



STEP-BY-STEP GUIDE 4 OF 7

Types of Home Loans: FHA, VA, USDA and Conventional Compared

Compare FHA, VA, USDA and conventional mortgages for 2026:
down payment, credit score, mortgage insurance, loan limits and who
each loan fits.

\$832,750

2026 conforming loan limit (most
areas)

0%

down on VA and USDA loans

1.75%

FHA upfront mortgage insurance

SUMMARY

Key takeaways

- 01

Conventional loans suit good credit and let you drop mortgage insurance at 78% to 80% of the original value.
-
- 02

FHA loans accept scores from 580 with 3.5% down, but annual mortgage insurance usually lasts the life of the loan.
-
- 03

VA and USDA loans require no down payment for eligible buyers and areas.
-
- 04

Ask lenders to price more than one loan type and compare cash to close, monthly payment and total cost.

CONTENTS

- 01

Start with the quick comparison
-
- 02

Understand conventional loans
-
- 03

Understand FHA loans
-
- 04

Understand VA loans
-
- 05

Understand USDA loans
-
- 06

Pick the right loan for you
-
- Other loan types you may hear about
-
- Frequently asked questions and sources
-

Most home purchases use one of four loan types: **conventional**, **FHA**, **VA** or **USDA**. They differ in how much you have to put down, the credit they accept, how mortgage insurance works, and how much you can borrow. Figures below are for 2026. Lenders can add stricter requirements of their own, called overlays.

