

# **TYPES OF LOANS AND REQUIREMENTS:**

**1. FHA**

**2. USDA**

**3. VA**

**4. CONVENTIONAL**



1

# 10 THINGS YOU MUST KNOW ABOUT FHA LOAN

## **1. CREDIT SCORE:**

- A MINIMUM CREDIT SCORE OF 580 IS REQUIRED FOR THE 3.5% DOWN PAYMENT OPTION.
- IF YOUR CREDIT SCORE IS BETWEEN 500 AND 579, YOU MAY STILL QUALIFY, BUT YOU'LL NEED A 10% DOWN PAYMENT.

## **2. DOWN PAYMENT:**

- 3.5% DOWN PAYMENT IF YOUR CREDIT SCORE IS 580 OR HIGHER.
- 10% DOWN PAYMENT IF YOUR CREDIT SCORE IS BETWEEN 500 AND 579.
- DOWN PAYMENT CAN COME FROM SAVINGS, A GIFT FROM FAMILY, OR CERTAIN DOWN PAYMENT ASSISTANCE PROGRAMS.

## **3. EMPLOYMENT AND INCOME:**

- STABLE EMPLOYMENT FOR AT LEAST TWO YEARS IN THE SAME JOB OR FIELD IS PREFERRED.
- LENDERS WILL REVIEW YOUR INCOME TO ENSURE YOU CAN AFFORD MONTHLY MORTGAGE PAYMENTS. THE INCOME SHOULD BE STEADY AND VERIFIABLE.

## **4. DEBT-TO-INCOME RATIO (DTI):**

- YOUR DTI RATIO (THE PERCENTAGE OF YOUR MONTHLY INCOME THAT GOES TOWARD DEBT PAYMENTS) SHOULD IDEALLY BE BELOW 43%. SOME LENDERS MAY ACCEPT A HIGHER DTI, DEPENDING ON OTHER FACTORS.



## **5. PROPERTY TYPE:**

- FHA LOANS ARE AVAILABLE FOR SINGLE-FAMILY HOMES, MULTIFAMILY HOMES (UP TO 4 UNITS), AND SOME MANUFACTURED HOMES (IF THEY MEET SPECIFIC CRITERIA).
- THE HOME MUST BE YOUR PRIMARY RESIDENCE AND MUST PASS AN FHA INSPECTION TO ENSURE IT MEETS CERTAIN SAFETY AND LIVABILITY STANDARDS.

## **6. U.S. CITIZENSHIP/RESIDENCY:**

- YOU MUST BE A U.S. CITIZEN, A PERMANENT RESIDENT, OR A NON-PERMANENT RESIDENT WITH LEGAL STATUS.

## **7. MORTGAGE INSURANCE PREMIUM (MIP):**

- FHA LOANS REQUIRE MORTGAGE INSURANCE FOR THE LIFE OF THE LOAN, WHICH INCLUDES AN UPFRONT PREMIUM (USUALLY 1.75% OF THE LOAN AMOUNT) AND MONTHLY PREMIUMS.
- THIS MORTGAGE INSURANCE PROTECTS THE LENDER IN CASE OF DEFAULT BUT ADDS TO YOUR MONTHLY PAYMENT.

## **8. PROPERTY APPRAISAL:**

- THE HOME MUST BE APPRAISED BY AN FHA-APPROVED APPRAISER TO DETERMINE ITS VALUE AND CONDITION.
- THE PROPERTY MUST MEET FHA MINIMUM PROPERTY STANDARDS TO ENSURE SAFETY AND HABITABILITY.

## **9. LOAN LIMITS:**

- FHA LOANS HAVE LIMITS BASED ON COUNTY AND PROPERTY TYPE. LIMITS CAN VARY WIDELY DEPENDING ON THE AREA, WITH HIGHER LIMITS IN MORE EXPENSIVE REGIONS.

## **10. NO RECENT BANKRUPTCY OR FORECLOSURE:**

- IF YOU'VE HAD A BANKRUPTCY, YOU MUST WAIT AT LEAST TWO YEARS AFTER DISCHARGE TO APPLY FOR AN FHA LOAN.
- IF YOU'VE EXPERIENCED A FORECLOSURE, YOU MUST WAIT AT LEAST THREE YEARS AFTER THE FORECLOSURE IS FINALIZED.

# 5 THINGS YOU MUST KNOW ABOUT USDA LOANS

LIKE FHA LOANS, USDA LOANS ARE DESIGNED TO HELP MORE PEOPLE BECOME HOMEOWNERS WITH FLEXIBLE REQUIREMENTS AND LOW DOWN PAYMENTS. HOWEVER, THERE ARE SOME IMPORTANT DIFFERENCES.

