

Conventional 97 Loan

If you're a first-time home buyer, saving up enough money for a downpayment can be a struggle. In fact, in recent research by Fannie Mae, it was discovered that the down payment requirement was the most significant hurdle for first-time home buyers. For many, it may seem like your only option for homeownership is a government-backed loan with higher fees than conventional loans, but that doesn't have to be the case.

With a Conventional 97 loan, the borrower is only required to put down 3%, leaving 97% to be financed – hence the name. Typically, conventional loans require at least 5% down, and that 2% savings can be the difference between getting into a home.

For example, a 5% down payment on a \$500,000 is \$25,000, 3% is \$15,000 – that's a huge \$10,000 savings!

Requirements For A Conventional 97 Loan

- Credit Score – As with all conventional loans, you'll need at least a 620 credit score. For the best rates, you'll want your score to be even higher.
- Income – The Conventional 97 loan is specifically for low to moderate-income earners. Your household income will need to be at or below 80% of the area median income in the city you live in. You can look up the Area Median Income using [this tool](#).
- First-Time Home Buyer Status – To qualify for a Conventional 97 loan, you will need to be a first-time home buyer. To make things confusing, "first-time home buyer" does not necessarily mean this is the first time you're buying a home. Talk to your lender for more specifics, but typically if you have not owned a home in the last three years, you can be labeled a first-time home buyer.
- Primary Residence – The home you purchase using a Conventional 97 loan must be your primary residence.
- Maximum Loan Amount – The maximum loan amount for a home purchased with a Conventional 97 loan is \$647,200.
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What Else Should I Know About The Conventional 97 Loan

The Conventional 97 loan is a great way for first-time home buyers to get into a house sooner rather than later. It is important to note that manufactured homes are not allowed with this type of financing; only single-family homes, townhomes, and condominiums are.

Since you will not be putting down 20%, you will be required to pay Primary Mortgage Insurance (PMI). This monthly payment will add \$75 to \$125 per \$100,000 borrowed per month based on your credit score.

Contact us to see if a Conventional 97 loan would be the right fit for you.