

Jumbo Loan

What Is A Jumbo Loan?

Jumbo loans provide financing up to \$5 million for the purchase of luxury and high-cost homes. With a jumbo loan, you can achieve the kind of lifestyle you want to live — whether you're upgrading or purchasing an investment property.

The loan is called a jumbo loan because the amount is higher than conventional lending limits, which is the maximum amount that Fannie Mae and Freddie Mac will purchase in the secondary market.* Like conventional mortgages, jumbo loans can either be fixed rate mortgages or adjustable rate mortgages (ARMs). Each brings with it specific features and benefits based on the length of time you'll be living in your home. For example, if you're planning to live in your home for seven years, a jumbo adjustable-rate mortgage may be more favorable. But if you're planning to live in the home long-term, a jumbo fixed rate mortgage may be a better option.

Jumbo Loan Rates

Jumbo Fixed Rate Mortgage

With a jumbo fixed rate mortgage, your interest rate and payments will be consistent throughout your loan. You can rest assured knowing your interest rate won't increase alongside market rates and that you may benefit from refinancing if rates decrease. Jumbo fixed rate mortgages are available in a variety of term lengths ranging from 10 years to 30 years.

Pros and Cons:

Pros:

- Your interest rate is set and won't change.
- Your monthly rate won't change if market rates do.
- You'll be protected from rate increases.
- You may be able to refinance if market rates decrease.

Cons:

- Your initial interest rate may be higher than an ARM rate.
- Your mortgage payments may be higher than initial ARM payments.
- Your interest rates won't automatically lower if market rates decrease.

Jumbo Adjustable-Rate Mortgage (ARM)

A jumbo adjustable-rate mortgage can save you money on your loan, but there is a risk that market rates may increase during an adjustment period and make your monthly payments higher. However, you can set caps on your ARM.

- A periodic cap limits how much your rate can adjust at specified adjustment dates.
- A lifetime cap limits how much your rate can increase over the life of your loan.
- A payment cap limits how much your monthly payment can increase with each adjustment.

Pros and Cons:

Pros:

- Your initial interest rate may be lower than a fixed rate mortgage.
- Your rate may decrease with market rates.
- Your monthly payment may decrease.
- You can set caps on rate increases and payment limits.

Cons:

- Your rate may increase with market rates.
- Your monthly payment may increase.
- Payment caps may lead to negative amortization, which is when payments aren't covering interest on the loan.

Jumbo Loan Requirements

You must have sufficient income and credit history to qualify for a jumbo loan.

Generally, set at \$726,200, though this figure may be higher depending on your state and county. Call for details.