FREE GUIDE · JESSICA SCHWARTZ

FHA vs. Conventional

Which loan is right for you?

PREPARED BY

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The Short Answer

FHA loans are easier to qualify for — better for buyers with lower credit scores or smaller down payments. Conventional loans cost less over time — better for buyers with strong credit who can put more down.

But the details matter. Here's the full breakdown.

Side-by-Side Comparison

	FHA Loan	Conventional Loan
Min. down payment	3.5%	3% (first-time) / 5% typical
Credit score	Lower threshold	Higher threshold
Mortgage insurance	Required (upfront + monthly)	Only if less than 20% down
Can MI be removed?	Usually no (life of loan)	Yes, at 20% equity
Loan limits	Lower (varies by area)	Higher
Property requirements	Stricter (FHA appraisal)	More flexible
Best for	First-time, lower credit	Strong credit, long-term

FHA Loans: The Full Picture

Backed by the Federal Housing Administration, FHA loans are designed to make homeownership more accessible.

Pros

- Lower down payment (as little as 3.5%)
- More flexible credit requirements
- Gift funds allowed for the full down payment
- Higher DTI ratios accepted
- Assumable by a future buyer (can be a selling point later)

Cons

- Mortgage insurance is typically for the life of the loan
- Upfront mortgage insurance premium (1.75% of loan amount)
- Stricter property condition requirements (FHA appraisal)
- Lower loan limits than conventional

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Conventional Loans: The Full Picture

Conventional loans aren't backed by the government — they follow guidelines set by Fannie Mae and Freddie Mac.

Pros

- Mortgage insurance can be removed at 20% equity
- No upfront mortgage insurance premium
- Higher loan limits
- More flexible property standards
- Often lower total cost over the life of the loan

Cons

- Higher credit score requirements
- Stricter DTI limits
- Gift funds have more restrictions
- Harder to qualify for with limited credit history

Quick Decision Guide

Choose FHA if you:

- Have a lower credit score
- Have a smaller down payment
- Have a higher DTI ratio
- Are receiving most of your down payment as a gift
- Plan to refinance in a few years (when your credit is stronger)

Choose Conventional if you:

- Have a strong credit score
- Can put down 10–20%
- Want to eventually drop mortgage insurance
- Plan to stay in the home long-term
- Are buying a home that may not meet FHA property standards

THE BIG IDEA FHA helps you get into a home. Conventional saves you more money once you're in it. Many buyers start with FHA and refinance to conventional later when their credit and equity improve.

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LET'S TALK Call or text me at (772) 297-1400, or book a free 15-minute call at homespsl.com, and we'll figure out what's right for you.

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