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Jumbo Loans Now Available with Just 5% Down

Colin Robertson August 25, 2015 No Comments »



It sounds like the credit box is beginning to open up a bit more, maybe too much if the latest product announcements are any indication.

This week, Parkside Lending [launched](#) a new [jumbo mortgage](#) that only requires a five percent down payment. Yes, jumbos up to [95% LTV](#).

Generally, jumbo loans require much larger down payments (20-30% or more) than [conforming loan amounts](#) because the loan amounts are larger and may put more risk on the lender.

They are also often kept on the lender's books instead of being sold off immediately via the [originate-to-distribute model](#).

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That's what makes this product launch noteworthy. It also kind of reminds of me the loose lending days before the crisis, though things are quite a bit different at the moment.

For example, despite only requiring a five percent down payment, a [minimum FICO score](#) of 740 is needed and [the DTI ratio](#) can't exceed 35%.

Additionally, borrowers need a [full 24 months of reserves](#), or two years of mortgage payments on hand to qualify for the program.

It's also only available for purchases and [rate and term refinances](#). This differs greatly from the [100% cash out refinances](#) that were prevalent during the housing boom, many of which didn't require full documentation. Or any real documentation...

Parkside's product is being offered on one unit, owner-occupied properties only with loan amounts up to \$1 million.

The company is also doing this without [private mortgage insurance](#), which is required for all loans with a LTV above 80%. Of course, this just means it's factored into the [interest rate](#) (higher rate).

It's unclear what loan types are available under the program.

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Today's Mortgage Rates

Rates in San Francisco, CA

Estimated Purchase Price \$250,000

Loan Amount: \$200,000 | Down Payment: \$50,000 (20%)

30-Yr Fixed 15-Yr Fixed 5/1 ARM 7/1 ARM

Monthly Mortgage Payment **\$898**

LenderFi.com

LENDERFI Rate: **3.500%** Points: **1.100** APR: **3.610%** APR: **\$840** GO

NMLS# 133056 | State lic# 1767474 | Wed Aug 26

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Parkside also offers non-QM loans, those that fall outside the Qualified Mortgage rule. One of their products even allows for a 100% DTI ratio.

Competition Means Lenders Can Get Riskier

In my research, I discovered another lender offering jumbos at 95% LTV.

Guild Mortgage also offers low-down payment jumbos with a minimum 700 FICO score on loan amounts up to \$850,000.

The program is available for purchases and refinances (likely just rate and term) and short sales 4+ years ago are okay.

Borrowers can choose from an array of loan types including 5, 7, and 10-year adjustable-rate mortgages, or 10 and 15-year fixed mortgages.

It's unclear if the so-called "Guild Mortgage Elite Jumbo Program" requires mortgage insurance, but it's clear that it's geared toward the most pristine borrowers.

That seems to be the case for most of these programs. Smaller mortgage banks are beginning to target seemingly good borrowers who want to take advantage of flexible guidelines like the good old days.

The question is whether this will eventually trickle down to the higher-risk borrowers, as it did during the previous boom/bust cycle.

For the record, you can also get a conforming loan with just 3% down, or a FHA loan with 3.5% down.

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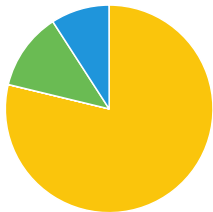
[What Mortgage Term Is Best?](#)

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Mortgage Calculator

Monthly Payment **\$898**

Lowest Available Rate **3.500%** | APR **3.618%**



- **\$898** Principal & Interest
- **\$0** Mortgage Insurance
- **\$138** Real Estate Taxes
- **\$104** Homeowner's Insurance

Refinance Calculator

LENDERFI

VISIT LENDER

Location San Francisco, CA

30-Yr Fixed
15-Yr Fixed
5/1 ARM
7/1 ARM

Estimated Purchase Price \$250,000

Loan Amount \$200,000

Down Payment \$50,000 (20%)

30-Yr Fixed Mortgage Options

| Lender | Rate | APR | Fees in APR | Points | Payment | Action |
|---|--------|--------|-------------|--------|---------|------------------------------|
| LenderFi.com | 3.500% | 3.618% | \$840 | 1.100 | \$1,066 | VISIT LENDER |
| <small>NMLS# 133056 State lic# 1767474 Wed Aug 26</small> | | | | | | |
| Sebonic Financial | 3.500% | 3.663% | \$0 | 2.000 | \$898 | VISIT LENDER |
| <small>NMLS# 66247 Wed Aug 26</small> | | | | | | |
| Integras Home Loans | 3.625% | 3.625% | \$0 | 0.000 | \$1,925 | VISIT LENDER |
| <small>NMLS# 957276 State lic# 1916607 Tue Aug 25</small> | | | | | | |

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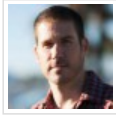
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Required
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