FHA Home Loan

A simple guide for first-time and repeat homebuyers

An FHA loan isn't money lent by the government — a private, HUD-approved lender makes the loan, and the Federal Housing Administration (FHA) insures it against default. That insurance lets lenders approve buyers with lower credit scores and smaller down payments than many conventional loans allow.

KEY BENEFITS

- **Low Down Payment**
  As little as 3.5% down with a credit score of 580 or higher.
- **Flexible Credit**
  Scores as low as 500 may still qualify, with at least 10% down.
- **Gift Funds Allowed**
  Your down payment can come from a family member, employer, or charity.
- **Seller-Paid Closing Costs**
  Sellers may contribute up to 6% of the sales price toward your costs.
- **1–4 Unit Properties**
  Buy a single-family home or a small multi-unit and live in one unit.

WHO'S ELIGIBLE

- **Credit Score**
  580+ for 3.5% down; a score of 500–579 requires at least 10% down.
- **Primary Residence**
  The home must be your main residence, occupied within 60 days of closing.
- **Debt-to-Income Ratio**
  Lenders generally look for 43% or less, though exceptions apply.
- **Steady Income & Employment**
  A verifiable, typically 2-year work and income history is required.
- **FHA Appraisal**
  The property must meet HUD's minimum property standards for safety and condition.

Types of FHA Home Loans

Standard Purchase (203(b))
Buy a primary residence, 3.5% down

203(k) Rehabilitation Loan
Finance a home purchase and repairs together

FHA Streamline Refinance
Refinance an existing FHA loan with less paperwork

HECM Reverse Mortgage
For homeowners 62+ to convert home equity to cash

FHA Mortgage Insurance Premium (MIP) — 30-Year Loans

Down Payment	Annual MIP Rate	Duration
Less than 5%	0.55%	Life of loan
5% to 10%	0.50%	Life of loan
10% or more	0.50%	11 years

Plus a one-time **Upfront MIP of 1.75%** of the base loan amount, usually financed into the loan. Rates shown apply to loans at or below the national conforming loan limit; higher loan amounts carry slightly higher annual MIP. Unlike PMI on a conventional loan, FHA's MIP generally can't be canceled for rising home equity — only removed after the duration shown, or by refinancing.

Can I Get an FHA Loan More Than Once?

- **Generally, one FHA loan at a time.** FHA will only insure one property as your principal residence at a time.
- **Relocating for work?** If your new job is more than 100 miles away, you may qualify for another FHA loan without selling your current home.
- **Growing family?** You may qualify for a second FHA loan if your household has grown and your current home's loan-to-value is 75% or less.
- **Sold your home or paid off your FHA loan?** You're free to apply for a new FHA loan again with no restriction.

SOURCE: U.S. Department of Housing and Urban Development (HUD.gov) — FHA Loans overview, Mortgagee Letter 2023-05 (Mortgage Insurance Premium rates), 2026 FHA Loan Limits announcement, and the FHA Single Family Housing Policy Handbook 4000.1.

EFFECTIVE DATE OF DATA: MIP rates effective for case numbers endorsed on or after March 20, 2023; loan limits effective for case numbers assigned January 1–December 31, 2026; other program details current as of August 2026.

DISCLAIMER: This fact sheet is for general information only and is not exhaustive. The author is not a licensed mortgage lender or financial advisor. Consult an FHA-approved lender or licensed mortgage professional for guidance specific to your situation.