

Conventional Home Loan Guide

Clear answers to the questions
homebuyers search most



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Conventional at a Glance

What is a conventional loan? It is a mortgage that is not insured by FHA, VA, or USDA. Many conventional loans follow Fannie Mae or Freddie Mac rules and stay within the applicable conforming loan limit.

- Down payments may start at 3% for eligible buyers
- Primary, second-home, and investment options may exist
- Private mortgage insurance may apply below 20% down
- Approval depends on the complete borrower and property file

Conventional does not mean one program. Compare the available options using the same price, payment, and cash-to-close assumptions.



**YOU'RE
PRE-APPROVED**

Four 3% Down Options

Which program may fit?

Standard 97%: At least one first-time buyer; no income limit.

HomeReady®: Income at or below 80% of area median income; first-time status not required.

Home Possible®: Income at or below 80% of area median income; first-time status not required.

HomeOne®: At least one first-time buyer for a purchase; no income or geographic limit.

All four generally require an eligible one-unit primary residence at 97% LTV.

Program names sound similar, but income limits, education, mortgage insurance, and property rules differ.





HomeReady® and Home Possible®

How are these programs different?

Both are income-limited conventional options designed for qualified buyers who need a low down payment and flexible sources of funds. The property address determines the applicable area median income limit.

- As little as 3% down on an eligible one-unit home
- Qualifying income generally cannot exceed 80% of AMI
- First-time homebuyer status is not required
- Gifts, grants, and eligible secondary financing may be used
- Reduced mortgage-insurance coverage may lower the payment

Homebuyer education may be required. Final eligibility is determined through the applicable Fannie Mae or Freddie Mac underwriting system.

HomeOne® and Standard 97%

What if my income is above the limit?

HomeOne and the Fannie Mae standard 97% option can offer 3% down without a borrower income limit. For a purchase, at least one borrower must meet the program's first-time homebuyer definition.

- Generally for an eligible one-unit primary residence
- HomeOne is fixed-rate only
- Standard mortgage-insurance coverage generally applies
- Homebuyer education applies in certain first-time-buyer files
- Gift funds and eligible assistance may help with cash to close

First-time usually means no ownership interest in a residential property during the previous three years. Exceptions and details matter.



Credit, Income, and Debt

What do I need to qualify?

There is no single score or debt ratio that guarantees approval. The underwriting system reviews credit history, income, assets, monthly debts, reserves, loan purpose, property, and other risk factors.

- Stable, documentable income
- Credit history, debts, and reserves matter
- Self-employed buyers may need tax and business records
- Individual lenders may apply additional requirements

A verified preapproval is more useful than an online payment estimate.





PMI, Closing Costs, and Assistance

Do I need 20% down?

No. Eligible conventional buyers may put down as little as 3%. Private mortgage insurance is generally required when the down payment is below 20%, but it may be removable after applicable requirements are met.

- PMI cost varies by credit, LTV, loan, and coverage
- Closing costs are separate from the down payment
- Gifts, grants, and DPA may be allowed when documented
- Seller credits are limited by occupancy, LTV, and loan rules
- Compare rate, APR, payment, cash to close, and total cost

The smallest down payment is not always the lowest-cost choice. Compare complete scenarios.

Property, Appraisal, and Documents

What should I expect before closing?

The lender verifies the borrower and property, reviews the appraisal and title, clears underwriting conditions, and prepares final disclosures. A home inspection is separate from the appraisal and is worth considering.

- Photo ID and employment or income records
- Bank statements and source-of-funds documentation
- Tax returns when required
- Purchase contract, insurance, title, and appraisal
- Explanations for credit events or large deposits

Ask early about condos, manufactured homes, two-to-four-unit properties, and unique property features. Not every 3% option fits every home.



Your Best Next Step

Which conventional option fits?

The answer depends on your income, first-time-buyer status, property, credit profile, available funds, and goals. Compare conventional options with FHA, VA, USDA, and eligible assistance using the same assumptions.

- Verify income, credit, assets, and debts
- Check AMI and first-time-buyer eligibility
- Confirm property type and conforming loan limit
- Compare full payment, cash to close, and long-term cost

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