

# 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.

### 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 make 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



To determine which program is right for you, connect with the Loan Experts at NorthPort Funding. Our team can create a side-by-side comparison of estimated monthly payments and total payments over the life of the loan using your financial numbers. This will help you determine which type of mortgage is more likely to allow you to realize more of your long-term goals.



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