

Loan Considerations

MORTGAGE TERM

Mortgages are generally available at 15, 20 or 30 year terms. The longer the term, the lower the monthly payment if the same amount is borrowed. However, you pay more interest overall if you borrow for a longer term.

FIXED OR ADJUSTABLE RATE

A fixed rate allows you to lock in a low rate for as long as you hold the mortgage and is usually a good choice if interest rates are low. An adjustable-rate mortgage (ARM) goes up as interest rates increase; however they usually offer a lower rate in the first years of the mortgage. ARMs typically have a limit as to how much and how frequently the interest rate can increase. ARMs are a good choice when interest rates are high or when you expect your income to grow significantly in coming years.

BALLOON MORTGAGES

Balloon mortgages offer very low interest rates for a short period of time. Payments usually cover just interest, so the principal owed is not reduced. However, this type of loan may be a good choice if you think you will sell your home in a few years.

GOVERNMENT-BACKED LOANS

Sponsored by agencies such as the Federal Housing Administration (fha.gov) or the U.S. Department of Veterans Affairs (va.gov), government-backed loans offer special terms, including lower down payments or reduced interest rates to qualified buyers.

PAYMENT

Slight variations in interest rates, loan amounts, loan type, and terms of the loan can significantly affect your monthly payment. For help in estimating your monthly payment for various loan amounts, check out our on line mortgage calculator.