



# Affordable Lending Myths and Misconceptions

**MYTH** **FHA saves borrowers more \$ over the life of the loan.**

**FACT** This is not true. With FHA, monthly premiums can be required for the entire life of the loan, often resulting in a borrower paying up to 3 times more than Private MI over the duration of the loan.

**MYTH** **FHA monthly premiums and Private MI have the same cancellation policies.**

**FACT** FHA monthly premiums are only cancellable at LTVs of 90% or less and only after 11 years. Private MI is cancellable when a loan reaches 80% LTV, independent of original LTV. This means Private MI may be cancelled up to 6 years sooner, providing significant savings for a borrower.

**MYTH** **FHA is easier and faster to close than a conventional loan.**

**FACT** FHA often has onerous requirements that can delay closings, such as a property being declared “uninhabitable” due to minor details such as a broken window or chipped paint.

**MYTH** **Only FHA allows for 100% gift funds towards down payments.**

**FACT** National MI also allows for 100% gift funds to be used towards a down payment.

**MYTH** **FHA is the only option for borrowers with less than 5% down payment.**

**FACT** There are conventional loan products which require only a 3% down payment with a minimum credit score of 620. FHA loans require a minimum 3.5% down payment. The time it takes to save the additional funds could delay a borrower getting into their home.

**MYTH** **Borrowers with lower credit scores are only served by FHA.**

**FACT** Borrowers don’t have to have perfect credit to qualify for mortgage insurance from National MI. Most loans would only need a 620 minimum credit score.

**MYTH** **FHA loans are better for First Time Homebuyers.**

**FACT** Private mortgage insurance offers many advantages for first time homebuyers – including quicker closings, higher loan limits, and often lower monthly payments. This can help first time buyers more easily get into the home of their dreams.

**MYTH** **Conventional loans are more expensive than FHA.**

**FACT** Both Fannie Mae<sup>®</sup> and Freddie Mac<sup>®</sup> have revamped their Affordable Lending programs, reducing loan delivery fees and requiring reduced MI coverage. This allows for these programs to be competitive against FHA insured loans even at higher LTVs.

**MYTH** **It is always better to go with the lower interest rate FHA Insured Loan.**

**FACT** Not always, you have to look at the all-in cost of the FHA insured loan: factoring in the upfront premium (equity loss), the monthly FHA premiums, and the life of loan costs due to the fact that FHA monthly premiums are not cancellable in many cases.

**MYTH** **GSE Affordable programs apply to a small set of qualified borrowers.**

**FACT** GSE Affordable programs apply to qualified borrowers earning below the median area income, which means 50% of the total population. And some areas have no income limits at all.

For information purposes only. For a full description of National MI services and guidelines, and to get more information, please visit our website at [nationalmi.com](http://nationalmi.com)

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