NATIONAL HOMEOWNERSHIP MONTH 2025



Many misconceptions surround Federal Housing Administration (FHA)-insured mortgages, often making the homebuying process more confusing than it needs to be. Knowing what's fact and what's fiction can help buyers make informed decisions. Here we set the record straight about how FHA-insured mortgages can help American homebuyers:

- Myth 1: You can only purchase a single-family residence with an FHA-insured mortgage loan. Truth is, there are many types of properties that are eligible for FHA insurance. These include single-family homes, 2-4-unit properties, condos, townhomes, modular, and manufactured homes that meet FHA property requirements for structural soundness, safety, and livability.
- Myth 2: FHA-insured mortgage loans require a higher down payment than conventional loans.

FHA's minimum required investment can be lower than most conventional loans, as it is only 3.5% in most cases. And that 3.5% minimum required investment may come from various acceptable sources, such as borrower's own funds, gifts, second mortgages, and grants through various downpayment assistance programs.

- Myth 3: FHA requires perfect credit and high credit scores.
 FHA-insured mortgages have a lower minimum credit score requirement than most conventional mortgages.
- Myth 4: Non-taxable or self-employment income is not allowed. Not true! Borrowers can qualify for an FHA-insured mortgage using income from their salaries, commissions, self-employment, secondary employment, pensions, social security benefits, and other non-taxable income to meet their income verification documentation requirements.
- Myth 5: FHA does not insure mortgages for properties with accessory dwelling units (ADU). FHA allows homebuyers to purchase properties with an ADU, which allows for inclusion of rental income, thereby increasing the supply of housing in a community. This enables more first-time buyers, seniors, and families to leverage the power of ADUs to enhance the generational wealth building potential of homeownership.
- Myth 6: FHA only insures loans for HUD subsidized or affordable housing projects. FHA insures billions of dollars of commercial loans for market rate multifamily apartments, assisted living facilities, nursing homes, and hospitals across the county. These projects provide much needed housing and care to everyday Americans.