



# Conventional Loans in Florida

*What Every Realtor Should Know*

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# What Is a Conventional Loan?



A mortgage loan that is not insured or guaranteed by any government agency (FHA, VA, or USDA). Instead, it is backed by private lenders and follows guidelines set by Fannie Mae and Freddie Mac.



One of the most common financing options for homebuyers in Florida, available through banks, credit unions, and mortgage companies.



Offers flexible loan terms including 15-year, 20-year, and 30-year fixed-rate options, as well as adjustable-rate mortgage (ARM) structures.



Can be used to finance primary residences, second homes, vacation properties, and investment properties — making it versatile for a wide range of buyers.



**Flexible  
Financing**



**Competitive  
Rates**



**Multiple  
Property Types**

# Down Payment Options



Low down payment options may be available for qualified buyers — as little as 3% for first-time buyers through certain conventional programs.



Higher down payments (10-20%+) may reduce monthly costs by lowering the loan amount and potentially eliminating private mortgage insurance.



Gift funds from family members may be permitted in some situations, depending on the program and lender requirements.



Various program structures are available to meet different financial situations, including conforming and high-balance conventional options.

## Down Payment Comparison

Down Payment	Est. Monthly*
3% (\$9,000)	~\$2,050
5% (\$15,000)	~\$1,980
10% (\$30,000)	~\$1,850
20% (\$60,000)	~\$1,650

*\*Based on \$300K home, est. rates. For illustration only.*

# Credit & Qualification Guidelines



## Credit Profile

A strong credit history is one of the most important factors. Generally, higher credit scores lead to better rate options. Most conventional programs look for a minimum score in the range of 620-680, though requirements vary.



## Debt-to-Income Ratio

Lenders evaluate the buyer's monthly debts relative to gross income. Conventional loans typically look for a DTI ratio below 45%, though specific thresholds depend on the program and compensating factors.



## Income Verification

Stable, documented income is essential. Buyers will need to provide pay stubs, W-2s, and tax returns. Self-employed borrowers may need additional documentation such as two years of business returns.



## Asset Documentation

Lenders will review bank statements and asset records to verify the buyer has sufficient funds for the down payment, closing costs, and any required reserves after closing.

# Conventional vs FHA Loans

Feature	Conventional	FHA
<b>Down Payment</b>	As low as 3%	As low as 3.5%
<b>Mortgage Insurance</b>	PMI; removable at 80% LTV	MIP; typically for life of loan
<b>Credit Flexibility</b>	Generally 620-680+ minimum	May accept lower scores (580+)
<b>Property Standards</b>	Standard appraisal	Stricter HUD standards apply
<b>Long-Term Costs</b>	Often lower over time (no permanent MI)	MIP adds ongoing cost

*This comparison is for general educational purposes. Specific terms vary by lender and program.*

# Mortgage Insurance Explained



## What is PMI?

Private Mortgage Insurance protects the lender if a borrower defaults. It is typically required when the down payment is less than 20% of the home's purchase price.



## When Does PMI Apply?

PMI is generally required on conventional loans when the loan-to-value (LTV) ratio exceeds 80%. The cost varies based on credit score, down payment amount, and loan terms.



## Removing PMI

Unlike FHA mortgage insurance, conventional PMI can be removed. Borrowers can request cancellation once equity reaches 20%, and it automatically terminates at 78% LTV under federal law.



## Impact on Payments

PMI typically adds \$50-\$200+ per month depending on the loan amount and rate. This is a temporary cost that reduces as equity builds — a key advantage over FHA's permanent MIP.

## Monthly Payment Breakdown

*Typical \$300K Loan Example*



Principal & Interest: \$1,432



Property Tax: \$250



Insurance: \$125



PMI: \$145

**Total: ~\$1,952/mo**

# Property Types Eligible



## Primary Residences

Owner-occupied homes are the most common use of conventional financing with the best rates and terms.



## Second Homes

Vacation and seasonal properties qualify with slightly different requirements and down payment thresholds.



## Investment Properties

Rental and income-producing properties are eligible, typically requiring higher down payments (15-25%).



## Single-Family Homes

Traditional detached homes remain the most popular property type financed with conventional loans.



## Condos & Townhomes

Eligible when the HOA and project meet lender guidelines. Warrantable condo approval may be required.

