

# *What's the Minimum Credit Score to Buy a House?*

## **What is a good credit score to buy a house?**

A credit score to buy a house doesn't have to be perfect. In fact, the minimum credit score to buy a house can be as low as 580, which falls into the "fair credit" category.

With a credit score of 620 or higher, you're eligible for most types of mortgages. However, mortgage lenders consider more than just your credit score. They evaluate your credit report, your overall debts, and the size of your down payment.

Demonstrating strength in these areas can increase your chances of qualifying for a mortgage, even with a lower credit score.

## **What credit score is needed to buy a house?**

The credit score needed to buy a house varies depending on the type of loan and the lender's requirements.

While there's no single, universal credit score to buy a house, certain minimum scores are generally accepted for different types of loans.

For an FHA loan, you may qualify with a credit score as low as 500 if you can provide a 10% down payment. For a conventional loan, often backed by Fannie Mae and Freddie Mac, a minimum score of 620 is typically required.

Type of Loan	Minimum FICO Score Requirement
Conventional mortgage	Typically, 620
FHA loan (3.5% down)	Generally, 580
FHA loan (10% down)	Usually, 500
VA loan	No set minimum by the VA; lenders may have their own requirements.
USDA loan	No specific minimum from USDA; most lenders prefer a score of 640 or above.
Jumbo loan	Varies based on lender's policy

It's important to remember that while lenders have minimum credit score requirements, having a higher score can improve your chances of getting a better mortgage deal.

### Conventional loans

For a [conventional mortgage](#), a modest credit score of 620 is typically sufficient, with just a 3% down payment.

However, borrowers with a lower credit score may face a higher interest rate and the cost of [private mortgage insurance](#) (PMI), especially with less than 20% down. PMI premiums can be significant for conventional borrowers with a credit score in the low 600s and a minimal down payment. In these cases, FHA loans might offer a more cost-effective solution for those with an average credit score seeking to buy a house.

## **FHA loans**

**FHA loans** are known for allowing the lowest credit scores compared to other loan programs, accepting FICO scores of 580 and above, with only a 3.5% down payment required to buy a house.

Some lenders may even consider a credit score range of 500 to 579 for those wondering about the minimum credit score to buy a house using this program, although a 10% down payment is necessary. The Federal Housing Administration insures these government mortgages, enabling lenders to accommodate borrowers who have lower credit scores or can offer only smaller down payments.

However, FHA loans require both upfront and **annual mortgage insurance premiums (MIP)**. And unlike PMI, which is canceled once you have 20% home equity, MIP is required until you either pay off the loan completely or refinance to a different type of loan.

## **VA loans**

**VA loans**, backed by the U.S. Department of Veterans Affairs, do not have a set minimum credit score to buy a house. However, most lenders look for a minimum FICO score of 620, with some considering scores as low as 580.

VA loans are available to active-duty service members, veterans, and certain other groups, offering benefits like ultra-low mortgage rates and no ongoing PMI, except for a one-time **upfront funding fee**.

## **USDA loans**

The U.S. Department of Agriculture guarantees the **USDA loan**, which does not officially require a minimum credit score. However, a FICO score of at least 640 is commonly required by lenders. This program also requires the buyer to meet certain income criteria and purchase a home in a designated rural area.

## **Jumbo loans**

For **jumbo loans**, which exceed the conforming loan limits in the real estate market, a higher credit score is usually necessary due to the larger loan amounts, impacting the credit score to buy a house in such scenarios. Lenders typically seek a FICO score of 700–720, though some may consider scores as low as 680. These loans often necessitate a 10–20% down payment, incorporating home equity as a key part of the borrowing strategy.

## **Minimum credit score requirements can vary by lender**

Most mortgage programs are regulated by a central government agency; for instance, Freddie Mac and Fannie Mae regulate conforming loans, while the Federal Housing Administration regulates FHA loans.

These agencies set the minimum guidelines to qualify for each loan program, directly influencing the credit score to buy a house. However, lenders can impose stricter requirements, known as “overlays,” on borrowers if they choose to do so.

For example, FHA technically allows FICO scores as low as 500. But most lenders won't go below 580, and some even require a score of 620 for an FHA loan.

According to Fannie Mae, most mortgage lenders apply mortgage overlays. The most common overlay relates to credit scores.

This is why it's smart to reapply for a mortgage if you've recently been denied. Your loan may have been turned down, but that denial could be because of an overlay. There's a chance that a lender with more flexible requirements will approve you.

