Conventional Home Loan

A simple guide for buyers exploring non-government financing

A conventional loan is any mortgage that isn't insured or guaranteed by a government agency like the FHA or VA — it's issued by a private lender and often sold to Fannie Mae or Freddie Mac, the government-sponsored companies that set most conforming-loan eligibility rules.

KEY BENEFITS

- **No Government Upfront Fee**
  Unlike VA's funding fee or FHA's upfront MIP, there's no mandatory government fee at closing.
- **PMI Can Be Removed**
  Unlike FHA's mortgage insurance, private mortgage insurance (PMI) cancels once you reach enough equity.
- **Down Payments as Low as 3%**
  Qualifying first-time buyers may use Conventional 97, HomeReady, or Home Possible.
- **No Government Property Rules**
  No VA/FHA-style Minimum Property Requirements — though the home still must appraise at value.
- **Flexible Occupancy**
  Finance a primary residence, second home, or investment property — not just where you live.

WHO'S ELIGIBLE

- **Credit Score**
  Most lenders look for 620+; some affordable programs and automated underwriting allow more flexibility.
- **Down Payment**
  3% minimum for qualifying first-time buyers; 5% is a common standard; 20%+ avoids PMI.
- **Debt-to-Income Ratio**
  Typically up to 45%, sometimes higher with strong credit or cash reserves.
- **Loan Amount**
  Must be at or under the conforming loan limit ($832,750 in most counties for 2026) to avoid going jumbo.
- **Property Type**
  1–4 unit residential properties; condos and PUDs need project eligibility review.

Types of Conventional Loans

Conforming Fixed-Rate	Conforming ARM	Jumbo	Affordable 3%-Down Programs
Rate & payment stay the same for the full term	Rate is fixed for a period, then adjusts	Exceeds the conforming loan limit; stricter rules	Conventional 97, HomeReady, Home Possible

Private Mortgage Insurance (PMI) — When It Applies & How It Ends

Milestone	What Happens
Down payment of 20% or more	No PMI required at all
Down payment under 20%	PMI required, priced by a private insurer based on credit score & LTV
Balance reaches 80% of original value	You can request PMI cancellation, in writing
Balance reaches 78% of original value	Lender must automatically terminate PMI (if current on payments)
Halfway through the loan term	PMI must end regardless of LTV (e.g., 15 years into a 30-year loan)

PMI rules above come from the federal Homeowners Protection Act. 2026 conforming loan limit: **$832,750** in most counties, up to **$1,249,125** in high-cost areas ($1,873,675 in Alaska, Hawaii, Guam, and the U.S. Virgin Islands).

How Many Conventional Loans Can I Have?

- **No entitlement limit like VA, no one-at-a-time rule like FHA.** Conventional financing can cover a primary residence, a second home, and investment properties at the same time.
- **Second home or investment property?** Fannie Mae generally caps a borrower at 10 total financed properties (including your primary home) through automated underwriting.
- **Using a HomeReady loan on your primary residence?** You're capped at 2 total financed properties if you already own another financed home.
- **Investment properties cost more to finance.** They typically require larger down payments (often 15–25%) and extra cash reserves versus a primary-residence loan.

SOURCE: Consumer Financial Protection Bureau (consumerfinance.gov) — Conventional Loans & Mortgage Insurance overviews; Federal Housing Finance Agency (fhfa.gov) — 2026 Conforming Loan Limits; Fannie Mae Selling Guide B2-2-03; and the federal Homeowners Protection Act of 1998.

EFFECTIVE DATE OF DATA: Loan limits effective for 2026; Fannie Mae multiple-property policy dated 11/5/2025; other details current as of August 2026. Not a single government program — rules can vary by lender and investor.

DISCLAIMER: This fact sheet is for general information only and is not exhaustive. The author is not a licensed mortgage lender or financial advisor. Consult a mortgage lender or licensed mortgage professional for guidance specific to your situation.