

## FHA loans for first-time homebuyers

### Mortgages backed by the FHA can help you purchase a home

Federal Housing Administration (or “FHA”) loans are a popular mortgage choice for first-time homebuyers. That’s because FHA loans have lower down payments and more flexible credit, income and asset requirements than conventional loans.

Conventional loans often have higher credit scores compared to FHA loans. You usually need to buy private mortgage insurance if you make a down payment of less than 20%. Lenders may want you to have a lower debt-to-income ratio (or “DTI”) when you apply for a conventional loan. And conventional loans often have higher interest rates than [FHA loans](#) for homebuyers with less than perfect credit.

### FHA loan requirements for first time homebuyers

There are many requirements that can make FHA loans attractive to first-time homebuyers, including:

- **Down payments as low as 3.5% of the purchase price.** This is particularly useful to homebuyers who do not have the cash to make a large down payment.
- **Lower minimum credit scores.** Some lenders may be able to qualify you for an FHA loan even if your credit score is as low as 540. These mortgages typically have higher down payments, however.
- **Higher debt-to-income ratios.** Lenders of conventional mortgages generally don’t want your [debt-to-income ratio](#) to be higher than 36%. With an FHA loan, you can sometimes have a DTI as high as 43%.
- **Competitive interest rates.** FHA loans can have rates competitive with conventional loans. Be sure to look at the [annual percentage rate \(APR\)](#) when you are comparing mortgage offers. APR shows the total cost of a loan, including interest payments and any closing costs, fees, and mortgage insurance you might have to pay.

FHA loans have other requirements you’ll want to understand before you choose one. For example, you will need to pay an upfront mortgage insurance premium as well as an annual



premium. There are also limits on the amount of money you can borrow. Learn more about [FHA loan requirements](#) and their advantages and disadvantages.

You aren't restricted to buying just your first home with an FHA loan. You can buy your next home as well. You can only use an FHA loan to buy a primary residence – that is the house where you intend to live – and in most cases you can only buy one house at a time. You can refinance your home with an FHA loan too.

## **Credit score considerations for FHA first-time homebuyers**

You may be able to get a loan backed by the FHA with a credit score as low as 540. However, you will likely need to make a 10% down payment with this credit score. Lenders generally want your credit score to be at least 580 before they will allow you to make a down payment of just 3.5%.

## **Ask Freedom Mortgage about buying a home with an FHA loan**

To learn more about all the options Freedom Mortgage offers homebuyers, visit our [Get Started](#) page or call one of our helpful Loan Advisors at 877-220-5533.



## **NOTES & REMINDERS**