STEP 01 OF 06

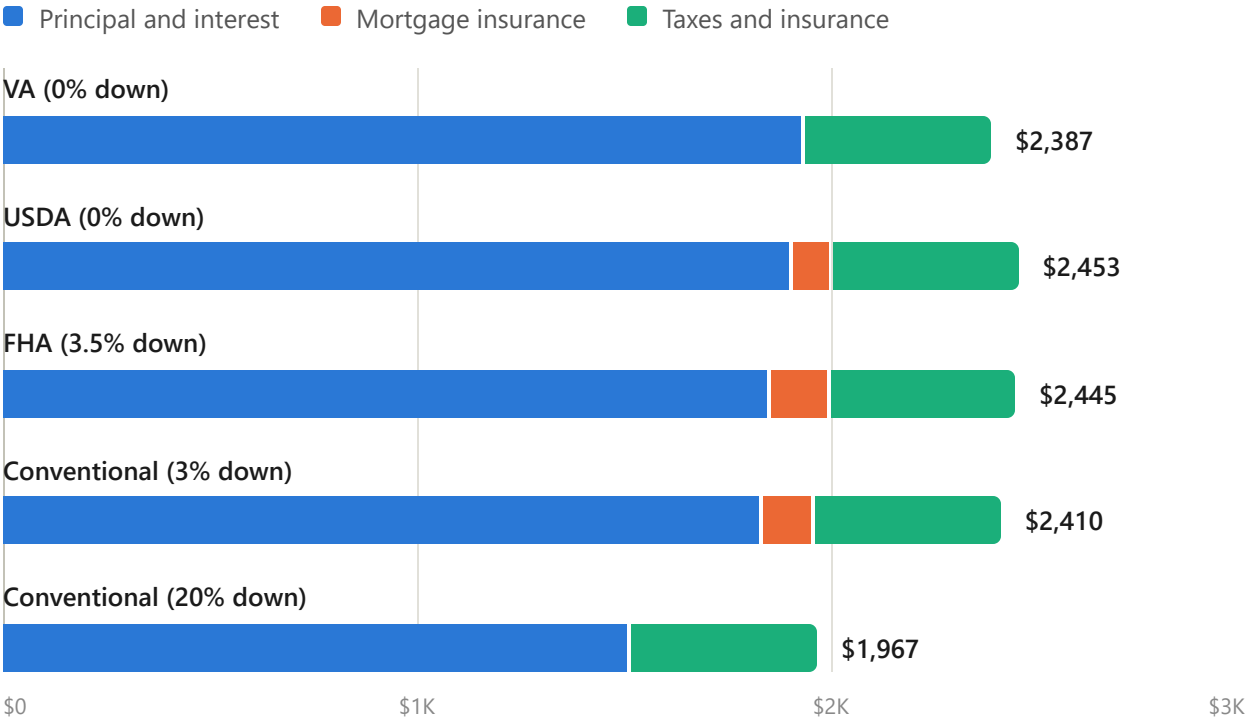
Start with the quick comparison

- **Conventional.** 3% minimum down for qualifying buyers. Credit usually from 620. Private mortgage insurance (PMI) when you put less than 20% down, which can be removed later. Loan limit \$832,750 for one unit in most counties, up to \$1,249,125 in high-cost areas.
- **FHA.** 3.5% down with a 580+ score, or 10% down from 500 to 579. Upfront premium of 1.75% plus an annual premium, usually 0.55% a year. Loan limits by county, from \$541,287 to \$1,249,125 for one unit.
- **VA.** 0% down for eligible veterans, service members and some surviving spouses. No monthly mortgage insurance. One-time funding fee, waived for many disabled veterans.
- **USDA.** 0% down in eligible rural and suburban areas. Household income up to 115% of the area median. 1% upfront guarantee fee and 0.35% annual fee.

FIGURE 1

Estimated monthly payment, by loan type

A \$300,000 home with each loan's minimum down payment, plus a 20% down comparison.



Source: HouseBuyerGuides.com calculations. Example: \$300,000 home, 6.5% 30-year fixed rate for every loan type, closing costs estimated at 3% of the price. Real rates, fees and costs vary by lender, loan type and location. Taxes and homeowners insurance estimated at \$450/month. FHA includes the 1.75% upfront premium financed and 0.55% annual MIP. Conventional PMI estimated at 0.50% a year. VA includes the 2.15% funding fee financed. USDA includes the 1% fee financed and 0.35% annual fee.

All four can be paired with many down payment assistance programs. Check each program's list of allowed first mortgages.

STEP 02 OF 06

Understand conventional loans

Conventional loans aren't insured by the government. Most follow Fannie Mae and Freddie Mac rules, which is why they are also called conforming loans.

- **Down payment.** 3% minimum for qualifying first-time buyers and for the HomeReady (Fannie Mae) and Home Possible (Freddie Mac) programs. Those two programs are for buyers earning up to 80% of the area median income and come with reduced mortgage insurance.
- **Credit.** Usually 620 or higher. Pricing improves a lot as your score goes up.
- **PMI.** Required below 20% down. You can ask to cancel it once your balance reaches 80% of the home's original value, and it ends automatically at 78% if you are current on payments.
- **Loan limits.** The 2026 conforming limit is \$832,750 for a one-unit home in most counties and up to \$1,249,125 in high-cost areas. A larger loan is a **jumbo loan**, which usually needs more down and higher credit.

Best for: buyers with credit around 680 or higher, or anyone who wants mortgage insurance that goes away.

STEP 03 OF 06

Understand FHA loans

FHA loans are insured by the Federal Housing Administration, part of HUD, and made by approved lenders.

- **Down payment.** 3.5% with a score of 580 or higher. 10% with a score from 500 to 579. Down payment money can be a gift or, in many cases, come from an approved assistance program.
- **Mortgage insurance.** An upfront premium of 1.75% of the loan, usually added to the loan balance, plus an annual premium paid monthly. On the most common FHA loan, a 30-year loan with less than 5% down, the annual premium is 0.55%. With less than 10% down, the annual premium lasts for the life of the loan. With 10% or more down, it ends after 11 years. Most borrowers refinance to drop it.
- **Loan limits.** Set by county. For 2026 they run from \$541,287 to \$1,249,125 for a one-unit home.
- **Property.** The appraisal also checks basic safety and condition standards.

Best for: buyers with lower credit scores, higher debt ratios, or a recent credit problem. More on [how FHA loans work](#), and on [upcoming FHA credit score changes](#).

STEP 04 OF 06

Understand VA loans

VA loans are guaranteed by the Department of Veterans Affairs for eligible veterans, active-duty service members, some National Guard and Reserve members, and some surviving spouses. You get a Certificate of Eligibility through the VA or your lender.

- **Down payment.** None required for borrowers with full entitlement.
- **Mortgage insurance.** None.
- **Funding fee.** One-time, can be financed. For a first-use purchase it is 2.15% with less than 5% down, 1.5% with 5% to 9.99% down, and 1.25% with 10% or more down. After first use it is 3.3% with less than 5% down. Veterans who receive VA compensation for a service-connected disability, and some others, are exempt.
- **Loan limits.** With full entitlement, the VA sets no loan limit. Your lender still decides how much you can afford.

