

SELECTING THE RIGHT MORTGAGE II (ARM's)

For Borrowers Who	Select This Mortgage	Loan Characteristics
<ul style="list-style-type: none"> • Will live in the house for a period of less than 5 yrs. • Predict that future interest rates will average the same or lower than the current rate over the life of the loan. • Or if the 1st year ARM rate is 2 or more percent less than a fixed-rate loan. • Plan to move up to a more expensive home and want the most house for their dollar. The lower the payments, the more house you will be able to afford. • Are first-time buyers who are planning on buying up in a few years. 	Adjustable Rate (ARM)	<ul style="list-style-type: none"> • Interest rate & monthly payments remain the same for the first 10 years. Thereafter, the interest rate is adjusted every year, so payment is subject to change every year for the life of the loan.
<ul style="list-style-type: none"> • Want to take advantage of lowest rate available and are willing to accept yearly payment changes • Cannot qualify for a longer term, higher rate mortgage 	1-Year Adjustable Rate (ARM)	<ul style="list-style-type: none"> • Interest rate adjusted every year, so monthly payment is subject to change every year for entire life of loan
<ul style="list-style-type: none"> • Plan to live in property more than 5 (or 7) years and can accept one payment adjustment • Plan to move within 5 (or 7) years but want loan to remain in force in case plans change 	"30 due in 5" aka 5/25 (2-Step) "30 due in 7" aka 7/23 year (2-Step)	<ul style="list-style-type: none"> • Interest rate & monthly payment remain the same for the first 5 (or 7) years. • Conversion option: On the 6th (or 8th) year, interest rate adjusted to reflect prevailing interest rates, resulting payment will remain the same for the remainder of the term or the loan
<ul style="list-style-type: none"> • Plan to live property more than 3 (or 5) years and want initial payment stability but can accept changes later • Plan to move within 3 (or 5) years but want loan to remain in force in case plans change 	3/3 & 3/1 Year Adjustable Rate (ARM) 5/5 & 5/1 Year Adjustable Rate (ARM)	<ul style="list-style-type: none"> • Interest rate & monthly payment remain the same for the first 3 (or 5) years. Starting on the 4th year, interest rate adjusted every third year for a 3/3 (or 5/5) ARM and every year for a 3/1 (or 5/1) ARM
<ul style="list-style-type: none"> • Plan to live property more than 7 (or 10) years and want initial payment stability but can accept changes later • Plan to move within 7 (or 10) years but want loan to remain in force in case plans change 	7/1 Year Adjustable Rate (ARM) 10/1 Year Adjustable Rate (ARM)	<ul style="list-style-type: none"> • Interest rate & monthly payment remain the same for the first 7 (or 10) years. Starting on the 8th (or 11th) year, interest rate adjusted every year, so payment is subject to change every year for the remainder of the loan
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