Claude Loan

2026 STATE GUIDE

Conventional Loans in Alabama: The Numbers

Conforming limit, down payment and monthly cost on the state median at 3%, 5%, 10% and 20% down, the month PMI ends, and the Alabama rules that touch the loan.

A conventional loan in Alabama follows Fannie Mae and Freddie Mac's national rules; the state supplies the prices, the taxes and the closing customs. This guide works the numbers on the state median and lists the Alabama rules that touch the loan.

Alabama at a glance

Conforming limit (2026, one unit)	$832,750 baseline — higher in any FHFA high-cost county
Median home price (approx.)	$230,000
Property tax (effective)	about 0.4% — roughly $920 a year on the median
Closing practice	Attorney closing state
Transfer / recording taxes	Alabama charges a deed recording tax of $0.50 per $500 of value (0.10%) plus a mortgage recording tax of $0.15 per $100 borrowed; together they add well under 1% and are usually split by local custom.

Conforming or jumbo?

A one-unit loan above $832,750 is jumbo in Alabama in 2026. With 20% down you can buy up to about $1,040,938 and stay conforming; with 5% down, up to about $876,579. On the $230,000 median, a 20% down loan of $184,000 is inside the limit. Check your county on FHFA's lookup (fhfa.gov); two- to four-unit homes have higher limits.

What it costs on the Alabama median

Illustrative 6.5% 30-year fixed rate, principal and interest; mortgage insurance at typical market rates by down payment (credit score moves it); property tax at the state's approximate 0.4% effective rate. Add homeowners insurance and any HOA. Not an offer.

Down payment	Cash down	Loan	P&I	PMI (est.)	Tax	Monthly total
3%	$6,900	$223,100	$1,410	$167	$77	**$1,654**
5%	$11,500	$218,500	$1,381	$137	$77	**$1,595**
10%	$23,000	$207,000	$1,308	$86	$77	**$1,471**
20%	$46,000	$184,000	$1,163	—	$77	**$1,240**

When PMI ends

Under the federal Homeowners Protection Act you may request cancellation at 80% of the original value; the servicer must cancel at 78% and, if you are current, at the loan's midpoint. On scheduled payments alone at

6.5%:

Down payment	Monthly PMI (est.)	80% reached (request)	78% reached (automatic)	PMI paid by then (est.)
3%	$167	about 11 years and 1 months	about 12 years	$22,211
5%	$137	about 10 years and 4 months	about 11 years and 3 months	$16,988
10%	$86	about 7 years and 11 months	about 9 years and 1 months	$8,170

> **Shorten the clock.** Extra principal payments, or a cancellation request based on a new appraisal after enough seasoning (Fannie Mae and Freddie Mac typically allow 75% LTV after two years or 80% after five on current value), end PMI sooner than the schedule.

Closing in Alabama

Alabama closings are run by attorneys or by title agencies working under a supervising lawyer, because the Alabama State Bar treats the drafting of deeds and mortgages for others as the practice of law. The lender's closing attorney typically examines title, prepares the mortgage and deed, and disburses; Alabama is a wet-funding state, so money changes hands the day the papers are signed. Attorney and title fees together usually land in the low four figures on an ordinary purchase.

Alabama levies a mortgage recording privilege tax of $0.15 per $100 of the amount secured (Ala. Code § 40-22-2), so a $250,000 mortgage costs $375 in tax at recording, generally paid by the borrower. A separate deed tax of $0.50 per $500 applies to the conveyance itself. Probate-court recording fees per page are added on top. Closing costs in Alabama run low by national standards because transfer taxes are small and title premiums are moderate; budget roughly 2% to 4% of the price before any seller concessions.

Alabama rules that touch a conventional loan

Prepayment. Alabama has no statute that flatly bans prepayment penalties on residential mortgages; a penalty is enforceable only if the note provides for it, and the Alabama Consumer Credit Act (the "Mini-Code", Ala. Code § 5-19) gives borrowers a right to prepay the loans it covers. For most loans the practical ceiling is the federal qualified-mortgage rule, which limits penalties to the first three years. Verify the exact terms with the Alabama State Banking Department if your note contains one.

Spouses and title. Alabama is a separate-property state, and dower and curtesy were abolished in 1983. Even so, Ala. Code § 6-10-3 makes a mortgage of the homestead invalid unless the non-owning spouse signs to show voluntary assent, so lenders routinely require the spouse's signature on a mortgage of the marital home. Survivorship between co-owners must be spelled out in the deed; it is not presumed.

Homestead. The Alabama homestead exemption (Ala. Code § 6-10-2) shields equity in up to 160 acres of the family residence, in an amount the legislature raised to $15,000 per person in 2015 and now adjusts for inflation every few years — check the current figure before relying on it. The exemption never blocks a mortgage the owner signed, property taxes, or a mechanic's lien. For taxes, Ala. Code § 40-9-19 exempts up to $4,000 of assessed value from state tax and $2,000 from county tax on an owner-occupied home, and owners 65 and older or permanently disabled are exempt from all state property tax, with income-tested county relief; owner-occupied homes are also assessed at 10% of market value (Class III).

Your Alabama checklist

- [ ] Pull a tri-merge credit report; conventional pricing steps at 680, 700, 720, 740 and 760 — know your middle score before you shop.
- [ ] Decide the down payment with the table above: the monthly total, not the cash down, is what the lender qualifies you on.
- [ ] Confirm the conforming limit for your county on FHFA's site; structure the loan to stay under it if you can.
- [ ] Get three Loan Estimates on the same day at the same rate and zero points; compare Section A fees line by line.
- [ ] Ask whether the automated underwriting returned an appraisal waiver — it saves money and time.
- [ ] Calendar the month your balance reaches 80% of the purchase price and send the PMI cancellation request in writing.
- [ ] Read the Alabama closing customs above and budget the recording and transfer taxes.
- [ ] After closing, file the homestead exemption with your county if the state has one.

The method, in five steps

1. Find your county's conforming loan limit on FHFA's site; above it, you are shopping jumbo rules.
2. Know your middle credit score from a tri-merge pull — pricing steps at 680, 700, 720, 740 and 760.
3. Compute your back-end DTI with the full housing payment (taxes, insurance, PMI, HOA), not just principal and interest.
4. Compare three Loan Estimates at the same rate and zero points; compare Section A fees line by line.
5. If you put less than 20% down, calendar the month your balance reaches 80% of the original value — that is when you can request PMI cancellation.

Keep reading on Claude Loan

- Conventional loan requirements: credit, down payment, DTI, reserves, property — https://claude-loan.com/guides/conventional-loan-requirements/
- Conventional vs FHA vs VA vs USDA: the four loan types compared — https://claude-loan.com/guides/conventional-vs-fha-vs-va-vs-usda/
- Conforming loan limits: how the FHFA number works and what happens above it — https://claude-loan.com/guides/conforming-loan-limits/

- 30-year vs 15-year mortgage: the real trade-off, with the numbers — https://claude-loan.com/guides/30-year-vs-15-year-mortgage/
- ARM vs fixed-rate mortgage: when an adjustable rate makes sense — https://claude-loan.com/guides/arm-vs-fixed-rate/
- Jumbo loans: requirements, rates and how they differ from conforming — https://claude-loan.com/guides/jumbo-loans/

Sources

- Fannie Mae — Selling Guide — https://selling-guide.fanniemae.com/
- Freddie Mac — Seller/Servicer Guide — https://guide.freddiemac.com/
- FHFA — Conforming loan limits — https://www.fhfa.gov/data/conforming-loan-limit-cll-values

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