Best for: almost any eligible veteran or service member, especially with little cash for a down payment.

STEP 05 OF 06

Understand USDA loans

USDA guaranteed loans come from approved lenders and are backed by USDA Rural Development.

- **Location.** The home has to be in an eligible area. Many small towns and suburbs qualify, not just farmland. Check an address on [USDA's eligibility map](#).
- **Income.** Household income up to 115% of the area median. USDA counts income from everyone in the household, not just the borrowers.
- **Down payment.** None.
- **Fees.** 1% upfront guarantee fee, which can be financed, and a 0.35% annual fee paid monthly.

Best for: moderate-income buyers looking outside big city centers.

STEP 06 OF 06

Pick the right loan for you

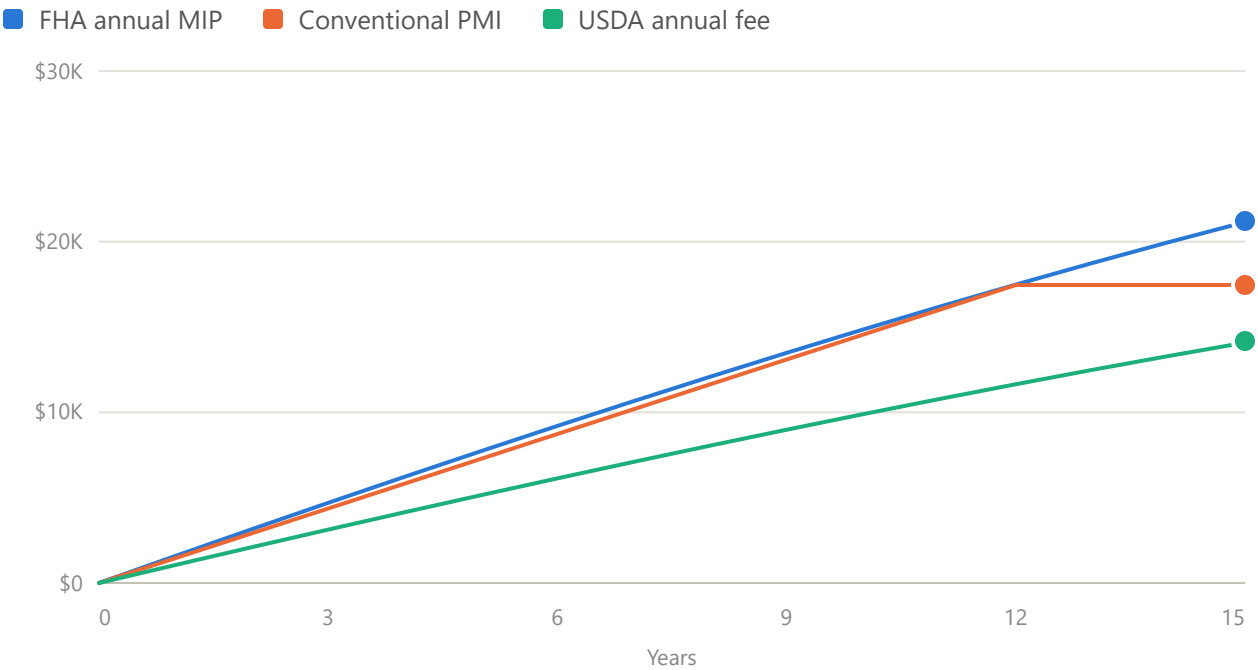
Ask your lender to price more than one loan type. Compare these on each Loan Estimate:

- 1. **Cash to close:** down payment, closing costs and upfront fees
- 2. **Monthly payment**, including mortgage insurance
- 3. **How long mortgage insurance lasts**, and what it costs over the years you plan to stay
- 4. **Which down payment assistance programs** each loan type allows

FIGURE 2

Total mortgage insurance paid over 15 years

Same \$300,000 home. Conventional PMI stops; FHA and USDA fees keep going.



