Mortgage Options

PART OF A SUCCESSFUL HOME PURCHASE INCLUDES FINDING THE BEST POSSIBLE HOME LOAN, BUT WITH SO MANY DIFFERENT TYPES OF MORTGAGES AVAILABLE TODAY, IT CAN GET CONFUSING. EVERY LOAN HAS POSSIBLE DISADVANTAGES ALONG WITH ITS ADVANTAGES. HERE'S A LIST OF SOME OF THE MORE POPULAR MORTGAGE OPTIONS AVAILABLE.

TYPE	DESCRIPTION	PROS	CONS
FIXED RATE	Interest is fixed for a set amount of time and after all of your scheduled monthly payments are over, you own your home.	*Security,* your payments are always the same.	If rates go down, you'll be locked in at a higher rate unless you refinance.
FHA LOANS	The Federal Housing Administration insures loans on real property made by approved lending institutions. It insures lenders against losses from foreclosures.	Approved lenders are able to offer loans with lower interest rates and lower down payments because of the protection provided by the FHA.	The lender you choose may not be FHA approved. Loan amount may not exceed maximum FHA limits.
VA LOAN PROGRAM	The Veteran's Administration assists veterans, spouses of MIAs or POWs, and surviving spouses with home loans.	Zero down financing is possible.	Must meet the criteria to qualify for a Veteran's Administration loan. May not exceed maximum VA Loan amount. Certain leasehold restrictions apply. Condos must qualify.
ADJUSTABLE RATE MORTGAGES	With an Adjustable Rate Mortgage, the interest rate fluctuates at predetermined intervals within a minimum and maximum rate cap.	Initial rates are lower than fixed mortgages. Allows borrower to qualify for larger loan amounts.	Rates will likely increase after the adjustment period. With an ARM you are betting that you save enough initially to offset future rate increases.

Information deemed reliable, but not guaranteed. While this may be used as a guideline, please consult with a mortgage specialist.

Mortgage Options Continued

TYPE	DESCRIPTION	PROS	CONS
INTEREST ONLY ARM	For a period of time, you pay only interest, and do not pay down the principal.	Allows you to qualify for higher loan amounts. Payments may go down if rates improve.	Less security as payments change over time. After the initial no-interest period, the principal will come back at a higher rate.
BALLOONS	Payments are typically based on a 30, 40, or 50 year amortization with the entire balance being due at the end of the term. Under certain conditions, you may refinance the remaining term at the current market rate.	Balloons often have a much lower interest rate compared to ARMs or fixed loans.	May be risky if at the end of the term you're not able to pay off the remaining balance and don't meet the conditions to refinance the remaining term.
REVERSE MORTGAGE	A reverse mortgage enables homeowners (62+ years) to convert part of the equity in their homes into tax-free income without having to sell the home, give up title, or take on a new monthly mortgage payment. Instead of making monthly payments to a lender, the lender makes payments to you.	The money received is tax free & generally does not affect Social Security or Medicare benefits.	The loan is paid back after you no longer occupy the house. When you sell the house or pass away, there will be less money that goes to you or your estate. Reverse mortgages are also complex with higher upfront closing costs.