

Conventional vs. FHA vs. VA vs. USDA

Broad differences between the four main purchase loan programs. **Figures as of Oct 2026; guidelines change.**

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	Conventional Fannie Mae / Freddie Mac	FHA HUD-insured	VA VA-guaranteed	USDA Rural Development guaranteed
Minimum down payment	3% for eligible buyers (e.g., first-time buyers, HomeReady / Home Possible); otherwise typically 5%. More for second homes / investment.	3.5% with a 580+ credit score; 10% with a 500 to 579 score.	No down payment required for eligible borrowers with full entitlement who qualify. Reduced entitlement may require a down payment.	No down payment for eligible buyers in eligible areas.
Credit score typical; lender overlays may apply	Commonly 620+ ; MI cost and loan pricing generally improve with higher scores.	580+ for 3.5% down; 500 to 579 with 10% down. Many lenders set a higher floor.	No VA-set minimum; lenders commonly look for 580 to 620+ .	No USDA-set minimum; lenders commonly look for 640+ .
Mortgage insurance / funding fee	Monthly PMI with under 20% down. Borrower can request removal at 80% of original value; ends automatically at 78% (if current).	Upfront MIP 1.75% (may be financed) plus annual MIP, commonly 0.50% to 0.75% on 30-yr loans. Under 10% down: life of loan; 10%+ down: 11 years.	No monthly MI. One-time funding fee (purchase): first use 2.15% under 5% down, 1.5% with 5%+, 1.25% with 10%+; later use 3.3% under 5% down. Exempt: veterans receiving VA disability compensation, surviving spouses receiving DIC, and some others.	Upfront guarantee fee 1% (may be financed) plus annual fee 0.35% , included in the monthly payment.
Who's eligible	Any borrower who qualifies. No income limit on standard loans (HomeReady / Home Possible have income limits).	Any borrower who qualifies. No income limit.	Eligible veterans, service members, Guard/Reserve members and some surviving spouses, with a Certificate of Eligibility (COE).	Household income at or below 115% of area median, and the property must be in a USDA-eligible rural area.
Occupancy	Primary residence, second home or investment.	Primary residence only (1 to 4 units).	Primary residence only (1 to 4 units).	Primary residence only; cannot be income-producing.
2026 loan limits one-unit, by county	Honolulu, Hawaii & Kauai: \$1,249,125 Maui (incl. Kalawao): \$1,299,500 Above the limit = jumbo.	Honolulu: \$828,000 Hawaii County: \$586,500 Kauai: \$1,110,900 Maui (incl. Kalawao): \$1,299,500	No VA loan limit with full entitlement (lender approval and appraisal support still required). Reduced entitlement uses the county conforming limit.	No set loan limit; loan size is driven by household income limits, ability to repay and area eligibility.
Condo approval	Project must meet Fannie Mae / Freddie Mac eligibility ("warrantable"). Watch litigation, insurance, reserves, deferred maintenance, condo-hotel features.	FHA project approval, or a single-unit approval for a unit in some unapproved projects.	Project must be on the VA approved condo list; the lender can request VA review if not listed.	Project approved by, or approvable under, HUD/FHA, VA, Fannie Mae or Freddie Mac standards.
Seller concessions maximum	Primary / second home: 3% (over 90% LTV), 6% (75.01% to 90%), 9% (75% or less). Investment: 2% .	Up to 6% of sales price toward closing costs, prepaids and discount points.	Concessions up to 4% of reasonable value (e.g., funding fee, buyer debt payoff); seller-paid normal closing costs are not counted.	Up to 6% of sales price.
Appraisal & property condition	Fannie Mae / Freddie Mac appraisal standards; an appraisal waiver is sometimes offered. Safety or soundness issues may need repair.	FHA appraiser checks Minimum Property Requirements (safety, security, soundness); required repairs done before closing or escrowed where allowed.	VA-assigned appraiser checks Minimum Property Requirements. Tidewater: if value looks low, the appraiser alerts the lender; 2 business days to submit sales data.	Existing homes must meet HUD minimum property requirements (decent, safe, sanitary). Repairs may be required.
Best fit	Buyers with solid credit and some down payment; second homes, investment properties and larger loans up to the conforming limit.	Buyers who benefit from more flexible credit guidelines and a 3.5% down payment, within the county FHA limit.	Eligible veterans, service members and surviving spouses buying a primary home, including higher prices with full entitlement.	Low- to moderate-income households buying a primary home in a USDA-eligible area.

Agent tips

- **Order condo docs at listing.** AOAQ questionnaire, budget, reserve study, insurance and minutes up front, so warrantability or approval issues surface before a Purchase Contract is written.
- **Check VA first on condos.** Many Hawaii condo projects are already VA-approved, so VA is often an easier condo path for eligible buyers. Confirm on the VA condo list.
- **FHA condo review differs from Fannie Mae.** FHA uses its own criteria and can be less strict on some items. Not FHA-approved? Ask about single-unit approval.
- **USDA areas exist on every island.** On Oahu: parts of the North Shore, Windward coast and Waianae Coast; most of urban Honolulu is not eligible. Check each address on the USDA eligibility map.
- **Honolulu FHA limit is \$828,000**, below the \$1,249,125 conforming limit. Above it, FHA buyers need a larger down payment or another program.
- **Keep seller credits in the Purchase Contract within the limits above.** Ask VA buyers early if they receive VA disability compensation (no funding fee).



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