

MORTGAGE PROGRAMS

Fixed Rate Mortgages

The Fixed Rate Mortgages are the most popular type of mortgages. They are for borrowers who plan to stay in their home for a long period of time. They also offer the security of consistent principal and interest payments as the interest rate is fixed for the term of the loan.

Advantages

Disadvantages

40 Year Fixed

Lower monthly payment
More affordable
Greater monthly cash flow
Provides maximum interest deductions
Increases purchase power
Easier to qualify for a mortgage

Longest term
More interest paid
Costs more over the life of the loan

30 Year Fixed

Lower monthly payment
More affordable
Higher monthly cash flow

Longer term
More interest paid
Costs more over the life of the loan

15 Year Fixed

Shorter term
Own your home in half the time
Less interest paid

Larger monthly payment
Harder to qualify for a mortgage

Adjustable Rate Mortgages

The Adjustable Rate Mortgages are for borrowers who plan to stay in the home for a short period of time, usually three to seven years. An ARM generally offers a lower initial interest rate than the fixed rate mortgages. There is a greater risk with these mortgages as the interest rates can change after the fixed rate period.

Advantages

Disadvantages

3/1, 5/1 and 7/1

Payment can decrease if rate goes down
Lower initial interest rate
Easier to qualify for a mortgage

Payment can increase if rate goes up
Greater potential for higher payments
Requires more discipline

Interest First Mortgages

The Interest First Mortgages are for borrowers who prefer to pay “interest only” on their mortgages. This was designed for the financially informed borrowers who are prepared for an increased payment after the loan converts to fully amortizing loan.

Advantages

- Most affordable payment
- More purchasing power
- Good for commissioned borrowers
- Good for self-employed borrowers
- Higher monthly cash flow

Disadvantages

- No principal reduction/equity building
- Lower loan to value
- Higher interest rate
- May owe money when selling home

Stated Income

Specifically designed for the self-employed or commissioned borrower. Stated Income mortgages give the borrower the ability to “state” their income within reason, without having to verify it. Employment or self-employment history will be verified.

Advantages

- Proof of income not required
- No ratio limitations

Disadvantages

- Lower loan to value
- Higher interest rate
- Higher credit standards

100% Financing

Many first time home buyers have difficulty obtaining sufficient funds for a down payment. Little to no down payment programs are available on the fixed rate mortgages and the 5/1 and 7/1 ARMs. This allows the borrower to purchase a home with the least amount of money out of pocket.

Advantages

- Low to no money down
- Own VS rent
- Alternate credit allowed
- 3% seller concessions allowed

Disadvantages

- Mortgage insurance required
- Higher mortgage payment
- Higher interest rate

Simultaneous Second Mortgages

Simultaneous second mortgages are originated and closed in conjunction with the first mortgage. This will result in a lower payment than a single larger mortgage since mortgage insurance would not be required.

Advantages

Mortgage Insurance not required
Lower payment than one mortgage
Higher tax deductions

Disadvantages

Additional fees may apply
Higher interest rate on second mortgage
Higher credit standards