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Title:
Jumbo Loans are now commonplace in America

Word Count:
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Summary:
Many homes require jumbo loans these days, learn about some of their characteristics now.

Keywords:
jumbo loans, mortgages, home loan

Article Body:
When most people want to buy their dream house, they usually need what is known as a jumbo mortgage. A mortgage is deemed jumbo when it exceeds a certain dollar limit as set by Fannie Mae and Freddie Mac. These two secondary market lenders will only cover loan values under $729,750, which is the new conforming loan limit set by President Bush in February of this past year. Most jumbo loans will carry a higher interest rate as the risk of default is generally greater on a loan of such value. With a good credit score the difference in rates is usually not that high, maybe a difference of half a percentage point or three quarters of a point. However, when markets are skittish, rates can vary by as much as 100 basis points.

In today’s market, jumbo loans with no down payments are not commonplace. Nor are loans with a very small percentage down. More risk for the borrower requires more down payment. More specifically, a lender will be looking for about 5% down to mitigate their risk. With a jumbo loan, your PMI is going to be inherently higher as you are dealing with a larger dollar amount. However, there are techniques that can be used to finance the property with two loans, as is done with loans of lesser value, namely, taking out one loan to cover the down payment, and another to cover the remaining value of the purchase. If you want to save money on the PMI, this is a strategy worth considering.

When considering saving money on PMI with two loan amounts, a lender may mention something known as Lender Paid Mortgage Insurance. This is basically injecting your insurance into your core interest rate. This isn’t really an unscrupulous practice, because it is known to be insurance that you are paying, however, while PMI usually disappears after twenty percent equity is obtained by the buyer, this lender paid mortgage insurance that is a percentage of your rate, may never really disappear. So, in the long run, you may end up paying more than if you had just paid PMI. Make sure that you consider both payment options when you are offered the ability to pay no PMI with a simple increase in your interest rate.

Another recent offer of lenders of jumbo loans is to have Arm loan that has a fixed rate for five or seven years and then adjusts annually. However, these loans have rather low rates in these fixed periods and then the loans can fluctuate to higher levels. Due diligence is required as usual.