The Truth About FHA and Conventional Loans

The rental cap committee cites no access to FHA loans as a major drawback to a rental percentage greater than 50%. Yes. That percentage of rentals would hinder access under FHA lending. But what else is true?

FHA Lending Is Declining Rapidly

Only 17.4% of the mortgage market was FHA-financed in 2024. Source: FHA

FHA Loans are designed for first-time and lower-income buyers

83% of FHA Loans go to first-time buyers. Source: Scotsman Guide, November 2024

Sellers Don't Want to Accept FHA Financing

These loans take longer to close and have strict property requirements. (Like the rental %)

The average FHA borrower's credit score is approximately **680**, compared to about **750** for the average conventional borrower — a 70-point gap that reflects FHA's more lenient standards. 80% of FHA borrowers have a credit score of **600 or higher**, while about 13% fall in the 550–599 range. Mortgage Bankers Association, 2024.

Laurel Bay is Too Expensive for These Buyers

A household income of $160,000 is needed to qualify for a $600,000 purchase. At the very bottom of LB pricing.

A typical FHA buyer has a median household income of $91,000. And a FICO score of 680. Polygon Research, 2025.

Conventional Financing is the Main Source for Laurel Bay Buyers

In fact, conventional financing now accounts for nearly 90% of US home loans.

Conventional financing has discarded any consideration of rental percentage as of 2025. As a recent Laurel Bay purchaser found the primary factor in condo HOA financing is the financial strength of the HOA (see below).

Conventional lenders evaluate HOA delinquency rate, reserve funding, and deferred maintenance — not rental percentage. **Fannie Mae Lender Letter LL-2026-03 and the March 2026 Freddie Mac Bulletin permanently retired the 50% investor concentration limit. Not a single Laurel Bay buyer has ever been denied a loan due to rental %.**

Don't fall for breathless statements of danger, crisis, or concern from the rental cap proponents. They rely on emotions, not facts. **FHA loans are not a resource for Laurel Bay buyers.**