3% with less than 10% down and up to 9% with

25% or more down.

Will an older home qualify for FHA financing?

It depends on the home's condition. FHA requires the property to meet minimum property standards covering safety, soundness, and security - issues like exposed wiring, missing handrails, or a leaking roof typically must be repaired before closing. Conventional appraisals focus more narrowly on value.

Is FHA only for first-time homebuyers?

No. FHA loans are available to repeat buyers as well, though many first-time buyers use them because of the lower credit and down payment requirements. There's no requirement that you've never owned a home before.

What's the FHA loan limit in my area?

FHA loan limits are set annually by county and vary based on local home prices, with higher limits in high-cost areas. Conventional (conforming) loan limits are generally higher than FHA's in most counties. Check your county's current limits before assuming a price point will qualify.

Can I use down payment assistance with FHA or conventional loans?

Yes, many down payment assistance programs work with either loan type, though eligibility rules vary by program. Check your state and local housing finance agency programs, since income and purchase price limits typically apply.

Does a higher down payment help more with FHA or conventional?

It generally helps conventional more. A larger down payment on a conventional loan can meaningfully lower PMI cost and shorten the time to reach 78-80% loan-to-value. FHA's mortgage insurance rate is less sensitive to down payment size, though 10% or more does shorten the cancellation window.

How do I decide between FHA and conventional for my situation?

Start with your credit score and debt-to-income ratio, then get quotes for both programs at the same rate lock date, comparing total monthly payment including mortgage insurance. The program with the lower comfortable monthly payment and cost structure that matches how long you plan to keep the loan is usually the right choice.

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