

MORTGAGES AT A GLANCE

A brief synopsis and the pros and cons of some of today's most popular mortgage loans

TYPE	DEFINITION	ADVANTAGES	DRAWBACKS	COMMENTS
30 Year Fixed Rate	A long term loan in which principal and interest are amortized over 30 years. The interest rate and payment remain unchanged for the life of the loan.	<ul style="list-style-type: none"> • Considerable tax benefits, especially in early years • Payments never rise, regardless of inflation 	<ul style="list-style-type: none"> • Slow equity buildup 	The most common mortgage in the U.S. and a particularly good investment when rates are low
15 Year Fixed Rate	As above but payback period is 15 years	<ul style="list-style-type: none"> • Usually lower interest rate than 30 year • Faster equity build-up • Less interest paid out over life of loan 	<ul style="list-style-type: none"> • Higher monthly payments • Less tax-deductible interest 	An excellent option for middle aged and older buyers
ARM (Adjustable Rate Mortgage)	A mortgage whose rate changes over time according to terms specified by the lender, usually according to short-term Treasury Bill rates	<ul style="list-style-type: none"> • Low initial interest rate, sometimes below market • Payments may decrease over time 	<ul style="list-style-type: none"> • Payments may increase over time • Risky if rates rise significantly • Monthly mortgage upfront insurance for life of loan • Mortgage insurance (financed) 	Good option for buyers whose income will rise and/or when rates are expected to drop
FHA Mortgage Loans	Government-insured or guaranteed mortgages that can make purchase	<ul style="list-style-type: none"> • Little down payment required • Marginally better rate 	<ul style="list-style-type: none"> • Lower limits on the maximum amount that can be 	Good option for first time buyers with little to invest in a down
VA Loans	Mortgages offered to borrowers who have past or current military service	<ul style="list-style-type: none"> • Lower Monthly payments • Full tax benefits 	<ul style="list-style-type: none"> • Slower equity build-up • Buyer's income may not rise in proportion to payments 	Another good choice for buyers who expect income to rise substantially after the home is purchased
BALLOON MORTGAGE	A short-term (3-5 years) loan, usually at a fixed rate, paid back in equal monthly payments and a final "balloon" payment for the remaining balance	<ul style="list-style-type: none"> • Lower monthly payment • Full tax benefits 	<ul style="list-style-type: none"> • Little or no equity build-up; monthly payments are often for interest only • Balloon payment usually requires refinancing or selling the home 	Designed for buyers who plan on moving within a few years and/or are confident in the short-term appreciation of the property value