## 1. NO DOWN PAYMENT REQUIRED

- ONE OF THE BIGGEST ADVANTAGES OF USDA LOANS IS THAT THEY OFTEN REQUIRE NO DOWN PAYMENT AT ALL, MAKING IT EASIER FOR BUYERS TO GET INTO A HOME WITHOUT HAVING TO SAVE UP A LARGE SUM FOR A DOWN PAYMENT.

## 2. GEOGRAPHIC RESTRICTIONS

- USDA LOANS ARE ONLY AVAILABLE FOR HOMES IN DESIGNATED RURAL AREAS. WHILE THIS MIGHT SOUND RESTRICTIVE, MANY SUBURBAN AREAS MAY QUALIFY AS WELL. YOU'LL NEED TO CHECK IF THE PROPERTY YOU'RE INTERESTED IN FALLS WITHIN THE USDA'S ELIGIBLE AREAS.



### **3. INCOME LIMITS**

- **SIMILAR TO FHA LOANS, USDA LOANS HAVE INCOME LIMITS, WHICH VARY BASED ON THE SIZE OF YOUR HOUSEHOLD AND THE COUNTY YOU'RE BUYING IN. THESE LIMITS ARE SET TO ENSURE THAT THE PROGRAM ASSISTS LOW TO MODERATE-INCOME BUYERS.**

### **4. LOW MORTGAGE INSURANCE**

- **USDA LOANS OFFER AFFORDABLE MORTGAGE INSURANCE COMPARED TO OTHER TYPES OF LOANS, WHICH HELPS KEEP YOUR MONTHLY PAYMENTS LOWER. THIS IS SIMILAR TO THE MORTGAGE INSURANCE PREMIUMS (MIP) REQUIRED WITH FHA LOANS.**

### **5. CREDIT SCORE FLEXIBILITY**

- **WHILE USDA LOANS TYPICALLY REQUIRE A MINIMUM CREDIT SCORE OF 640, THEY CAN BE MORE FLEXIBLE THAN OTHER LOAN TYPES. JUST LIKE FHA LOANS, USDA LOANS ARE WILLING TO CONSIDER A BROADER RANGE OF FINANCIAL SITUATIONS, MAKING THEM A GREAT OPTION FOR BUYERS WITH LESS-THAN-PERFECT CREDIT.**

# 5 THINGS YOU NEED TO KNOW ABOUT VA LOANS

VA LOANS ARE ONE OF THE MOST BENEFICIAL MORTGAGE OPTIONS AVAILABLE TO ELIGIBLE VETERANS, ACTIVE-DUTY SERVICE MEMBERS, AND CERTAIN MEMBERS OF THE NATIONAL GUARD AND RESERVES. HERE ARE 5 KEY THINGS TO KNOW ABOUT VA LOANS:

## 1. NO DOWN PAYMENT REQUIRED

- ONE OF THE MOST SIGNIFICANT ADVANTAGES OF A VA LOAN IS THAT IT OFTEN REQUIRES NO DOWN PAYMENT AT ALL. THIS IS A HUGE BENEFIT FOR VETERANS LOOKING TO BUY A HOME WITHOUT NEEDING TO SAVE A LARGE SUM FOR UPFRONT COSTS.

## 2. NO MORTGAGE INSURANCE

- UNLIKE FHA AND USDA LOANS, VA LOANS DO NOT REQUIRE MORTGAGE INSURANCE (MI). THIS CAN SAVE YOU A SIGNIFICANT AMOUNT OF MONEY EACH MONTH, MAKING HOMEOWNERSHIP MORE AFFORDABLE.



### **3. COMPETITIVE INTEREST RATES**

- **VA LOANS TYPICALLY OFFER LOWER INTEREST RATES THAN CONVENTIONAL LOANS BECAUSE THEY ARE BACKED BY THE U.S. DEPARTMENT OF VETERANS AFFAIRS. THIS HELPS KEEP YOUR MONTHLY PAYMENTS MORE MANAGEABLE.**

### **4. LENIENT CREDIT REQUIREMENTS**

- **WHILE MOST VA LENDERS LOOK FOR A MINIMUM CREDIT SCORE OF AROUND 620, THE VA DOESN'T HAVE A SPECIFIC CREDIT SCORE REQUIREMENT, AND LENDERS MAY BE MORE FLEXIBLE. IF YOU HAVE LESS-THAN-PERFECT CREDIT, YOU COULD STILL QUALIFY.**

