



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 down payment on Primary Residences & Second Homes.

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[®] and Freddie Mac[®] 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 are available to all borrowers.

FACT GSE Affordable programs are available to borrowers with annual income that does not exceed 80% of AMI including loans secured by properties in low-income census tracts. This restriction allows the GSEs to sharpen their focus on serving very low-and low-income borrowers.

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

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