

How Jumbo Loan Limits Work for Home Buying

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[Jumbo loans](#) allow you to [borrow for expensive properties](#). While “conforming” loans limit how much you can borrow, jumbo [mortgages](#) are typically available for several million dollars. So, how do the dollar limits work when you’re buying homes that don’t fit into the typical mold?

Limits for Jumbo Loans

The Federal Housing Finance Agency (FHFA) sets dollar limits on loans for [Fannie Mae \(FNMA\)](#) and [Freddie Mac \(FHLMC\)](#). Those government-sponsored entities handle a significant share of mortgage loans in the U.S., and they keep the money flowing by selling mortgages to investors. As a result, it’s easiest to borrow when your loan fits their guidelines.

CONFORMING LIMITS: Loan limits depend on where you live. But for the vast majority of counties in the U.S., the maximum loan amount for FNMA and FHLMC is \$484,350 in 2019. However, in high-cost areas, you can borrow more. For example, in Los Angeles County, the loan limit is \$726,525.

JUMBO LOAN LIMITS: If you want to borrow more than \$484,350, you typically need a jumbo loan. Banks, mortgage lenders, and other investors can lend as much as they’re comfortable lending, and they set their own maximum limits for jumbo loans. For example, some banks lend up to \$5 million, while others have different limits.

Can You Qualify?

Although jumbo loans allow for significant loans, qualifying for funding can be a challenge. As the dollar amounts grow, lenders take on greater risks, and they're more careful about approving loans. Jumbo loans typically require:

- A significant [down payment](#)—20 percent or more is best, but you might be able to borrow with less
- High credit scores, with a lack of negative items in your credit history—a FICO score of 700 or higher is ideal
- Substantial reserve assets—enough to cover six months of payments is a minimum
- Sufficient income to comfortably support monthly payments—a 43 percent [debt-to-income ratio](#) is a good starting point



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That said, every situation is unique, especially with jumbo loans. Ask a lender what criteria determine whether or not you can get approved. In some cases, you can still qualify even if one of the factors above isn't perfect—strength in other areas can make up for any issues. For example, if you have a blemish in your credit reports, a sizeable down payment might help you qualify.

Should You Go Jumbo?

Jumbo loans allow you to buy luxury homes, unique properties, and “normal” houses in expensive areas. But just because you can get a big loan doesn't mean you should. Larger loans mean [substantial interest charges](#), and it's critical to understand how much you're paying for a property after you account for interest costs.

In some cases, it may be wise to make a bigger down payment (to borrow less) or buy a less expensive property.

Other Loans With Jumbo Limits

Jumbo loans aren't your only option. Especially if you're having trouble qualifying for a jumbo mortgage, it's worth investigating programs from federal and local governments as well as nonprofit organizations.

- **FHA loans** are [relatively easy to qualify for](#), and they allow for a down payment as low as 3.5 percent. They have the same loan limits as [conforming loans](#), but those loans are sensitive to the county you're buying in. For example, in Los Angeles County, you can borrow up to \$726,525. Assuming a 20 percent down payment, that might allow for a home worth roughly \$908,000.
- **VA loans** allow servicemembers and their families to borrow with no down payment. That approach has pros and cons: You don't need significant cash

savings to buy, but [having zero equity](#) is risky, and the more you borrow, the more interest you pay. Again, the limits are the same as other FHFA loans.

- **Grants and down payment assistance** can also help to reduce the amount you borrow. Those funds come from a variety of sources, and they require some research and legwork on your part—different programs are targeted to specific borrowers. Several ways to find assistance include: