A GUIDE FOR HOME BUYERS

3%

CONVENTIONAL LOANS: THE MOST FLEXIBLE LOAN OUT THERE

Low down payment. Mortgage insurance that goes away.

How conventional loans work, your down payment options, how private mortgage insurance comes off, and the 2026 conforming loan limits.



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THE LOAN MOST BUYERS USE, AND WHY.

Conventional loans are the **most common mortgage in America**. They work for first homes, move-up homes, vacation homes and rental properties, with down payments starting at just **3%**.

Their biggest advantage: **mortgage insurance doesn't last forever**. Once you build enough equity, it comes off, and your payment goes down. For buyers with solid credit, that often makes conventional the lowest-cost option over time.

I've been helping families into homes since 1993, first as a Realtor and now as a mortgage lender. Read this, then call me. I'll compare conventional against FHA and other options using your real numbers.

Brian

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WHAT A CONVENTIONAL LOAN IS

A mortgage that follows Fannie Mae and Freddie Mac rules.

A conventional loan isn't insured by a government agency like FHA, VA or USDA. Instead, it follows guidelines set by **Fannie Mae and Freddie Mac**, which buy most of these loans from lenders. Loans within their size limits are called **conforming**.

3% DOWN

For many **first-time buyers**, and through programs like HomeReady and Home Possible.

$832,750

The 2026 conforming limit for a **single-family home** in most counties.

620+

The typical **minimum credit score**. Higher scores get better pricing.

PRIMARY HOMES

Single-family, condos, townhomes and 2–4 units you'll live in.

SECOND HOMES

A camp, lake house or seasonal home in Saratoga or the Adirondacks.

INVESTMENT

Rental properties, from single-family to four units.

GOOD TO KNOW: "First-time buyer" usually means you haven't owned a home in the last three years. Many people who've owned before still qualify.

WHO CONVENTIONAL LOANS FIT

Built for buyers with steady income and solid credit.

USUALLY A GOOD FIT

- Your credit score is 620 or higher, ideally 700+
- You have 3% or more for a down payment
- You want mortgage insurance that comes off
- You're buying a second home or rental
- The home needs some cosmetic work
- You want a loan above FHA limits

KNOW GOING IN

- Lower scores mean **higher rates and PMI**
- Waiting periods after bankruptcy are **longer** than FHA
- Some 3% programs have **income limits**
- Less than 20% down means **PMI**
- Investment properties need **larger down payments**
- Debt-to-income rules can be tighter

REAL TALK: If your score is under about 680, FHA may actually be cheaper month to month, even with its mortgage insurance. I'll show you both payments side by side.

YOUR DOWN PAYMENT OPTIONS

You don't need 20% down. Here's what each level gets you.

3% DOWN	For many first-time buyers, and through HomeReady and Home Possible, which may have income limits. Homebuyer education may be required.
5% DOWN	Available to most buyers on a primary home, including many 2–4 unit homes you'll live in.
10% DOWN	Lower PMI, and the typical minimum for a second home.
20% DOWN	No private mortgage insurance at all.

GIFTS

Gifts from family are allowed on a primary home, with a signed gift letter and proof of the transfer.

ASSISTANCE & SELLER HELP

Conventional works with many **DPA programs**. Sellers can also contribute toward your closing costs, within limits.

REAL TALK: Waiting to save 20% can cost more than it saves if prices and rents keep rising. PMI is often cheaper than people expect.

HOW MORTGAGE INSURANCE WORKS

Private mortgage insurance, or PMI, is temporary.

With less than 20% down, conventional loans require **private mortgage insurance (PMI)**. It protects the lender, and it's what makes a small down payment possible. Unlike FHA, there's **no upfront premium**, and it doesn't last forever.

MONTHLY PMI	SINGLE PREMIUM	LENDER-PAID
The most common choice. Added to your monthly payment until it comes off.	Paid once at closing, by you or the seller. No monthly PMI after that.	Built into a slightly higher rate. It doesn't come off, so it fits shorter stays.

