

# The Best Home Loan Types in 2021

Most people need financing to buy a home. Even with a large down payment, you'll need a loan to make up the rest. Fortunately, in 2021, you have many options. Mortgage guidelines have loosened up in recent years making it easier for most people to secure a loan.

Here are the top home loan types buyers use in 2021.

## Conventional Loans

Conventional loans are the 'typical loan' most people think of when talking about a mortgage. Contrary to what most people think, though, you don't need a 20% down payment. Conventional loans require just 3% down for first-time homebuyers and 5% down for subsequent homebuyers.

You do, however, need decent credit. Conventional lenders typically require a credit score of 660+ to secure financing. In exchange for your good credit, you'll get low rates and fees, and you can cancel any Private Mortgage Insurance once you owe less than 80% of the home's value.

## FHA Loans

FHA loans are a government-backed loan. Most people equate them with first-time homebuyers, but they are a great program for any borrower who doesn't qualify for a conventional loan.

FHA loans require just a 580 credit score and a 3.5% down payment. You can have a debt-to-income ratio of as high as 50%, and can even have recent negative credit events and still qualify.

The tradeoff for FHA loans is you'll pay mortgage insurance for the life of the loan, unlike conventional loans, you can't cancel the insurance once you owe less than 80% of the value.

## VA Loans

VA loans are a government-backed loan for military members. If you served at least 181 days during peacetime and had an honorable discharge, you may be eligible. The VA loan has the most flexible guidelines and doesn't even require a down payment, they provide 100% financing.

VA borrowers need a 620+ credit score and can have a debt-to-income ratio as high as 50%. The VA is also lenient about any recent negative credit events.

VA loans don't charge mortgage insurance, but there is an upfront funding fee that all veterans pay.

## **USDA Loans**

If you're a low to moderate-income family with good credit but you can't qualify for any other loan program, the USDA loan may be a good option. You'll need at least a 640 credit score and your total household income must be less than 115% of the average income for the area.

You must also prove you don't qualify for any other loan program and that you'll live in a [USDA-designated rural area](#).

## **Bottom Line**

Choose the mortgage loan that is right for you. A mortgage can last for 15 to 30 years, so look at your options carefully. Whether you have a 20% down payment or 3%, as long as you have decent credit and stable income, there are loan programs available for you.

Your mortgage is one of the most important pieces of the puzzle when you're thinking about homeownership. Evaluate your options early and get as many quotes as possible to get the most affordable loan for your needs.