

# *Jumbo Loan Down Payment Requirements for 2024*

## **Does a jumbo house need a jumbo down payment?**

The growing real estate prices in many major cities in recent years have led to an increasing necessity for larger mortgages, particularly those classified as jumbo mortgages.

**Jumbo loans** let you buy more than conventional loan limits allow — which is currently \$766,550 in most areas.

And thanks to new mortgage programs, you don't need 20% or 30% down to get a jumbo loan anymore.

In fact, some lenders will let you spend upwards of \$3 million, with 10% down and no mortgage insurance.

Want to see how much house you could afford today?

## **What is a jumbo loan?**

A jumbo mortgage is a “non-conforming loan,” meaning it surpasses the **conforming loan limits** set in place by Fannie Mae and Freddie Mac.

Because jumbo loans are considered non-conforming, they don't have to meet underwriting standards set by Fannie and Freddie. As a result, jumbo loan lenders can set their own requirements for borrowers.

That means minimum credit scores, minimum down payments, **maximum debt-to-income ratio (DTI)**, and other criteria can vary a lot by lender.

- **You'll likely need a credit score beginning at 700.** While FICO score requirements will vary by lender, some may require 20% down and a 740-credit score, and others may allow down payments starting at 5%, or scores as low as 680 (though you'll likely pay higher interest rates with scores below 700)

- **Down payment requirements range from 5% to 20%.** We explore jumbo loan down payments in more detail below, but since mortgage lenders have more leeway to set their own underwriting standards, you'll see a variety of minimums
- **There are no government restrictions on property types.** You can finance all types of properties including primary residences, vacation homes, and investment properties.
- **Expect to need a debt-to-income ratio around 38% to 43%.** Again, there are few hard rules for jumbos, but having a low DTI is crucial for qualifying for any type of loan — jumbo, conventional mortgages or otherwise. However, home buyers with a good credit score and a big down payment, you may find a lender willing to underwrite a jumbo loan with a higher DTI
- **You may need cash reserves to qualify.** Some lenders may require up to a years' worth of cash reserves to qualify. That means you'd need 12 mortgage payments worth of savings in your bank account after paying the down payment and closing costs

Loan requirements aren't the only thing that differs by lender; interest rates and fees can vary by a large amount, too. So, find a lender that will approve you for a jumbo mortgage loan and a great deal.

### **How much is the down payment on a jumbo loan?**

In the past, jumbo loans typically required 20% or even 30% down.

Imagine you're buying a home worth \$1,250,000. A 20% down payment would put you \$250,000 out of pocket — and that's before closing costs are added in.

Today's homeowners have more home loan options, though.

Jumbo loans are now available from some mortgage lenders with as little as 5% or 10% down. Others may require 15% to 20%.

It all depends on the investor you work with. As we said before, lenders have free rein to set their own rules for this type of mortgage.

Low-down-payment jumbo loans can be especially helpful for first-time home buyers who live in high-priced markets but haven't had a lot of time to build up their savings.

### **How do I get a jumbo loan with 5% down?**

Simply by shopping around. Check in with a few different mortgage lenders and ask about their minimum down payment for a jumbo loan.

Ask about credit score and income requirements, too, to see whether you're likely to qualify.

You'll likely have to look beyond your local bank. There are many online lenders who have creative home loan programs that local banks simply do not offer.

Another way to find a low-down payment jumbo loan is to look to wholesale mortgage brokers.

Wholesale mortgage brokers have relationships with many lenders who can offer flexible terms and guidelines. They can also yield the most cost-effective mortgage solutions for the jumbo loan market.

When you find a mortgage lender offering low-down-payment jumbo loans, you can fill out a **pre-approval application** to verify your eligibility.

Then, once you have a signed purchase agreement on the home, your mortgage lender will be able to issue a final loan approval confirming the interest rate, loan terms, and closing costs on your new jumbo loan.

Keep in mind that many lenders don't openly share information about their jumbo loans on the internet, so don't rely solely on a lender's website to find all the necessary details.

Instead, get in touch directly with a loan officer or mortgage broker who can fill you in on the details.

## What's considered a jumbo loan in 2024?

The Federal Housing Finance Agency (FHFA) announces **new conforming loan limits** each year, which dictate the threshold for a conforming loan vs. a jumbo loan.

