**The Benefits of Common Loan Programs**

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**An Adjustable Rate Mortgage (ARM)**

An Adjustable Rate Mortgage (ARM) is a mortgage loan that has the following benefits:

* It has a low starting interest rate in comparison to the 15 & 30 year mortgage loans.
* The low introductory rate is used to calculate the mortgage payment for a specified period of time.
* The interest rate is adjusted periodically based on a pre-selected index.
* The most common program is the One Year Adjustable Mortgage (one Year ARM).
* Should the index rate increase, the borrower should be prepared to handle an increase in their monthly payment .The APR's on variable rate loans are subject to increase but may decrease from year-to-year.
* The interest rate on the one year ARM is adjusted once each year, for 30 years.
* The most commonly used index is the yield on the one-year Treasury Bill. The new interest rate is determined by adding this index to a set margin and is determined by the lender.

**15 Year Fixed Rate Mortgage Program**

A 15 year fixed mortgage has the following benefits:

* This type of mortgage loan has fixed payments and is repaid by the borrower making 180 equal monthly payments over a period of 15 years. What is appealing about this loan is that the borrower can expect to make the same monthly payment for the entire term of the loan.
* A 15 year mortgage loan is available for conventional, jumbo, FHA and VA Loans. It is a widely accepted program used to finance a residential purchase.

**A 30 Year Fixed Rate Mortgage Program**

A 30 year fixed mortgage has the following benefits:

* This type of mortgage loan has fixed payments and is repaid by the borrower making 360 equal monthly payments over a period of 30 years. What is appealing about this loan is that the borrower can expect to make the same monthly payment for the entire term of the loan. A 30 year mortgage loan is a widely accepted program used to finance a residential purchase, and is available for conventional, jumbo, FHA and VA loans.

**An FHA Mortgage Loan Program**

An FHA mortgage loan program is insured by the Federal Housing Administration and is a division of the Department of Housing and Urban Development (HUD).

Here are some of the benefits of the FHA Loan:

* The FHA has a very important role as it decides the underwriting standards for approving applicants. FHA underwriting guidelines are known to be more lenient than conventional (not government insured or guaranteed) underwriting guidelines.
* The FHA makes it easier for borrowers to qualify for a mortgage loan . The FHA allows low down payment requirements and a higher monthly debt allowance.
* The FHA limits the types of loan programs it insures but it will insure the more popular 30 year fixed, 15 year fixed and one, three and five year adjustable rate loan programs.
* The FHA limits borrowers as to the amount that they can borrow using an FHA-insured mortgage.
* The FHA loan limits differ by county, so it is important to contact your local HUD office for specifics.

**Jumbo Loan Programs**

* The benefits to having a jumbo mortgage is that it is a mortgage loan which is larger than the limits set by Fannie Mae and Freddie Mac . These loans usually carry a higher interest rate to enhance their value and marketability to investors.

**VA Loan Programs (Department of Veterans Affairs)**

The benefits of the VA loan include the following:

* The VA loan is guaranteed by the Department of Veterans Affairs (DVA).
* A major advantage of using a VA loan is that the borrower can finance the purchase of a property with no-money down.
* The VA loan is restricted to individuals qualified by military service.
* The Department of Veteran Affairs will guarantee the more popular 30 year fixed, 15 year fixed and 1, 3 and 5 year adjustable rate loan programs.

**Balloon Mortgage Programs**

The 5/7 balloon mortgage is a balloon mortgage loan that has a short term that is generally 5 or 7 years.

* The monthly payment is computed using a 30 year term.
* The borrower will make the monthly payment for the scheduled loan term of 5 or 7 years.
* At the end of this loan term, the borrower is then required to pay off the remaining balance in one lump-sum payment.
* When the loan term is over, the borrower has the option to refinance the mortgage with a new loan.