

What are conventional loans?

Good credit borrowers prefer conventional loans. They are the most common mortgage kind. There are two types of conventional loans: conforming and non-conforming.

Conforming loans: Conforming loans meet FHFA credit, debt, and loan size requirements.

Non-conforming loans: These loans fail to meet FHFA requirements. The most common type of non-conforming loans is Jumbo — mortgages over the conforming loan limit.

Pros of conventional loans

- Available from most lenders
- Financing options include primary residences, second/vacation homes, investment/rental properties
- Low down payment of 3%

Cons of conventional loans

- Requires 620 credit score
- Lower threshold for debt-to-income ratio compared to other mortgages
- PMI takes effect if putting less than 20% down

What are Jumbo loans?

Jumbo loans are appropriate for good-credit borrowers buying pricey homes. Jumbo mortgages exceed FHFA conforming loan restrictions.

Pros of jumbo loans:

- Finance pricier homes
- Interest rates are competitive and comparable to conforming loans.

Cons of jumbo loans:

- Not accessible with all lenders
- Higher credit score (often 700) and down payment (10-20%) required.