If you apply at a different bank, you may get better results.

## **How your credit score to buy a house is determined**

Understanding how your credit score to buy a house is determined is key to preparing for a successful mortgage application and home buying process.

## **What makes up your credit score?**

The FICO credit scoring model interprets the information found in your credit report. Some parts of your credit history are more important than others and will carry more weight on your overall score.

Your FICO score is made up of the following:

- Payment history: 35% of your total score
- Total amounts owed: 30% of your total score
- Length of credit history: 15% of your total score
- New credit: 10% of your total score
- Type of credit in use: 10% of your total score

Based on this formula, the largest part of your credit score is derived from your payment history and the amount of debt you carry versus the amount of credit available to you. These two elements account for 65% of your FICO score.

To put yourself in the best position to qualify for a mortgage and improve your credit score to buy a house, focus first on these areas. Ensure you pay your bills on time whenever possible and aim to reduce your credit utilization ratio.

Your credit utilization ratio compares the total amount of credit available to you with your current balances; try to keep it under 30%.

This will improve your FICO scores and mortgage loan terms measurably.

## **How mortgage lenders pull credit**

When you apply for a mortgage, lenders pull your credit report from all three major credit bureaus: Transunion, Equifax, and Experian.

Whether you get approved for the loan—and the terms of your loan—will depend on the result of those reports.

Lenders qualify you based on your middle credit score.

- For example, if your scores are 720, 740, and 750, the lender will use 740 as your FICO.
- If your scores are 630, 690, and 690, the lender will use 690 as your FICO.

When you apply with a spouse or co-borrower, the lender will use the lower of the two applicants' middle credit scores.

Expect each bureau to show a different FICO for you, since each will have slightly different information about you. And **expect your mortgage FICO score to be lower** than the VantageScore you'll see in most free credit reporting apps.

In all cases, to accurately determine your credit score to buy a house, you will need to show at least one account that has been reporting a payment history for at least six months. This duration is necessary for the credit bureaus to have sufficient data to calculate a reliable score.

### **Credit score versus credit history**

Your credit score reflects, in a single number, your reliability as a borrower. This summary of your credit history helps simplify borrowing, but your score doesn't tell the whole story.

Credit scores can be low for a lot of reasons. Maybe you prefer paying cash over using credit; maybe you're too young to have a credit history; or perhaps you carry high balances.

Mortgage lenders understand that a low credit score doesn't always mean you're high-risk. Because of this, they consider your entire credit history as represented in your credit report rather than just your FICO score.

Even if your score is on the lower end, maintaining a "respectable" credit history can be vital for meeting the credit score to buy a house and getting your loan application approved.

## **Compensating factors can help if you have bad credit**

You don't need perfect finances across the board to secure mortgage approval. You can often qualify if you're weak in one area—like your credit score—but stronger in other parts of your financial life. These offsets are known as “compensating factors.”

If your credit score is weak but you have a stable income, a lot in savings, and a manageable debt load, you're more likely to get a mortgage approved.

Similarly, you have a good chance at loan approval if you have a higher credit score but you're only average in those other factors.

The key is to understand that lenders look at your personal finances, not just your credit score, when determining if you have the credit score needed to buy a house.



## **How to improve your credit score to buy a house**

Homeownership is a dream for many, and it's essential to understand the credit score needed to buy a house. Whether you are a first-time home buyer or looking to refinance, knowing what a good credit score is to buy a house can significantly influence your loan amount, interest rates, and the type of loan you qualify for.

You should start checking your credit early on in the home buying process, ideally 6–12 months before you want to buy a house. This will give you time to identify issues with your score or report and work on solving them before you apply for **mortgage pre-approval**.

### **Correct errors on your credit report**

Begin by reviewing your credit report for any inaccuracies. Errors on your credit report can unfairly lower your score, affecting your loan eligibility and interest rates. Regularly checking your report and **correcting errors promptly** is a key step towards maintaining a healthy credit score.

### **Pay down debts**

Reducing your overall debt is crucial to improving your credit score. Focus on paying off high-interest debts first, such as credit card balances or student loans. This not only lowers your debt-to-income ratio but also demonstrates your creditworthiness to lenders.

### **Avoid late payments**

Timely payment of all your bills is essential. Late payments can significantly impact your credit score. Setting up reminders or automatic payments can help ensure you never miss a due date, thus maintaining a consistent payment history.

