K&G CAPITAL MORTGAGE

FHA vs. Conventional Loans

A side-by-side comparison to help you choose the right program

FHA and conventional loans are the two most common ways to finance a home. Neither is universally "better", the right one depends on your credit, down payment, and long-term plans. Here's a side-by-side look.

	FHA Loan	Conventional Loan
Minimum down payment	3.5%	As low as 3%
Minimum credit score	580 (500 with 10% down)	620 typically
Mortgage insurance	MIP: upfront + annual, often for life of loan	PMI: cancels once you reach 20% equity
Debt-to-income flexibility	More flexible	Stricter
Loan limits	Set by county, generally lower	Higher conforming limits available
Property condition standards	Stricter (must meet HUD standards)	More flexible
Best for	First-time buyers, lower credit scores	Stronger credit, want to avoid MIP long-term

The Big Trade-Off: Mortgage Insurance

FHA mortgage insurance premium (MIP) is often required for the life of the loan unless you put down 10% or more, in which case it drops off after 11 years. Conventional PMI, on the other hand, automatically cancels once you reach 22% equity, and you can request cancellation at 20%. If you plan to stay in the home long-term and can hit 620+ credit, conventional may save you more over time.

When FHA Makes Sense

- Your credit score is below 620
- You have limited savings for a down payment
- You've had past credit challenges like a bankruptcy or foreclosure that are now behind you
- You want more flexible debt-to-income requirements

When Conventional Makes Sense

- Your credit score is 620 or higher, ideally 680+
- You can put down at least 5-10%
- You want mortgage insurance that eventually goes away
- You're buying a higher-priced home above FHA loan limits in your county

K&G Tip: *Many buyers qualify for both. The only way to know which actually saves you more is to run the real numbers side by side.*

Want a side-by-side comparison for your exact situation? We'll run both scenarios and show you the real monthly payment difference. Call us at (832) 813-0100.