The conforming limit is now \$766,550. Anything above that amount is considered a jumbo mortgage.

Note that there are some high-cost areas where conforming loan limits are a little more generous. These include states such as Hawaii and Alaska and cities like New York City and Los Angeles where the median purchase price of a home tends to be far higher than the national average.

In some real estate markets, the limit for a single-family home goes as high as \$1,149,825.

- **Most markets:** Loan amounts greater than \$766,550 are considered jumbo loans
- **High-cost markets:** Loan amounts greater than \$1,149,825 are considered jumbo loans

Keep in mind that the upper limit for conforming loans is the lower limit for jumbo loans. But jumbo mortgage loans also have caps, which can vary by lender.

These high balance conforming loans areas tend to have the worst rates. So even if you do qualify for conventional, you may want to inquire about a jumbo loan in these areas if you can qualify within jumbo guidelines.

Some mortgage companies will go up to \$2 or \$3 million on a jumbo loan. Others will lend as much as \$10 to \$15 million and beyond.

Of course, you must be able to afford the monthly mortgage payments on a multi-million-dollar loan to qualify. And that's why mortgage lenders have such strict underwriting criteria for jumbo loans.

## **Do jumbo loans require mortgage insurance?**

Making a down payment of less than 20% normally means you must pay for **private mortgage insurance (PMI)**. That's true for most jumbo loans as well as conforming mortgages.

PMI is an insurance policy that protects the lender from losses if you can't pay your debt or file for bankruptcy. It exists for loans with a loan-to-value greater than 80% due to the increased risk.

PMI can be expensive — especially for jumbo loans.

For example, the monthly PMI payment on a \$2 million jumbo loan at a 90% **loan-to-value ratio** and a credit score in the mid-600s would be \$1,083.

Despite common belief, a 20% down payment is not always mandatory. In fact, some mortgage lenders are introducing special jumbo loan offerings that entail a much lower down payment and exclude **PMI**.

Some investors will not require a PMI with 10% down or more.

CrossCountry Mortgage is one such lender.

We offer jumbo mortgages up to \$2 million with only 5% down payment required and no PMI. We also offer a jumbo loan up to \$3 million with 10% down needed and no PMI.

Be aware, you'll likely pay a higher interest rate if you're not paying for PMI.

Since you're putting less than 20% down and not paying mortgage insurance, rates could be higher. That's because your profile poses more risk due to less collateral.

## **Jumbo loan rates today**

You might think **jumbo loan rates** would be much higher than conforming mortgage rates. But in fact, they're often similarly priced.

Today's mortgage rates for a jumbo home purchase or refinance are low, just like all interest rates.

Keep in mind that jumbo loan interest rates, like all mortgage rates, depend on many factors. These include loan type, loan amount, down payment, credit score, debt-to-income ratio, and reserves left after closing.

*Jumbo mortgage rates are often roughly half a percent higher than for a comparable, non-jumbo mortgage.*

In general, jumbo mortgage rates are roughly a half percent higher than conventional rates.

That's true if the borrower has good credit and can fully document his or her income. But, when you start to add in other factors, like poor credit, alternative income documentation, and bankruptcies, the rates will be higher.

Jumbo loan options include a fixed-rate mortgage or adjustable-rate mortgage. Both fixed-rate and adjustable-rate jumbo mortgages are common options. The choice depends on your preferences and financial goals.

Fixed-rate mortgages offer a stable interest rate over the loan term, while adjustable-rate mortgages have interest rates that may change periodically and could increase your payments later. It's generally advised to avoid adjustable-rate jumbo loans unless you plan to refinance or relocate after the initial fixed-rate period ends.

### **Is there a jumbo VA loan?**

While the VA doesn't offer a specific jumbo loan product, unlike other government-backed loans, the VA loan does not have loan limits.

So, yes, eligible borrowers may be able to qualify for jumbo loan amounts through the Department of Veterans Affairs with zero down payment. Still, while the VA may not have loan limits, mortgage lenders will.

Yet, you'll need significant income, good credit scores, a sizeable down payment, and a low DTI ratio to qualify. Read more about **qualifying for a jumbo VA loan**.