### **Don't open new credit accounts**

While it might be tempting, avoid opening new credit accounts before applying for a mortgage. Each new account can temporarily lower your



credit score and potentially raise red flags with lenders. It's better to manage and maintain existing credit accounts effectively.

### **Keep your credit utilization low**

A key factor in your credit score is your credit utilization ratio—the percentage of your available credit that you're using. Aim to keep this ratio below 30%. This demonstrates to lenders that you're not overly reliant on credit and can manage your finances responsibly.

### **Other requirements to buy a home**

Becoming a homeowner involves more than improving your credit score to buy a home; it requires a solid understanding of what lenders are looking for in your mortgage application. These qualifying requirements not only influence your mortgage eligibility but also play a significant role in determining the terms of your home loan.

### **Debt-to-income ratio**

Your **debt-to-income (DTI) ratio** is an essential factor in the home-buying process. It represents the percentage of your monthly income that goes towards paying debts. Lenders use this ratio to assess your ability to manage monthly payments and repay debts. A lower DTI ratio is preferable, as it indicates a good balance between debt and income, enhancing your chances of securing a favorable mortgage.

### **Loan-to-value ratio**

The **loan-to-value (LTV) ratio** is another important metric. It represents the percentage of your monthly income that goes towards paying debts. Lenders use this ratio, in conjunction with the credit score to buy a house, to assess your ability to manage monthly payments and repay debts. A lower DTI ratio is preferable, as it indicates a good balance between debt and income, enhancing your chances of securing a favorable mortgage.

## **Income**

Stable income and assets are key components in the home-buying process. Lenders will thoroughly review your **income sources** to ensure you have a steady income to cover your mortgage payments.

Additionally, your assets, including savings, investments, and other properties, are considered. These assets can serve as security for the loan and indicate your ability to manage financial responsibilities effectively.

## **Employment history**

Lenders also consider your employment history. Consistent employment in the same field or with the same employer over several years indicates job stability, which lenders favor. This section of your application helps lenders feel confident in your ongoing ability to meet mortgage payments.

## **Credit history**

In addition to your current credit score, lenders scrutinize your credit history when considering your credit score to buy a house. This includes the length of your credit history, payment history, and types of credit used. A longer and more diverse credit history typically signifies to lenders that you are a responsible borrower.

## **Down payment**

The size of your **down payment** is another crucial factor. A larger down payment can reduce your loan-to-value ratio, potentially resulting in better loan terms, lower interest rates, and the avoidance of mortgage insurance. It also shows lenders your commitment and financial discipline in saving towards homeownership.

## **FAQ: Credit score to buy a house**

### **What is a good credit score to buy a house?**

A good credit score to buy a house is typically around 620 or higher, especially for conventional loans backed by Fannie Mae or Freddie Mac.

This score range increases your chances of approval and can secure more favorable loan terms. However, different loan types have varying credit score requirements, so it's important to explore all available options.

### **Can you buy a house with a 600-credit score?**

Yes, you can buy a house with a 600-credit score. While this is below the typical requirement for conventional loans, it falls within the eligibility range for certain FHA loans, aligning with the credit score to buy a house. A credit score of 600 may mean higher interest rates or a larger down payment, but homeownership is still achievable.

### **Can I buy a house with bad credit?**

Buying a house with bad credit is challenging, but not impossible. Certain types of loans, like FHA loans, are designed for borrowers with lower credit scores. It's important to first review your credit report, which you can obtain for free from [annualcreditreport.com](https://annualcreditreport.com), to understand your financial standing. Improving your credit score to buy a house may involve paying down debts, correcting any errors on your report, and ensuring timely bill payments.

### **Can I buy a house while on a debt management plan?**

Yes, it is possible to buy a house while on a debt management plan, but it may be more challenging. Lenders evaluating your credit score to buy a house will consider your entire financial situation, including any ongoing debt management plans. Being on such a plan can impact your ability to secure a mortgage, as lenders often view it as a higher risk. However, demonstrating consistent payments and financial responsibility during your plan can help prove your creditworthiness to potential lenders.

### **Do you have a high enough credit score to buy a house?**

If your credit score is above 580, you're in the realm of mortgage eligibility and homeownership. With a score above 620, you should have no problem getting credit-approved to buy a house.

But remember: Credit is only one piece of the puzzle. A lender also needs to approve your income, employment, savings, and debts, as well as the location and price of the home you plan to buy.

To find out whether you can buy a house — and how much you're approved to borrow — get pre-approved by a mortgage lender. This process not only evaluates your credit score to buy a house but also gives you a verified answer about your home buying prospects.