

CONVENTIONAL LOANS: YOUR COMPLETE GUIDE

Ready to take the leap into homeownership
but overwhelmed by loan options?



Get prepared with this easy-to-use conventional loan guide and you'll be
sending holiday cards from your new home in no time!

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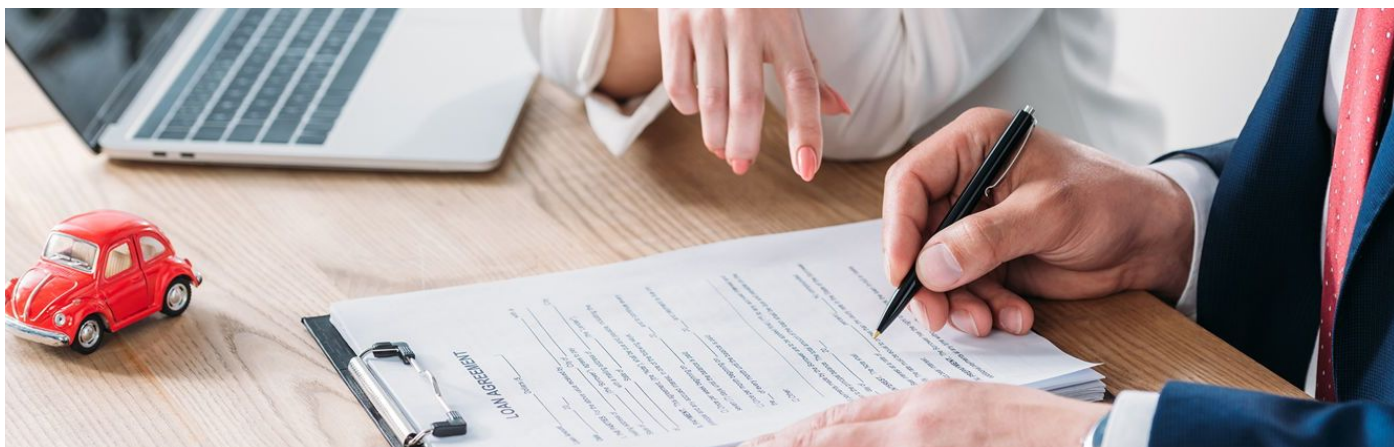
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The road to homeownership has a lot of winding turns. Take control of the wheel with this helpful guide.

The type of mortgage loan used to purchase your dream home depends on several factors. Conventional loans are the most popular type of financing. Get straight to your destination with this simple road map to understanding and acquiring a conventional home loan.



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WHAT IS A CONVENTIONAL LOAN?

A conventional loan is the most popular loan option available. It is not insured or guaranteed by the government. Fannie Mae (the Federal National Mortgage Association) and Freddie Mac (the Federal Home Loan Mortgage Corporation) set the loan requirements and guidelines for the private lenders of a conventional loan.

To get started, here are the necessary requirements:

- ✓ **620 credit score (minimum)**
- ✓ **Downpayment of 3%-20% of the purchase price**
- ✓ **36-48 month waiting period after a bankruptcy or foreclosure**
- ✓ **Maximum 43% debt-to-income ratio**
- ✓ **Two years of stable employment history**
- ✓ **Proof of income, from W2's or tax returns**



While this might seem like a lot of requirements, it's not any more difficult to qualify for than other types of loans like FHA or VA. The difference here is the higher credit requirement and downpayment.

These requirements are higher because the lender is at risk if you default. Ensuring that you meet these minimums will be critical in your search for a conventional loan.



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TYPES OF CONVENTIONAL LOANS

Conventional loans come in all shapes and sizes but fall into two main categories: conforming and non-conforming loans.

Conforming Conventional Loans are just as they seem—they conform to the guidelines set out by Fannie Mae and Freddie Mac. But wait, aren't Fannie Mae and Freddie Mac government-sponsored enterprises (GSE)? And didn't we just read that conventional loans are not insured by the government?

Confusing, we know.

Fannie Mae and Freddie Mac are quasi-government entities that were established to guarantee third-party loans and purchase loans in the secondary market, ensuring liquidity. Basically, they were introduced by Congress to improve the flow of credit in the housing market and to reduce the cost of that credit. That's good news for you!

Non-conforming conventional loans (or jumbo loan) are loans that don't adhere to those guidelines, giving you a little more freedom (and a little more risk to the lender). They're funded by lenders or private institutions and often have higher credit score requirements.



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HOW TO QUALIFY FOR A CONVENTIONAL LOAN

Now that you know what types of conventional loans are available, the next step is qualifying for one. It may sound difficult, but it's not as hard as you might think. Especially in comparison to government-backed loans like the VA or FHA.

Back on page two, we discussed the different factors that go into getting qualified. Let's dig into some of them here.

CREDIT

Conventional loans have higher credit score requirements than other types of loans. You'll need at least a 620 FICO score.

STABLE EMPLOYMENT AND INCOME

As a borrower, you'll have to prove that you can reliably pay your lender. This includes having a sufficient income, and showing proof through 1-2 months of pay stubs, two years of W2's and tax returns, or three months of bank statements.

DEBT-TO-INCOME

Conventional loans have a maximum debt-to-income (DTI) ratio of 43%. DTI is calculated by determining how much of your monthly income goes toward your debt payments such as car loans, your mortgage payments and credit cards.



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PROS AND CONS OF CONVENTIONAL MORTGAGES

Every loan option has benefits and drawbacks, conventional loans included.

- Higher credit requirement than FHA loans (620+)
- A debt-to-income ratio less than 43%
- The long waiting period after a bankruptcy or foreclosure
- Borrower requirements are firm

The benefits of a conventional loan are too good to pass up.

- Low-interest rates
- Put down as little as 3%
- Lower mortgage rates than FHA
- Fixed-rate and adjustable-rate loan terms
- A great option for investment properties and second homes



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Conventional loans are a great choice for financing your dream home or next investment property. With your new know-how, you're well prepared to find the right loan for your future. Get fired up knowing that a conventional loan might be the golden ticket to homeownership!

Now that you've got this newfound knowledge about conventional loans, you're probably wondering what's next? Get qualified!

Connect with me and we'll get the process started on finding you a home!

Get a FREE Home Value Update at : JenTran.FreeValues4Home.com



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