



## Types of Mortgages

Here's a brief overview of some of the most common mortgage options.

**Fixed Rate Mortgage** - The interest rate and principal payment remain unchanged throughout the length of the loan.

**Adjustable Rate Mortgage (ARM)** – A loan with payments that may adjust up and down based on interest rate changes. ARM's are attractive because initially they may offer lower interest rates than fixed-rate mortgages rate change.

**Conventional Mortgage** – A mortgage not insured by a government agency. They fall into three categories:

*Conforming Loans* – meet the approval guidelines of Fannie Mae and Freddie Mac. The limits for these loans are reviewed annually and, if needed, changed to reflect changes in the national average price for single-family homes.

*Jumbo Loans* – are loans too large to meet eligibility requirements of Fannie Mae and Freddie Mac. It typically follows conforming loan guidelines and has a higher interest rate.

*Non-Conform Loans* – do not meet the general guidelines of Fannie Mae and Freddie Mac. They allow for people who do not fit the conforming guidelines model to be able to become homeowners.

**Government Loans** – A mortgage insured by the government agency such as:

*FHA (Federal Housing Authority)* – FHA mortgages usually require a lower down payment and may sometimes have a lower interest rate.

*VA (Veteran's Administration)* – VA loans are made only to individuals who have served in one of the U.S. Armed Forces.

*Interest Only Mortgage* – A mortgage that does not require payment toward the principal for a specified period, usually 5 to 10 years, leaving the loan balance unchanged. After that period, both interest and principal are included in a monthly payment.

*Reverse Mortgage* – This mortgage is designed for people who are 62 years of age or older. This program let's you tap into your home's equity without having to repay the debt for as long as you live there. Instead of making monthly payments, you receive monthly payments.