Source: HouseBuyerGuides.com calculations. Example: \$300,000 home, 6.5% 30-year fixed rate for every loan type, closing costs estimated at 3% of the price. Real rates, fees and costs vary by lender, loan type and location. FHA annual MIP (0.55%) and USDA annual fee (0.35%) are figured on the declining balance and last the life of the loan. Conventional PMI (estimated 0.50% a year) ends automatically when the scheduled balance reaches 78% of the original value. Upfront fees are not included.

Rules of thumb: with a 580 to 660 score, FHA is often cheaper. With 700 or higher and at least 3% down, conventional usually costs less over time. If you are eligible for VA, it is usually the lowest-cost option. If the address and your income qualify, USDA's 0% down is hard to beat.

Other loan types you may hear about

- **Adjustable-rate mortgages (ARMs).** The rate is fixed for a period, often 5, 7 or 10 years, then adjusts. Available on conventional, FHA and VA loans. See [mortgage basics](#).
- **State housing agency first mortgages.** Usually FHA or conventional loans with the agency's rules on top, paired with that agency's assistance.
- **Portfolio and non-QM loans.** Kept by the lender, with flexible documentation for self-employed buyers or investors. Rates are usually higher.
- **FHA 203(k) and renovation loans.** Finance the purchase and repairs together.

Frequently asked questions

Which home loan has the lowest down payment?

VA and USDA loans allow 0% down for eligible buyers. Conventional loans start at 3% down for qualifying buyers, and FHA loans need 3.5% down with a credit score of 580 or higher.

Is FHA or conventional better?

FHA is often easier to qualify for with lower credit scores, but its mortgage insurance usually lasts for the life of the loan when you put less than 10% down. Conventional private mortgage insurance can be removed once you reach enough equity, so buyers with good credit often pay less over time with a conventional loan.

What is the conforming loan limit for 2026?

\$832,750 for a one-unit home in most of the country, and up to \$1,249,125 in high-cost areas. Loans above the limit for your county are jumbo loans.

Can I use down payment assistance with any loan type?

Not always. Each assistance program lists the first mortgages it allows. FHA and conventional are the most common, and many programs also allow VA and USDA.

Sources

Checked October 22, 2026.

1. **FHFA: Conforming loan limit values for 2026**
<https://www.fhfa.gov/news/news-release/fhfa-announces-conforming-loan-limit-values-for-2026>
2. **HUD: FHA announces 2026 loan limits**
<https://hud.gov/news/hud-no-25-145>
3. **HUD: Let FHA loans help you**
<https://www.hud.gov/buying/loans>
4. **HUD Mortgagee Letter 2023-05: FHA annual MIP reduction**
<https://www.hud.gov/sites/dfiles/OCHCO/documents/2023-05hsgml.pdf>
5. **VA: VA home loans**
<https://www.va.gov/housing-assistance/home-loans/>
6. **VA: Funding fee and closing costs**
<https://www.va.gov/housing-assistance/home-loans/funding-fee-and-closing-costs/>
7. **USDA Rural Development: Single Family Housing Guaranteed Loan Program**
<https://www.rd.usda.gov/programs-services/single-family-housing-programs/single-family-housing-guaranteed-loan-program>
8. **USDA: Property and income eligibility lookup**
<https://eligibility.sc.egov.usda.gov/>
9. **Fannie Mae: HomeReady mortgage**
<https://singlefamily.fanniemae.com/originating-underwriting/mortgage-products/homeready-mortgage>
10. **Freddie Mac: Home Possible**
<https://sf.freddiemac.com/working-with-us/origination-underwriting/mortgage-products/home-possible>
11. **CFPB: When can I remove PMI from my loan?**
<https://www.consumerfinance.gov/ask-cfpb/when-can-i-remove-private-mortgage-insurance-pmi-from-my-loan-en-202/>

About this report

Written by Tyler Thompson, licensed real estate agent, for HouseBuyerGuides.com. Figures were checked against the official sources listed above on October 22, 2026. Charts are illustrative examples built from the assumptions stated under each one.

This report is for education only and is not financial, legal or tax advice. Loan rules, fees and assistance programs change. Confirm the details with your lender and the program administrator before you make decisions.

NEXT STEP

Find the down payment assistance programs that serve your city

housebuyerguides.com/qualify · Read this guide online at housebuyerguides.com/guides/types-of-home-loans