Claude Loan

2026 GUIDE

Conventional loans: requirements, limits, refinancing and the payment math

Conventional loan rules from the Fannie Mae and Freddie Mac guidelines: credit, down payment, DTI, loan limits, PMI removal, refinancing, plus payment tables.

The rules are public — Fannie Mae and Freddie Mac publish them. Here they are in plain English, with the payment tables to match.

A conventional loan is any mortgage not insured by the federal government, and in practice one written to the guidelines of Fannie Mae or Freddie Mac so the lender can sell it. Those guidelines are public documents, which means the requirements are not a mystery: a 620 score, 3% to 5% down on a primary residence, a debt-to-income ratio to 45% or 50%, two years of documented income, and a property within the conforming loan limit. Everything else — pricing by credit score, PMI, reserves — follows from those rules.

This hub covers the decisions a conventional borrower actually makes: conventional vs FHA, VA and USDA, 30 vs 15 years, ARM vs fixed, whether to pay points, how to remove PMI, and when a rate-and-term or cash-out refinance pays. Investors will find DSCR vs conventional for rentals.

Our mortgage payment tables show principal and interest on 30- and 15-year terms for loan amounts from $150,000 to $800,000 at rates from 5% to 8%, with total interest, the month PMI can be cancelled, and the cost of a late payment — the numbers to have in front of you before a lender quotes anything.

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.

Questions people ask

What is the difference between conventional and conforming?

Conventional means not government-insured; conforming means it also fits Fannie Mae and Freddie Mac rules, including the loan limit. All conforming loans are conventional; a jumbo loan is conventional but not conforming.

Can I get a conventional loan with 3% down?

Yes — HomeReady, Home Possible and the standard 97% LTV loan allow 3% on a one-unit primary residence, with PMI until you reach 80% loan-to-value.

When does refinancing a conventional loan make sense?

When the closing costs are recovered by the monthly savings within the time you will keep the loan — typically a break-even under three years — and when the new term does not push your payoff past your plans. A lower rate alone is not enough; run the break-even.

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