## **Jumbo loan refinancing**

If rates fall after you take out a jumbo loan, you may be able to **refinance into a lower interest rate** and monthly payment. Qualifying for a jumbo loan refinance can be tricky, though.

Just like buying a home using a jumbo loan, there will be stricter scrutiny on your credit, income, and financial history. And there may be limits on cash-out refinancing.

But if you qualified for a jumbo home purchase, there's a good chance you'll be eligible to refinance. Check with a few mortgage lenders to find the best loan option and interest rate for you.

## **Good candidates for a jumbo loan**

If your new home's purchase price exceeds **conforming loan limits in your area**, a jumbo loan may be your best option.

Just keep in mind that to qualify and afford the monthly payments on a jumbo loan, you'll need a healthy income. That's true even if you're not making a big down payment.

It is recommended that people take out mortgages they are comfortable making the [monthly payment] on.

We often see people put less money down initially and then pay the mortgage balance down in chunks later. That can be especially smart when they have a home to sell, expect stock to vest, or will be inheriting money. For instance, say interest rates are low and you can invest the down payment money in something else that will earn a higher rate of return. In this case, pursuing a low down payment jumbo loan can make sense.

## **Jumbo loan FAQ**

### **What exactly is a jumbo loan?**

A jumbo loan is a type of mortgage that exceeds the loan limit set by government-sponsored entities like Fannie Mae and Freddie Mac. These loans are typically used to finance higher-priced properties.

### **Do jumbo loans require a higher down payment compared to conventional loans?**

Yes, jumbo loans typically require a higher down payment compared to conventional loans. Lenders often ask for a down payment of 20% or more to qualify for a jumbo loan.

### **Can I make a lower down payment on a jumbo loan?**

While a 20% down payment is still common, some lenders may offer options as low as 5% for down payments on jumbo loans. However, keep in mind that this may result in higher interest rates or the need for private mortgage insurance (PMI).

### **Are there any restrictions on the source of my down payment for a jumbo loan?**

Lenders typically prefer that your down payment for a jumbo loan comes from documented sources such as personal savings, investments, or the sale of assets. They may have restrictions or limitations on funds from unconventional sources.

### **Can I use funds from a retirement account for a jumbo loan down payment?**

In some cases, you may be able to use funds from a retirement account, like an IRA or 401(k), for a jumbo loan down payment. However, withdrawal rules and tax implications apply, so it's crucial to consult with a financial advisor or tax professional.

### **What are the minimum credit score requirements for a jumbo mortgage?**

The credit score requirements for jumbo mortgages can vary, but generally, lenders expect a higher credit score than what's needed for conventional mortgages. A credit score of 700 or higher is often a good starting point, but some lenders may have stricter or more lenient requirements.

### **Are there restrictions on the type of properties that qualify for a jumbo mortgage?**

Yes, there may be restrictions on the type of properties that qualify for a jumbo mortgage. While single-family homes are typically eligible,



lenders may have additional criteria for condos, multi-unit properties, or investment properties. It's crucial to check with your lender for specific property requirements.

### **Is mortgage insurance required for jumbo mortgages?**

Mortgage insurance requirements for jumbo mortgages can vary. In some cases, lenders may require private mortgage insurance (PMI) if the down payment is less than 20%. However, some lenders offer alternatives to PMI, such as financing options or higher interest rates.

### **What are the closing costs associated with jumbo mortgages?**

Closing costs for jumbo mortgages typically include fees for appraisal, title insurance, origination, credit report, and more. These costs can vary depending on factors such as the loan amount, property location, and lender requirements. It's essential to discuss these costs with your lender upfront.

### **Can I refinance my jumbo mortgage?**

Yes, you can refinance your jumbo mortgage. Refinancing can help you lower your interest rate, extend or shorten your loan term, or access your home's equity. However, it's important to evaluate the potential costs, benefits, and qualification requirements before proceeding with a jumbo mortgage refinance.

### **Your next steps**

If you have your sights set on a big house with all modern amenities, you might need a jumbo loan to finance it.

And if you live in an expensive area — think New York City, Los Angeles, or Seattle — you might need a jumbo loan regardless of home size.

The good news is, it's easier to get a jumbo loan now than it has been since the mortgage crisis. You might be able to buy a home worth half a million or more with just 5% down and no mortgage insurance.