WHAT SETS YOUR PMI COST

PMI is priced mainly on your **credit score** and your **down payment**. A higher score or a bigger down payment can lower it significantly. Even a 20-point score increase can make a real difference.

GOOD TO KNOW: Your Loan Estimate shows your exact PMI amount. I'll show you how it changes at different down payments before you decide.

WHEN YOUR PMI COMES OFF

Equity is the key. Here's an example.

Under federal law, you can ask to cancel PMI once your loan reaches **80% of the home's original value**, and it ends automatically at **78%** if you're current on payments.

Purchase price	**$350,000**
Down payment (5%)	**($17,500)**
Starting loan amount	**$332,500**
You can request cancellation at 80%	**$280,000**
Automatic cancellation at 78%	**$273,000**
BALANCE TO PAY DOWN TO REQUEST REMOVAL	**$52,500**

EXAMPLE ONLY, BASED ON THE ORIGINAL VALUE. NOT A RATE QUOTE OR LOAN ESTIMATE.

EXTRA PAYMENTS

Paying extra toward principal gets you there faster.

RISING VALUE

If your home's value goes up, a new appraisal may help you remove PMI sooner, subject to servicer rules.

IMPROVEMENTS

Major improvements that raise value may count, too. Ask your servicer.

CREDIT, DEBT & WAITING PERIODS

Your score sets your rate and your PMI.

740 AND UP	Best pricing on both your rate and your PMI. The smoothest path.
680 TO 739	Solid options. Pricing improves with every step up.
620 TO 679	Still eligible, but rate and PMI cost more. Compare against FHA.

DEBT-TO-INCOME

Lenders compare your monthly debts, including the new house payment, to your gross monthly income. Conventional loans can often go up to about **45–50%** with strong credit and reserves, through automated underwriting.

CREDIT EVENT	CONVENTIONAL WAITING PERIOD (GENERAL)
CHAPTER 7 BANKRUPTCY	4 years from discharge or dismissal
CHAPTER 13 BANKRUPTCY	2 years from discharge, 4 from dismissal
FORECLOSURE	7 years from completion

GOOD TO KNOW: Extenuating circumstances can shorten some waiting periods. If you're inside one, FHA or an Alt-A program may work sooner.

SECOND HOMES, RENTALS & MULTI-FAMILY

The only agency loan that finances all three.

FHA, VA and USDA loans are for homes you live in. Conventional loans can also finance **second homes** and **investment properties**, with larger down payments.

PROPERTY	TYPICAL MINIMUM DOWN	GOOD TO KNOW
PRIMARY, 1 UNIT	3–5%	3% for many first-time buyers
PRIMARY, 2–4 UNITS	5%	Rent from other units may help you qualify
SECOND HOME	10%	Must be a reasonable distance from your primary home, for your own use
INVESTMENT, 1 UNIT	15%	Higher rates and reserves required
INVESTMENT, 2–4 UNITS	25%	Rental income can count toward qualifying

REAL TALK: Planning to buy several rentals? Conventional caps how many financed properties you can have. My DSCR loans guide covers what to do after that.

COMMON MISTAKES THAT DELAY APPROVAL

Most of these are easy to fix ahead of time.

1 MAXED-OUT CREDIT CARDS
High balances lower your score, which raises both rate and PMI.

2 NEW CREDIT DURING THE LOAN
No new cards, car loans or financed furniture until after closing.

3 GIFT MONEY WITH NO PAPER TRAIL
Gifts need a letter and proof of the transfer.

4 UNEXPLAINED DEPOSITS
Large deposits need a source. Keep your money where it is.

5 CHANGING JOBS MID-LOAN
Talk to me before you switch employers or pay structure.

6 ASSUMING YOU NEED 20%
Many buyers wait years longer than they need to.

7 CONDO SURPRISES
Some condo buildings don't meet conventional rules. Check early.

8 SHOPPING BEFORE PRE-APPROVAL
Know your numbers before you fall in love with a house.

REAL TALK: Almost every one of these is avoidable with a 15-minute conversation before you apply. That's the cheapest time to fix a problem.

