



Conventional Loans

A conventional loan is a type of loan that doesn't have government backing or insurance, unlike FHA, VA, and USDA loans, which are insured by the government. Conventional mortgage loans, whether conforming or non-conforming, usually require a slightly larger down payment than some government loans. However, conventional loans offer more flexibility and fewer restrictions for borrowers, especially those borrowers with good credit and steady income.

Advantages of Conventional Loans —

Conventional loans offer several advantages. First, they often have more flexible terms and lower interest rates than government-backed loans. Additionally, conventional loans also allow for higher loan amounts, making them suitable for financing higher-priced homes.

Down Payment Requirements —

It is possible to obtain a conventional mortgage loan with a down payment as low as 3%. While conventional loans

traditionally require a larger down payment, some borrowers may qualify to purchase a home with a 3%-5% down payment. Keep in mind that a lower down payment may result in additional costs, such as private mortgage insurance (PMI).

Eligibility Requirements

To qualify for a conventional loan, you generally need a good credit score (usually above 620), a stable employment history, and a manageable debt-to-income ratio. Other factors, such as your income, assets, and the property's appraisal value, will also be considered. Specific requirements may vary, so it's essential to consult with a mortgage professional to determine your eligibility.

Conventional vs Government-backed loans

Conventional loans can be an excellent choice for many homebuyers. They often offer competitive interest rates, term flexibility, and the ability to finance various property types. However, whether a conventional loan is the best option depends on your financial situation, credit history, and preferences. It's always a good idea to explore multiple loan options and consult a mortgage professional to determine the best fit for your needs.

Refinancing FHA loan into a Conventional Loan

The timing for refinancing an FHA loan into a conventional loan depends on several factors. In most cases, you can refinance an FHA loan into a conventional loan once you have built enough equity in your home. Typically, this means reaching an 80% loan-to-value (LTV) ratio. However, specific requirements may vary,

so it's important to discuss your options with a mortgage professional who can guide you through the process.

Closing Costs

There are several options available to help cover closing costs with your conventional loan:

- Ask the seller for "seller concessions" to help pay your closing costs. You can negotiate this into your contract when buying the home. Let your real estate agent and mortgage professional know if you plan to ask for seller concessions. Keep in mind that feasibility may vary depending on the real estate market conditions.
- Consider paying a higher mortgage interest rate in exchange for the lender's assistance covering your closing costs. This is commonly known as "buying up" your interest rate.
- Some conventional home loan programs allow gift money from family members, employers, or close friends to help with closing costs. Let your mortgage professional know if you plan to use gift money for this purpose.
- Explore grants and forgivable loans through down-payment assistance programs. These programs are typically managed at the county or state level, and their eligibility requirements vary. Consult your mortgage professional to see if any applicable down-payment assistance programs are available to you.

Qualifying for a Conventional Loan when owing Taxes

It is possible to obtain a conventional loan if you owe taxes, but it depends on several factors. First, it's important to understand the difference between owing taxes and having a tax lien. Owing taxes means you owe money to the IRS and/or a state, while a

tax lien occurs when your unpaid taxes result in collection actions. Having an IRS lien on your income or assets can significantly decrease your chances of being approved for a conventional mortgage.

Communicate openly with your mortgage professional to guide you through the loan application process and help you explore potential solutions or alternatives.

Conventional vs. FHA: Breaking it Down

- **Higher Loan Limits:** Conventional loans generally offer higher loan limits compared to FHA loans. This can be beneficial if you are looking to finance a more expensive property or live in a high-cost area, as it allows you to borrow a larger amount.

- **No Upfront Mortgage Insurance:** Unlike FHA loans, Conventional loans do not require upfront mortgage insurance premiums. This means you can save on the upfront costs associated with the loan and potentially lower your overall loan amount.

- **Flexible Mortgage Insurance Options:** With a Conventional loan, once you reach a loan-to-value (LTV) ratio of 80% or less, you have the option to cancel private mortgage insurance (PMI) or request its removal. This can result in significant savings over time compared to FHA loans, which typically require mortgage insurance for the entire loan term.

- **More Lenient Property Standards:** Conventional loans generally have more flexibility when it comes to property condition and appraisal requirements. FHA loans often have stricter property standards, which could limit your options when purchasing a home that needs repairs or renovations.

It's important to note that both loan types have their own advantages and considerations, and the right choice depends on your specific financial situation and goals. Consulting with a

mortgage professional can help you evaluate the options and determine the best fit for your needs.

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First Name *

Last Name *

Email *

Phone Number *

Loan Amount *

- Select an option - 

Property Value *

- Select an option - 

Loan Type *

- Select an option - 

Credit Score *

- Select an option - 

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About Us

We've been helping customers afford the home of their dreams for many years and we love what we do.

Company NMLS: 2547387

Personal NMLS: 2058567

NMLS Consumer Access

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