



Which Mortgage Do I Choose?



Key Questions to Ask Yourself and Lenders

When Shopping for a Mortgage!

- Traditional Fixed Rate Mortgage?
- Graduated-Payment Mortgage?
- Adjustable Rate Mortgage?
- FHA Mortgage?
- Two-Step Mortgage?

You are wondering which kind of mortgage is best. The answer: There is no one correct answer. Deciding which type of mortgage will best fulfill your needs can be difficult. There are so many types of loans and different term lengths.

Your choice is extremely important and can take some time and effort to research. While often neglected by home-buyers, a little research before choosing your mortgage can save you thousands of dollars in the long run.

There are several elements of a loan that should be analyzed. While one of these elements may suggest one type of loan, another may call for a different type. You must weigh each ingredient separately and collectively. You will find that your answers to the questions below will ultimately determine the type of mortgage that best fit your needs.

How long do you plan to stay in this home?

Five years? Ten years? Thirty years? The length of time you will be in the home will certainly play a part in determining which loan to apply for. If you only plan to be in the home for 5 – 7 years or less, you should seriously consider an adjustable rate loan. If you

intend on staying 20 – 30 years, a fixed rate mortgage may be right for you.

How much risk are you willing to accept?

If you are the type of buyer that needs to know exactly what you will be paying each month for the term of the mortgage, a fixed rate mortgage will fulfill this need. The fixed rate loan, however, will also net a higher interest rate. If you are willing to take some risk of fluctuations in the interest rate, may receive a lower interest rate.

What are your income expectations?

Plan for the future. Do you anticipate a gradual or dramatic increase in your income in the next few years? If you expect a big increase, a graduated payment mortgage may be best for you.

How much cash do you have available for up-front costs?

If you have the resources, you may want to make a larger down payment to lower your monthly payment. By keeping a higher monthly payment however, you might be able to shorten the term of the loan to a 15-year loan in order to pay it off quicker.

Keep in mind that you'll have closing costs and fees to pay in addition to your down payment. If you don't have much cash saved for your up-front costs, don't despair. You may be forced to accept a higher monthly payment or could even lower your monthly obligation by choosing an Adjustable rate mortgage.

In addition to choosing a type of loan, you must also consider which lender to use. Once again, several factors of a loan will influence your decision.

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Annual Percentage Rate (APR)

This most likely is the best way to make an “apples-to-apples” comparison of lenders. The APR reflects the cost of credit on a yearly rate and includes any points and fees in addition to the interest rate.

Interest Rate

Find out the rate the lender will commit and how long the lender will guarantee it. Get any commitments in writing. As with any transaction, if it isn't in writing it doesn't exist.

Points and fees

These factors will vary greatly. Look out for hidden fees. Make sure the lenders disclose all fees; ask what they charge and what is included and what is not.

Loan Approval

Both approval and funding time should be considered. You don't want to lose a prospective home because your lender takes weeks to fund your loan. A lender should be able to fund the loan within ten days.

Lender Reputation

Don't rely on solely someone else's recommendation. You, not your friend, must feel comfortable with your lender. If you do feel good about your lender and trust him, it will be much easier to trust his advice on what kind of mortgage will best suit your needs.

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