

## Understand Different Loans

**FIXED-RATE LOAN:** These loans are designed for those with solid credit histories, relatively low debt, and who plan to remain in their homes for several years. Fixed-rate loan payments are predictable and stable since the interest rate is set for the full length, or term, of the loan. Using a fixed interest rate of 6 percent, a 30-year loan of \$400,000, on a \$500,000 home, with a down payment of 20 percent, will produce a monthly payment of \$2,400.

**ADJUSTABLE-RATE LOAN:** Also known as an ARM loan, these are typically offered at a lower initial interest rate than traditional fixed-rate loans, and can lower your monthly payments for a specified time, which can range from a few months to a few years. Your interest rate, however, will adjust at the end of the specified time period and will readjust periodically thereafter. Depending on market conditions, the rate could be higher or lower than your initial rate. A 30-year loan of \$400,000 on a \$500,000 home, with a down payment of 20 percent, at an adjustable rate of 5.5 percent for the first 12 months, will produce an initial monthly payment of \$2,270.

**JUMBO LOAN:** These loans are for buyers who need to borrow amounts greater than \$417,000 for a single family home. Jumbo loans carry more risk and, in turn, often come with higher interest rates. A 30-year loan of \$420,000 for a home priced at \$525,000, with a down payment of 20 percent at a fixed interest rate of 6.7 percent, would produce a monthly payment of \$2,710.

**LOANS FOR FIRST-TIME BUYERS:** There are several programs available that offer loan assistance options for first-time-home buyers. FHA-Insured Loans, for example, are insured by the federal government against default, and are designed to help qualified borrowers who can't afford the down payment required by certain lenders. FHA loans provide up to approximately 97 percent financing (meaning the buyer puts down 3 percent), but you may be required to cover other costs, such as mortgage insurance premiums, and you'll need to meet certain credit qualifications. VA Loans are guaranteed by the U.S. Dept. of Veterans Affairs, and offer low- to no-down payment options for qualified first-time buyers who can provide proof of military service. You also may want to check with your city government for referrals to local, state and federal programs that offer home buyers' assistance for qualified buyers.