# Why Buyers Choose Conventional Financing



## Competitive Rates

Conventional loans often offer some of the most competitive interest rates in the market, especially for borrowers with strong credit profiles.



## Flexible Properties

Unlike government-backed loans, conventional financing works for primary homes, second homes, and investment properties — giving buyers more options.



## Lower Long-Term Cost

With removable PMI and no upfront funding fees, conventional loans can be more cost-effective over the full life of the mortgage.



## Higher Loan Limits

In many Florida markets, conventional conforming loan limits are generous, and high-balance options extend even further for higher-priced homes.

# Common Buyer Profiles



## Move-Up Buyers

Current homeowners looking to upgrade to a larger or more desirable home, leveraging equity from their current property.



## Strong Credit Buyers

Borrowers with excellent credit scores (740+) who qualify for the most competitive conventional rates and terms.



## Repeat Homebuyers

Experienced buyers who understand the mortgage process and prefer the flexibility of conventional financing.



## Higher-Income Borrowers

Buyers who may exceed income limits on some government programs, making conventional their ideal option.



## Second Home Buyers

Buyers purchasing vacation homes or seasonal residences in Florida's desirable coastal and resort areas.

# Realtor Tips for Conventional Deals



## Encourage Early Pre-Approval

Help buyers get pre-approved early so they know their budget and can act quickly in competitive markets.



## Review Buyer Assets

Ensure buyers have documented assets for down payment, closing costs, and reserves before making offers.



## Discuss Appraisal Expectations

Set realistic expectations about appraisal values and discuss strategies if values come in lower than expected.



## Understand DTI Impacts

Know how existing debts (car payments, student loans, credit cards) affect a buyer's qualifying power.



## Communicate Changes Quickly

Any changes to income, employment, or credit during underwriting must be reported immediately to avoid delays.

# Conventional Loan Myths



*"You need 20% down"*



Many conventional programs allow as little as 3% down for qualified buyers. A 20% down payment eliminates PMI but is not a requirement.



*"Only perfect credit qualifies"*



While strong credit helps, conventional loans are available to borrowers with scores as low as 620 in many programs. Higher scores unlock better rates.



*"Conventional loans are always harder"*



The application process is comparable to government loans. In many cases, conventional loans offer faster processing and fewer property restrictions.



*"PMI lasts forever"*



Unlike FHA's mortgage insurance premium, conventional PMI can be removed once you reach 20% equity — and it terminates automatically at 78% LTV.

# Conventional Loan Process



Pre-Approval

Home Search

Offer

Appraisal



Underwriting

Clear to Close

Closing

# Common Realtor Questions

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- ?** **How long do conventional loans take to close?** Typically 30-45 days from contract to closing, though timelines can vary based on lender capacity, appraisal scheduling, and documentation turnaround.
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- ?** **What factors most affect approval?** Credit score, debt-to-income ratio, employment history, and down payment amount are the primary factors lenders evaluate during underwriting.
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- ?** **Can self-employed buyers qualify?** Yes. Self-employed borrowers typically need two years of tax returns and may need to document business income more thoroughly than W-2 employees.
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- ?** **Are gift funds allowed for down payment?** Yes, in most conventional programs. Gift funds from family members are generally acceptable with a proper gift letter and documentation of the transfer.
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- ?** **What happens if the appraisal comes in low?** Options include renegotiating the price, the buyer covering the gap, requesting a reconsideration of value, or in some cases, the deal may need to be restructured.

# Why Conventional Financing Matters for Realtors

## Expands Financing Options

Understanding conventional loans gives you a broader toolkit to match buyers with the right mortgage product, increasing the chances of successful closings.

## Supports Move-Up Buyers

Move-up buyers with equity and established credit are ideal conventional loan candidates. Recognizing this helps you serve this valuable segment more effectively.

## Second-Home & Investment Deals

Conventional financing is often the primary option for second homes and investment properties — markets that represent significant transaction volume in Florida.

## Multiple Price Points

With conforming and high-balance options, conventional loans serve buyers across a wide range of price points, from starter homes to luxury properties.

# Helping Florida Buyers Navigate Conventional Financing with Confidence

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- Quick communication & updates
- Transaction support from start to close