

Mortgage Loan Types Made Simple

Starting Points of What We Will Cover

- Why loan types matter
- What is the right loan type for your personal situation.
- Common misconception:
 - “One mortgage fits everyone”
 - “Wait to buy until you can use a particular loan type.”

Conventional Loans

What Is a Conventional Loan?

- Typically follows Fannie Mae/Freddie Mac guidelines

Key Features

- Down payments as low as 3% for first-time homebuyers
- Down payments as low as 5% for non-first-time homebuyers
- No PMI required when you put 20%+ down
 - Private Mortgage Insurance (PMI) is a type of insurance required by lenders when a homebuyer makes a down payment of less than 20% on a conventional loan.
 - Purpose: It protects the lender against loss if the borrower defaults on the loan. It does not protect the borrower.
 - Cost: Typically ranges from 0.5% to 6% of the loan amount annually, usually paid as part of the monthly mortgage payment.
 - Removal: Homeowners can generally request to cancel PMI once they have reached 20% equity in their home.
- More flexible on property types and requirements from the borrower

Best For

- Buyers with stronger credit – higher credit score requirements for pre-approval
- Buyers with stable income & a decent amount of assets
- Buyers wanting to buy condos

- Move-up buyers

Pros

- Lower long-term costs
- More property flexibility
- PMI can eventually be removed

Cons

- Higher credit score expectations
- Higher asset requirements
- Stricter debt-to-income requirements

FHA Loans

What Is an FHA Loan?

- Government-backed through the FHA
- Designed to help more buyers qualify

Key Features

- Down payments as low as 3.5%
- Lower Interest Rates
- More flexible credit guidelines
- Allows higher debt-to-income ratios

Best For

- First-time buyers
- Buyers rebuilding credit
- Lower down payment buyers

Pros

- Easier qualification
- Lower credit score options
- Lower down payment requirements on multi-family homes

- Gift funds allowed

Cons

- Mortgage insurance required
- Harder to qualify for a condo
- Mortgage insurance:
 - Down Payment of 10% or More: MIP will be automatically removed after 11 years of on-time payments.
 - Down Payment of Less than 10%: MIP is required for the life of the loan. It does not go away automatically, even if you reach 20% equity.

VA Loans

What Is a VA Loan?

- Loan benefit for eligible veterans and military members

Key Features

- 0% down payment possible
- No monthly mortgage insurance
- No set debt-to-income limits so more flexible eligibility requirements

Best For

- Veterans
- Active-duty military
- Eligible surviving spouses

Pros

- Low upfront cash needed
- Flexible underwriting
- Excellent affordability

Cons

- VA funding fee may apply
- Anyone that isn't a Veteran, Active-Duty Military, or eligible surviving spouse can't be on a VA loan

USDA Loans

What Is a USDA Loan?

- Government-backed rural housing program

Key Features

- 0% down payment
- Geographic eligibility requirements
- Income limits apply

Best For

- Rural or suburban buyers
- Moderate-income households

Pros

- Affordable monthly payment
- Low down payment requirement

Cons

- Location restrictions
- Household income limitations & rules to qualify

Jumbo Loans

What Is a Jumbo Loan?

- Loan amount exceeds conforming loan limits

Key Features

- Used for higher-priced homes
- Larger reserve requirements
- Higher credit standards

Best For

- Luxury or high-cost market buyers

Pros

- Ability to finance larger homes

- Flexible financing structures

Cons

- Stricter qualification
- Larger down payments often required

Choosing the Right Loan

Factors That Determine Best Fit

- Credit score
- Down payment
- Monthly budget
- Military eligibility
- Property location
- Long-term goals

Important Reminder

“No loan type is universally best — it depends on the borrower.”

Closing Message

- Preparation matters more than perfection
- Buyers should talk with a lender early
- Pre-approval strengthens offers