2026 STATE GUIDE

Conventional Loans in Tennessee: 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 Tennessee rules that touch the loan.

A conventional loan in Tennessee 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 Tennessee rules that touch the loan.

Tennessee at a glance

Conforming limit (2026, one unit)	$832,750 baseline — higher in any FHFA high-cost county
Median home price (approx.)	$320,000
Property tax (effective)	about 0.64% — roughly $2,048 a year on the median
Closing practice	Title company closing state
Transfer / recording taxes	Tennessee's realty transfer tax is $0.37 per $100 (0.37%), customarily paid by the buyer, plus a mortgage tax of $0.115 per $100 of the loan amount above $2,000, also paid by the borrower.

Conforming or jumbo?

A one-unit loan above $832,750 is jumbo in Tennessee 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 $320,000 median, a 20% down loan of $256,000 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 Tennessee 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 0.64% effective rate. Add homeowners insurance and any HOA. Not an offer.

Down payment	Cash down	Loan	P&I	PMI (est.)	Tax	Monthly total
3%	$9,600	$310,400	$1,962	$233	$171	**$2,366**
5%	$16,000	$304,000	$1,921	$190	$171	**$2,282**
10%	$32,000	$288,000	$1,820	$120	$171	**$2,111**
20%	$64,000	$256,000	$1,618	—	$171	**$1,789**

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%	$233	about 11 years and 1 months	about 12 years	$30,989
5%	$190	about 10 years and 4 months	about 11 years and 3 months	$23,560
10%	$120	about 7 years and 11 months	about 9 years and 1 months	$11,400

> **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 Tennessee

Tennessee closings are conducted by title companies and by real estate attorneys in roughly equal measure, and no lawyer is required at the table; the state's unauthorized-practice statute (Tennessee Code Annotated § 23-3-101 and following) lets a non-attorney closing agent handle the settlement as long as no legal advice is given. Funding is wet, with the deed of trust recorded in the county Register of Deeds right after signing. Settlement fees generally run from a few hundred dollars up to about a thousand, often shared by buyer and seller.

Tennessee is one of the states that taxes the loan itself: the mortgage or recordation tax under Code Annotated § 67-4-409(b) is 11.5 cents for every $100 of debt secured by the deed of trust above the first $2,000, collected by the Register of Deeds when the instrument is recorded and normally paid by the borrower. A separate realty transfer tax of 37 cents per $100 of consideration applies to the deed and is customarily paid by the buyer. Because both the transfer and mortgage taxes fall on the buyer, Tennessee closing costs run a bit higher than its neighbors — about 2.5% to 3.5% of the price including title and lender fees.

Tennessee rules that touch a conventional loan

Prepayment. Tennessee generally permits prepayment penalties on residential loans within the federal qualified-mortgage limits, but the Tennessee Home Loan Protection Act sharply restricts them on high-cost home loans, and loans made by industrial loan and thrift companies follow the prepayment rules in Code Annotated Title 45. In practice most Tennessee conforming loans carry no penalty; if the note has one, ask the Department of Financial Institutions whether it complies.

Spouses and title. Tennessee is not a community property state, but it is one of a few that let married couples opt in through a community property trust (Tennessee Community Property Trust Act of 2010, Tennessee Code Annotated § 35-17-101 and following); a home placed in such a trust becomes community property for tax and creditor purposes. Outside that election, spouses normally hold the home as tenants by the entirety, and a lender asks both to sign the deed of trust whenever both are on title. Only the borrowing spouse's debts are counted.

Homestead. Tennessee's homestead exemption in Code Annotated § 26-2-301 was for decades among the lowest in the nation, a few thousand dollars, before the legislature raised it in 2021 to $35,000 for an individual and $52,500 for married joint owners, with higher tiers for owners over 62 and for a parent with custody of a minor child; verify the current amounts because they have been amended several times. The exemption never blocks a deed of trust the owner signed, property taxes or assessments. On the tax side Tennessee has no general homestead exemption, but the state reimburses part of the tax bill for low-income elderly, disabled and veteran homeowners, and counties may offer a tax freeze to homeowners 65 and older (§ 67-5-705).

Your Tennessee 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 Tennessee 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