

Jumbo Loan Booklet

High-balance loans: requirements, rates, and when they make sense.

In this guide you'll learn:

- What is a conforming loan limit?
- Down payment & credit requirements
- Rates on jumbo loans
- Is a jumbo loan right for you?

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Jumbo Loans

A jumbo loan is a mortgage that exceeds the conforming loan limits set annually by the Federal Housing Finance Agency (FHFA). Because these loans can't be purchased by Fannie Mae or Freddie Mac, lenders carry the risk themselves -- which means stricter qualification standards and, often, different pricing. Jumbo loans are frequently the only option for buyers in high-cost real estate markets.

What is a conforming loan limit?

Each year the FHFA sets a maximum loan amount for conventional mortgages. Loans at or below that limit are called "conforming." Anything above it is "non-conforming" -- commonly called a jumbo loan. Limits are higher in federally designated high-cost areas such as parts of California, New York, and Hawaii.

Down payment & credit requirements

Jumbo loans typically require a larger down payment -- often 10-20% or more -- and stricter credit standards than conforming loans. Most lenders look for a credit score of 700 or above (often 720+), a lower debt-to-income ratio, and documented cash reserves of several months' payments.

Rates on jumbo loans

Historically, jumbo rates ran higher than conforming rates because of the greater risk lenders retain. That gap has narrowed in recent years and sometimes reverses. The rate you receive depends heavily on your down payment, credit profile, and the specific lender -- comparing multiple lenders is especially important for jumbo borrowers.

Is a jumbo loan right for you?

If the home you want costs more than your area's conforming loan limit and you have strong credit and savings, a jumbo loan may be your path forward. A licensed loan officer can also explore whether a "piggyback" structure -- such as an 80/10/10 (first mortgage + second mortgage + down payment) -- could let you keep both loans within conforming limits.

What Makes a Loan Jumbo

A jumbo loan is simply one that exceeds the conforming loan limit set for your county. Because these loans cannot be sold to the usual government-sponsored buyers, lenders keep more of the risk -- which is why the requirements are stricter.

- The threshold varies by area and is higher in expensive markets.
- Just one dollar over the limit puts a loan in jumbo territory.

Stricter Qualification: Credit, Reserves, and DTI

Expect a higher bar than on conforming loans. Lenders want strong evidence that a large loan is well within your means.

- Higher credit scores are typically expected.
- Cash reserves -- several months of payments in the bank -- are often required.
- Debt-to-income ratios may be examined more closely.

Self-employed and high-earning borrowers should be ready with thorough documentation of income and assets.

Down Payments and Pricing on Jumbo Loans

Down payment expectations on jumbo loans are often larger than on conforming loans, though they have become more flexible over time.

- A larger down payment can improve your terms and reduce risk to the lender.
- Jumbo rates sometimes track close to, or even below, conforming rates depending on market conditions and your profile.

Because pricing varies widely, comparing more than one offer is especially valuable on a large loan.

Alternatives and Appraisal Considerations

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