Article Side
The top 5 most preferred mortgage types by Apil Gupta

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When it comes to choosing the mortgage types that are available to a home buyer, the options are aplenty. There are many different kinds of mortgages that can be availed, and one can always choose the one that best fits serves his/her needs from these options. Following is a brief description of the most frequent kinds chosen by home buyers:

â€¢ Fixed Rate Mortgage: This mortgage type entails the same interest rate being applicable throughout the entire term of the loan period. One can ger a fixed loan mortgage for 10,15 and 30 years. This period can be negotiated with the lender, and this mortgage is perfect for the buyer who wants an accurate idea of how much would be the monthly payment of the house, since it would be fixed for the coming times, and wants to live in the house for more than ten years.

â€¢ One (five) Year Adjustable Rate Mortgage: Also popularly known as ARMS, this kind of mortgage has fluctuating interest rates in accordance with the financial indexes, which are in turn influenced by the prevailing market scenario. It can also sometimes result in exorbitant monthly payments, as well as a strong, and sometimes unrealistic, dip in the interest rate as well. Home buyers need to be prepared for both the situations, since the interest rate changes every year. The offered rates are generally lower than a fixed rate mortgage type, since the buyer is taking a risk for the future. Further, the terms can always be re-negotiated at a later stage.

â€¢ 10/1 (5) Year ARM: This kind of mortgage features the same interest rate for a period of 10 years, with the starting of the 11th year bringing with it the element of fluctuation every year according to the index the lender chooses to the base the interest rate on. This is the ideal mortgage type for those who want to live in the house for 10 years and wish to have a stable payment plan during this time.

â€¢ 7/1 Year ARM: Alike the 10/1 Year ARM, this mortgage type has a shorter term, with the interest rate remaining static for 7 years, and then starting fluctuations from the 8th year onwards according to the index. Buyers who wish to stay at their new home for 7 years or more, and prefer a fixed monthly payment in the initial years should opt for this kind of a mortgage,

â€¢ Balloon Mortgage: This is a sort of a high risk mortgage wherein at the end of the loan term, the buyer might have to pay a large sum, since the loan amount is due in full. Although the term is negotiable, 3, 5 and 7 year balloon mortgage plans are the most common ones. The home buyer needs to pay a fixed interest rate during the loan term, and at the end of the same, must pay the remainder amount all at once. This kind of mortgage is the right choice for buyers who want to live at the property for more than the term of the loan.

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Author is providing a titleFha loan, va loan, Mortgage Refinance, Mortgage Rates in usa, Fixed Rate mortgage, home loan refinance in USA,Mortgage Interest Rate by Ratecomb Low Mortgage rates,

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