



Lower Down Payment Conventional Mortgage Option is Back!!

Good news for those Arizona buyers who need a low down payment loan and want an alternative to a FHA Loan.

The **3% down conventional mortgage**, with mortgage insurance, is back in Arizona for a few select lenders and **Cherry Creek Mortgage** is one of them!!!

Both FHA Loans and Conventional Mortgages have their respective pros and cons. Every client's situation is different and we must review many factors to give buyers a recommendation that best fits their situation.

A few benefits of a Conventional Mortgage:

- Credit does not have to be pulled on a **disclaiming spouse**. FHA loans require the lender to pull the disclaiming spouses credit and count obligations in the buyer's debt to income ratio.
- Conventional mortgages allow for PMI to be dropped after having been in the loan for 2 years and if the equity position is at 78% or lower. They use current Arizona market value and must be supported with an appraisal. FHA loans require the buyer to pay mortgage insurance for a minimum of 5 years and after that point the MIP would only drop off if the principal balance reaches **78% of the original sales price not the current market value**. This means, unless the buyer has focused on paying extra toward their principal balance they will likely pay MIP for 9-10 years.
- Allows for down payment and closing costs to be gifted by a family member, however, if the down payment is less than 20%, a minimum of **3% must be from the buyer's own funds** (mortgage insurance requirement).
- Conventional mortgages call for a **higher loan limit of \$417,000** while a FHA Loan has a maximum loan limit of \$346,250.

A few benefits of a FHA loan:

- FHA loans allow for **lower credit scores**. Credit scores for conventional mortgages are more stringent and impact the interest rate. See last week's update about Fannie Mae's upcoming pricing adjustments for conventional mortgages by following this link: [Fannie Mae's Recent Update will Impact Interest Rates](#)
- FHA loans are **assumable!** This may be a big benefit in the future as interest rates continue to increase overtime.
- **100% of the down payment** and closing cost requirement can be gifted by a family member.
- FHA Loans allow for **6% seller contribution toward closing costs** while conventional mortgages with a 3% down payment cap seller contribution at 3%.

If it makes sense for a buyer to use a 3% down conventional mortgage it's important to keep in mind there are two sets of guidelines Arizona Mortgage lenders must meet ~ standard loan guidelines as well as the mortgage insurance company guidelines, which can be stricter.

This is exciting news and we are proud to have been selected for this program in Arizona! If you have buyers who may be interested in taking advantage of this 3% down conventional mortgage opportunity, let me know.

It looks like we're going to have a picturesque Arizona winter weekend. Enjoy and be safe ~

Kelly

Quote of the week: There is only one way to succeed at anything and that is to give everything.
~ Vince Lombardi

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