2026 CONFORMING LOAN LIMITS

The most you can borrow before it becomes a jumbo loan.

Each year, the Federal Housing Finance Agency sets how large a loan Fannie Mae and Freddie Mac can buy. For 2026, the baseline limits rose about **3.3%**. The Capital Region uses the baseline limits.

Single-family (1 unit)	**$832,750**
Two-family (2 units)	**$1,066,250**
Three-family (3 units)	**$1,288,800**
Four-family (4 units)	**$1,601,750**

2026 FHFA BASELINE CONFORMING LOAN LIMITS. HIGH-COST AREAS CAN GO UP TO $1,249,125 FOR ONE UNIT. I'LL CONFIRM YOUR COUNTY'S LIMIT.

ABOVE THE LIMIT?

Loans larger than these limits are **jumbo loans**, with their own rules. Ask for my jumbo guide.

RIGHT AT THE LINE?

A slightly larger down payment can keep you conforming, which often means better pricing.

12 · GET ORGANIZED

DOCUMENT CHECKLIST

Have these ready, and the process moves a lot faster.

- [ ] Pay stubs covering the last 30 days
- [ ] W-2s for the last 2 years
- [ ] Tax returns, if self-employed or required
- [ ] Bank statements, last 2 months, all pages
- [ ] Retirement or investment statements, if using them
- [ ] Gift letter and proof of transfer, if applicable
- [ ] Government-issued photo ID
- [ ] Leases, if buying a multi-family or rental
- [ ] Divorce decree or support order, if applicable
- [ ] Homebuyer education certificate, if required

Every buyer is a little different. I'll give you the exact list for your scenario before you gather anything.



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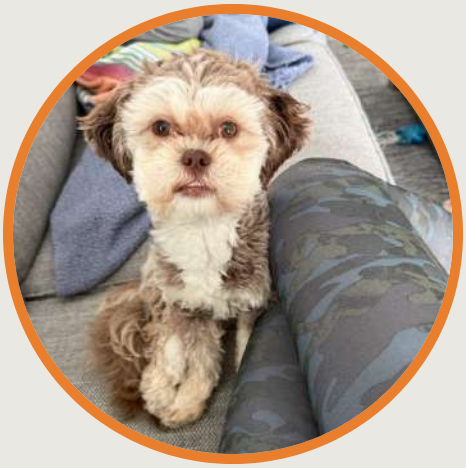
BOOK 15 MINUTES

EQUAL HOUSING OPPORTUNITY

This guide is for educational purposes only and is not a loan commitment or guarantee of approval. All loans are subject to credit, income, asset, property and appraisal approval; not all applicants will qualify. Conforming loan limits shown are FHFA's 2026 baseline figures; your county's limit may differ. Down payment minimums, mortgage insurance requirements, waiting periods and other guidelines are set by Fannie Mae and Freddie Mac, vary by program and occupancy, are current as of October 2026 and are subject to change. Some low down payment programs have income limits and homebuyer education requirements. Private mortgage insurance cancellation is subject to the Homeowners Protection Act and servicer requirements. Examples are illustrations only and are not a rate quote or Loan Estimate. © 2026 New American Funding, LLC. NMLS #6606 (nmlsconsumeraccess.org). 1 MacArthur Place, Suite 800, Santa Ana, CA 92707 · newamericanfunding.com · (800) 450-2010. Licensed Mortgage Banker, NYS Department of Financial Services. Equal Housing Lender. October 2026.

PENNY'S CORNER

A few words from our Chief Belly-Rub Officer.



PENNY SAYS

CHIEF BELLY-RUB OFFICER

Dad's favorite part of a conventional loan is that the mortgage insurance goes away. Mine is the yard you can get with one.

You don't need 20% down. Dad says lots of people wait years they don't need to. I don't wait for anything. Ask him.

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Tips, updates and plenty of Penny.

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