

## Mortgage Products: Choosing a Mortgage that is Right for You

Your lender will counsel you on available mortgage choices and products. Basic mortgage choices are FHA, VA, or conventional loans. Within these basics are different mortgage products and programs that have been tailored to today's buyer needs. Since one size does not fit all, some mortgage products will be better suited to your financial situation.

Fixed-rate mortgages are mortgages where the interest rate remains the same for the whole loan term. Thus your principal and interest will be the same every month until the loan is paid in full. Many home buyers choose this product because it minimizes uncertainty about the monthly payment. Home buyers can more readily budget around a house payment that they can count on.

Adjustable-Rate Mortgages (ARMs) are mortgages where the interest rate changes periodically according to a predetermined index. These loans initially have a lower interest rate. When borrowers qualify at an initial lower rate, they can afford more house.

ARMs vary according to how often the rate adjusts. Some ARMs have caps on the amount of rate change with each adjustment. ARMs are tied to one of a variety of market indexes. Your lender can show you how the index has behaved historically. This will allow you to gauge if there will be wide fluctuations in rate changes over the life of the mortgage. Some ARMs are hybrids with a fixed initial interest rate before they move into an adjustable mode.

No or Low Down Mortgages are mortgage products tailored to borrowers who are short on available cash but who have the income to support a higher payment. The risk to the lender is greater on this mortgage because the buyer has little cash investment. Thus these loans will require strong buyer credit histories.