

# YOUR HOSTS



**Tascha Bartek**  
**Director of Corporate Training**

**Tiffany Raynes**  
**VP of Credit & Underwriting**





**FHA & CONVENTIONAL COMPARISON  
TRAINING FOR BROKERS**



**You're  
muted**

# DISCLAIMER

- This training is for Mortgage Professional Use Only
- Information contained within this training is subject to change

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- **According to the National Association of Realtors (NAR), the current ratio of first-time home buyers looking for a home is 42%**
  - **In February 2023, FHA reduced the annual mortgage insurance premiums from .85% to .55% for most homebuyers**
  - **Fannie & Freddie both offer comparable programs that allow up to 97% LTV / 105% CLTV with a Community Second Mortgage**

# FHA vs CONVENTIONAL

## FHA LOANS

- More Flexible Standards including Lower Credit Score
- Typically Allow for Higher DTI
- Appraisal focuses on safety & soundness along with property's market value
- Manual Underwrites

## CONVENTIONAL

- Allows up to 97% LTV and up to 105% CLTV with Community Second Mortgage
- Mortgage Insurance may be little less and is cancelable
- Appraisal focus more on property's market value
- Less requirements for 3–4-unit properties



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## FHA REQUIREMENTS

- **3-4-UNIT PROPERTIES:**  
Must meet the net self-sufficiency rental income
- **RENTAL INCOME FROM CURRENT RESIDENCE:**  
If income is being derived from property being vacated, must be relocating to an area more than 100 miles from the current residence

# CONVENTIONAL OPTIONS







## HOME AFFORDABLE PROGRAMS

- Principal Residence only
- Borrower Income Limits (*80% of the AMI*)
- Occupant borrower(s) may own one other financed residential property (in addition to the subject property) at the time of closing. Non-occupant borrower(s) are not subject to this restriction
- Boarder income is permitted
- Income from an ADU is permitted
- If all borrowers are FTHB, at least one must go through Homeownership Education
- LLPA's are WAIVED
- MI coverage is 25% for LTVs up to 97%

## TRADITIONAL CONVENTIONAL

- Principal Residence, Second Home, Investment Properties
- High LTV – at least one borrower must be FTHB
- No limit to the number of properties they own
- Boarder income or income from an ADU is not permitted
- Standard LLPA's apply unless the borrower is a FTHB with income at or below 100% AMI for non-high-cost-areas or 120% for high-cost areas
- Standard MI coverage required

	FHA	Traditional Conventional	HomeReady®	Home Possible®
Credit Score 	580*	620	620	620
Down Payment	3.5% <i>Unless using DPA</i>	3% <i>Unless using DPA</i>	3% <i>Unless using DPA</i>	3% <i>Unless using DPA</i>
PMI Requirements	1.75% upfront + 0.55% annually	35% coverage for high LTV's	25% coverage for high LTV's	25% coverage for high LTV's
Cancelable MI	No	Yes	Yes	Yes
FTHB Required	No	No	No	No
Seller Concession 	Up to 6%	Up to 3%	Up to 3%	Up to 3%
Loan Limit	\$679,650	\$726,200	None	None
Income Limit	None	None	Varies by location	Varies by location
<p>*FHA offers a lower credit score; however, it requires a lower LTV  For purposes of this comparison – we used the applicable minimum credit score</p> <p>**Loans utilizing Down Payment Assistance require a 600 Credit Score</p>				
DPA Program	Yes**	Yes	Yes	Yes

# How to choose a program?



1. What is their credit score?
2. What is their income?
3. Do they have credit issues?
4. Do they have seller concessions?



- [Home Possible® Mortgage FAQ - Freddie Mac Single-Family](#)
- [Home Possible® Income and Property Eligibility Tool - Freddie Mac Single-Family](#)
- [HomeReady Mortgage Comparison with Fannie Mae Standard](#)
- [HomeReady FAQs](#)
- [AMI Lookup Tool](#)

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# How to Become an Approved Broker?

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## Get Approved

### STEP 01

Please complete these two forms, so we can create your logins.  
Once this is completed, you will be able to start submitting.

[Compensation Form](#)

[Contact Form](#)

Send Forms once complete to:

[ApprovalDesk@myndm.com](mailto:ApprovalDesk@myndm.com)

If your company wishes to become a Nations Direct Mortgage partner, we welcome you to complete our application by clicking on the button below. Thank you for considering Nations Direct Mortgage.

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# QUESTIONS

*Thank You*