

Conventional and Jumbo Loans

Conventional loans are secured by government sponsored entities or GSEs such as Fannie Mae and Freddie Mac. Conventional loans can be made to purchase or refinance homes with first and second mortgages on single family to four family homes.

In general, Fannie Mae and Freddie Mac's single family, first mortgage loan limit is \$417,000 in 2006. This limit is reviewed annually and, if needed, changed to reflect changes in the national average price for single family homes. The current loan limit applies to all conventional mortgages delivered after January 1, 2006.

2006 Conventional Loan Limits

First mortgages

- One-family loans: \$417,000
- Two-family loans: \$533,850
- Three-family loans: \$645,300
- Four-family loans: \$801,950
- Note: Maximum original loan amounts are 50 percent higher for first mortgages on properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands.

Second Mortgages

- \$208,500 (in Alaska, Hawaii, and the US Virgin Islands: \$312,750)

Loans which are larger than the limits set by Fannie Mae and Freddie Mac are called jumbo loans. Because jumbo loans are not funded by these government sponsored entities, they usually carry a higher interest rate and some additional underwriting requirements. A strategy to lower your overall interest payments if your purchase or refinance balance is above \$417,000 is to use a combination of both first and second trust money, referred to as an 80/10/10, 80/15/5 or 80/20. Every situation is different, but it is one more option to consider.

In addition to common loan structures such as fixed rate, adjustable rate and balloon loans, Fannie Mae and Freddie Mac also have loan programs for low to no down payments, community lending and affordable housing initiatives, construction to permanent, home improvement and reverse mortgages.

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