

Underwriting Loan Comparison Guide

A Comprehensive Guide by The Housing Assistant



FHA, VA, USDA, FNMA, FHLMC Underwriting Comparison Guide

Feature	FHA Loans (HUD)	VA Loans	USDA Loans	Fannie Mae (FNMA)	Freddie Mac (FHLMC)
Loan Type	Government-backed	Government-backed (for eligible veterans)	Government-backed (for rural properties)	Conventional (conforming)	Conventional (conforming)
Down Payment	3.5% (580+ credit)	0% (100% financing available)	0% (100% financing available)	3% (HomeReady, standard 5%)	3% (Home Possible, standard 5%)
Credit Score Minimum	500 (10% down) / 580 (3.5% down)	No minimum (lender discretion)	640 recommended (can go lower with compensating factors)	Based on FNMA Comprehensive Risk Analysis	620
Loan Limits (2026)	\$524,225 (standard); \$1,209,750 (high-cost areas)	\$2,000,000+ (based on lender guidelines & entitlement)	\$419,300+ (varies by location)	\$832,750 (standard); \$1,249,125 (high-cost)	\$832,750 (standard); \$1,249,125 (high-cost)
Private Mortgage Insurance (PMI)	Required (MIP for life of loan unless 10%+ down)	No PMI required	Required (USDA guarantee fee)	Required if LTV > 80% (cancellable at 78% LTV)	Required if LTV > 80% (cancellable at 78% LTV)
Debt-to-Income Ratio (DTI)	43% (can go up to 56.9% with compensating factors)	41% (can go higher with residual income test)	41% (higher with compensating factors)	45% (50% with strong compensating factors)	45% (50% with strong compensating factors)
Reserves Required?	None for most borrowers	Varies (typically not required)	None	0-6 months (depending on profile)	0-6 months (depending on profile)
Manual Underwriting Allowed?	Yes	Yes	Yes	Limited cases	Limited cases
Automated Underwriting System (AUS)	TOTAL Scorecard (through DU/LPA)	Automated through VA-approved AUS	GUS (Guaranteed Underwriting System)	DU (Desktop Underwriter)	LPA (Loan Product Advisor)

Employment History	2 years (with exceptions)	2 years (with exceptions)	2 years (with exceptions)	2 years (with exceptions)	2 years (with exceptions)
Income Calculation	Standard & alternative methods	Standard & alternative methods	Standard & alternative methods	Standard & alternative methods	Standard & alternative methods
Non-Occupant Co-Borrowers	Allowed (for higher DTI flexibility)	Allowed	Not allowed (occupant-only)	Limited (usually requires higher reserves)	Limited (requires higher reserves)
Gift Funds for Down Payment	100% allowed	100% allowed	100% allowed	Allowed (with borrower contribution for some programs)	Allowed (with borrower contribution for some programs)
Eligible Property Types	1-4 units, condos, manufactured homes	1-4 units, condos, manufactured homes	Single-family homes in USDA-eligible areas	1-4 units, condos, co-ops, manufactured homes	1-4 units, condos, co-ops, manufactured homes
Property Condition Requirements	Strict (must meet HUD safety standards)	Moderate (must meet VA standards)	Strict (must meet USDA property requirements)	Conventional standards (appraiser judgment)	Conventional standards (appraiser judgment)
Appraisal Validity	180 days	180 days	150 days	12 months (updated after 4 months)	12 months (update after 4 months)
Second Homes Allowed?	No	No	No	Yes (with restrictions)	Yes (with restrictions)
Investment Properties?	No	No	No	Yes (higher down payment & reserves)	Yes (higher down payment & reserves)
First-Time Buyer Programs	Yes (low down payment)	Yes (exclusive to veterans)	Yes (for low-to-moderate-income buyers in rural areas)	Yes (HomeReady: 3% down, income limits)	Yes (Home Possible: 3% down, income limits)
Refinancing Options	Streamline Refi (no appraisal)	VA IRRRL (streamline refi with no appraisal)	USDA Streamline-Assist Refinance	High LTV Refi	High LTV Refi
Self-Employed Borrowers	1-2 years tax returns	1-2 years tax returns	1-2 years tax returns	1-2 years tax returns	1-2 years tax returns
Alternative Credit History	Non-traditional credit allowed	Allowed	Limited	Limited	Limited
Upfront Mortgage Insurance Premium (UFMIP)	1.75% of loan amount (financed into loan)	None	1% upfront guarantee fee (financed into loan)	None	None
Annual Mortgage Insurance	0.55% (for 30-year loans)	None	0.35% annual fee	PMI required if LTV > 80% (can be canceled)	PMI required if LTV > 80% (can be canceled)
PMI/MIP Cancellation	MIP lasts for life of loan (unless 10%+ down)	Not applicable (no PMI)	Cannot be canceled	Yes, at 78% LTV	Yes, at 78% LTV