

# Jumbo Loans are Back Again

*Sometimes a Jumbo Loan is a Fannie Mae Loan in Disguise*

IRVINE, CA, UNITED STATES, February 24, 2021 /EINPresswire.com/ -- In March of 2020, [jumbo loans](#) went on a sabbatical, they went hibernating into the financial woods. In the great movie, Star Wars, there was a Return of the Jedi. In the mortgage world, there is the Return of the Jumbo. They are back now, and what's even better is that some jumbos are now conforming



Mortgage letters

loans. This article will explain the financial windfall and the opportunity that exists simply by the conforming limits increasing each year. Some people "think" they have a jumbo loan, but in reality, they have a conforming loan. This can create a refinancing boost and an even lower rate than refinancing into another jumbo loan.



Some homeowner mistakenly think they cannot refinance because they currently have a Jumbo Loan, and they are wrong. Jumbos are back again, and, even better, many are now conforming loans."

*Paul E. Scheper, MBA*

What's a Jumbo Loan?

It's a loan that exceeds the conforming [Fannie Mae](#) and [Freddie Mac](#) loan limits. These limits change each year and are currently set at \$822,350 for 2021. Last year, this limit was \$765,600. In 2018, this limit was \$726,525, and in 2017, the limit was \$679.650. Any loans greater than these limits, during those periods, were called Jumbo loans. "Many people had a jumbo before, but now they are classified as a conforming loan, and refinancing at a conforming loan amount offers a lower rate and lower

payment," says Paul Scheper, President of Loangevity Mortgage in Irvine, CA.

What's A Conforming Loan?

A conforming loan is a mortgage that meets the requirements to be purchased by Fannie Mae or Freddie Mac. The main criterion is that the loan amount falls under the annual determined dollar cap for your county. Basically, a conforming loan is a home loan whose amount doesn't exceed a certain dollar amount. That dollar amount is determined by the Federal Housing Finance Agency (FHFA) which regulates the government-sponsored enterprises (GSEs) Fannie Mae and Freddie

Mac.

### How Conforming Loans Work

Mortgage loan guidelines – such as having a minimum credit score or maximum debt-to-income ratio (DTI) as a prerequisite for loan approval – exist to prevent lenders from lending money to borrowers who can't afford their loan payments. They help protect a borrower from taking on more debt than they can manage, and they also protect the lender from taking on too much risk.

For most non-government-backed loans (also known as conventional loans), borrowing guidelines are made by the GSEs. The GSEs, Fannie Mae and Freddie Mac, buy loans from lenders that meet these guidelines, serving as

investors in the mortgage market. This gives lenders a constant flow of money so lenders can continue lending. Loans that meet the requirements to be purchased by Fannie Mae and Freddie Mac are called conforming loans. The GSEs have specified criteria for the types of loans they'll buy because they're taking on the risk by purchasing the mortgage. They won't buy any loans that don't meet their requirements.

### How Jumbo Loans Work

Jumbo loan guidelines mirror and match conforming guidelines. It's all about the Big Four Items -- Income, Credit Report, Assets, and Equity in the home.

The more equity in the home, and the higher the credit score and the higher the income, the easier it is to get approved for a jumbo loan. Jumbo interest rates are typically 1/4 to 3/8% higher than conforming loan rates, which make them very attractive. They are low and nice, but not quite as nice as a conforming loan. "The best kept secret out there is refinancing people who 'think' they currently have a jumbo, but they actually have a conforming loan, which allows them to save even more money, says Scheper. For example, somebody who currently owes less than \$822,350 today might have gotten a jumbo loan recently (in the past 5 years) and, without even knowing it, their loan has shrunk to a conforming loan. This could turn into a financial windfall of luck, and savings for many people who can now convert from a jumbo to a conforming rate simply by knowing the numbers.

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