

4 Types of Home Loans



Conventional

This is the most common home loan type in the market. It can be issued with either 15- or 30-year terms and you can have a fixed interest rate or an adjustable rate (ARM). If your downpayment is less than 20%, you will incur monthly private mortgage insurance (PMI) payments.

FHA

An FHA loan is backed by the Federal Housing Administration. They're made for buyers with high debt-to-income ratios and low credit scores. With an FHA loan, you will always have PMI and will pay two mortgage premiums. However, there is more flexibility in downpayment assistance with FHA loans.

VA

A VA loan is guaranteed by the Department of Veteran Affairs. Veterans, active duty service members, reservists, and spouses of veterans can qualify. There is no downpayment required and typically low interest rates. There is a funding fee, unless the veteran taking out the loan is disabled due to their military service.

USDA

A USDA loan is backed by the Department of Agriculture and is for buyers in designated rural areas. No downpayment is required but your household income must be below the limit set by the USDA. There is a funding fee and an annual fee. All USDA loans are fixed-rate.

	Downpayment	Terms	PMI (Mortgage Insurance)	Fixed or Adjustable?	Funding Fees
Conventional	3 - 20%	15 - 30 yrs.	On downpayments under 20%	either	none
VA	0	15 - 30 yrs.	none	either	2.3 - 3.6% waived for disabled veterans
FHA	3.5 - 20%	15 - 30 yrs.	Always, for 11 yrs. or life of the loan	either	none
USDA	0	15 - 30 yrs.	none	Only fixed	1% fee upfront, annual fee of .35%