### **5. FUNDING FEE**

- **VA LOANS COME WITH A ONE-TIME FUNDING FEE THAT HELPS COVER THE COST OF THE PROGRAM. THE FEE VARIES DEPENDING ON THE TYPE OF SERVICE AND THE AMOUNT OF YOUR DOWN PAYMENT (IF APPLICABLE). HOWEVER, THIS FEE CAN BE FINANCED INTO THE LOAN AMOUNT, SO YOU DON'T HAVE TO PAY IT UPFRONT.**

# THE KEY REQUIREMENTS FOR A CONVENTIONAL LOAN

CONVENTIONAL LOANS ARE FLEXIBLE AND OFTEN COME WITH COMPETITIVE INTEREST RATES, BUT THEY TEND TO REQUIRE A HIGHER CREDIT SCORE AND DOWN PAYMENT COMPARED TO GOVERNMENT-BACKED LOANS LIKE FHA OR VA. IF YOU HAVE A STRONG FINANCIAL PROFILE, A CONVENTIONAL LOAN MIGHT BE A GREAT CHOICE!

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## 1. CREDIT SCORE:

- **MINIMUM CREDIT SCORE TYPICALLY REQUIRED IS 620, BUT HIGHER SCORES (700+) WILL OFTEN SECURE BETTER INTEREST RATES AND TERMS.**
- **A HIGHER CREDIT SCORE MAY ALSO HELP YOU QUALIFY WITH A LOWER DOWN PAYMENT.**

## 2. DOWN PAYMENT:

- **MINIMUM DOWN PAYMENT IS USUALLY 3% FOR FIRST-TIME HOMEBUYERS (WITH CERTAIN LOAN PROGRAMS LIKE FANNIE MAE OR FREDDIE MAC).**
- **FOR REPEAT BUYERS, THE DOWN PAYMENT CAN RANGE FROM 5% TO 20% DEPENDING ON THE LOAN PROGRAM, CREDIT SCORE, AND OTHER FACTORS.**
- **IF YOU PUT DOWN LESS THAN 20%, YOU MAY BE REQUIRED TO PAY PRIVATE MORTGAGE INSURANCE (PMI).**



### **3. DEBT-TO-INCOME (DTI) RATIO:**

- **CONVENTIONAL LOANS TYPICALLY REQUIRE A DTI RATIO OF 36% TO 45%.**
- **THIS RATIO COMPARES YOUR MONTHLY DEBT PAYMENTS (INCLUDING THE MORTGAGE) TO YOUR GROSS MONTHLY INCOME. THE LOWER YOUR DTI, THE BETTER YOUR CHANCES OF APPROVAL.**

### **4. STABLE INCOME AND EMPLOYMENT HISTORY:**

- **LENDERS USUALLY REQUIRE AT LEAST TWO YEARS OF STEADY INCOME FROM THE SAME JOB OR FIELD.**
- **DOCUMENTATION OF YOUR EMPLOYMENT HISTORY AND INCOME IS ESSENTIAL, AND SELF-EMPLOYED INDIVIDUALS MAY NEED TO PROVIDE ADDITIONAL DOCUMENTS LIKE TAX RETURNS AND PROFIT & LOSS STATEMENTS.**

### **5. PROPERTY REQUIREMENTS:**

- **THE PROPERTY MUST BE A PRIMARY RESIDENCE, ALTHOUGH CONVENTIONAL LOANS CAN ALSO BE USED FOR SECOND HOMES AND INVESTMENT PROPERTIES (WITH DIFFERENT TERMS).**
- **THE HOME MUST MEET BASIC SAFETY AND LIVABILITY STANDARDS, BUT CONVENTIONAL LOANS DON'T REQUIRE THE SAME LEVEL OF INSPECTION AS FHA LOANS.**

### **6. PRIVATE MORTGAGE INSURANCE (PMI):**

- **IF YOUR DOWN PAYMENT IS LESS THAN 20%, YOU WILL LIKELY NEED TO PAY PMI. THIS CAN EITHER BE PAID MONTHLY OR AS A ONE-TIME UPFRONT PREMIUM.**
- **ONCE YOU'VE BUILT UP 20% EQUITY IN THE HOME, YOU CAN REQUEST TO CANCEL PMI, WHICH IS A MAJOR ADVANTAGE OVER FHA LOANS WHERE MORTGAGE INSURANCE TYPICALLY LASTS FOR THE LIFE OF THE LOAN.**

### **7. LOAN LIMITS:**

- **CONVENTIONAL LOAN LIMITS ARE SET BY THE FEDERAL HOUSING FINANCE AGENCY (FHFA) AND VARY BASED ON LOCATION. IN MOST AREAS, THE LIMIT FOR A SINGLE-FAMILY HOME IS \$726,200, BUT IN HIGH-COST AREAS, THE LIMIT CAN BE HIGHER.**