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What all you should know about best adjustable mortgage rates by [Jack Smith](#)

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Whenever anyone applies for a new mortgage loan, they are often given two choices: a fixed rate mortgage or a best adjustable mortgage rates. Which one you choose will depend on your financial circumstances. However, do not make the mistake of thinking that an FRM is always a better choice as often times a best adjustable mortgage rates loan can save you a significant amount of money.

Adjustable rate mortgages have their own language and terms that can confuse the potential borrower. Here are some key adjustable rate mortgage terms that you should know as a borrower. Use these definitions to your advantage when applying for your next mortgage.

Loan Recast. Loan recast is specific to Pay Option or Pick a Pay type negative amortization ARMS. When the loan recasts the payment structure is reset so the loan is still paid in full at the end of the amortized time frame. Many pay option best adjustable mortgage rates will recast at 5-7 years.

Loan Index. A number that is added to the margin of your best adjustable mortgage rates to determine your interest rate. LIBOR is a common index that stands for the London Inter Bank Offering Rate. It is the average interest rate that London banks trade on deposits. Generally the LIBOR index is the most volatile, it can fluctuate the biggest amount and the most frequently.

Interest Rate Cap. The interest rate cap is the highest the best adjustable mortgage rates can adjust up to over the life of the loan. Many of these caps are as high as 14% for a subprime best adjustable mortgage rates.

Initial interest rate. This is the initial interest rate on the mortgage note. The introductory interest rate for best adjustable mortgage rates is generally much lower than a standard fixed rate mortgage. Your initial interest rate is locked in for a set period of time, generally 2-10 years. After that, it will adjust to the current rate which is arrived at by adding a Margin and Index.

Periodic Cap. The periodic interest rate cap is the maximum the interest rate can increase or decrease at each adjustment period. An adjustment cap of 2% is common for most best adjustable mortgage rates.

Rate adjustment. The act by a lender of changing the rate charged on a best adjustable mortgage rates loan. The loan contract specifies when the rate adjustment is made. The new rate is the combination of the index and a margin, subject to a periodic cap.

Loan Margin. A margin is a constant numerical value that the lender adds to the index (LIBOR, MTA, COFI, etc.) associated with your adjustable rate mortgage in order to compute your interest rate. As the index value changes, so will your interest rate.

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Author has experience in providing information about a [Best Mortgage Rates](#) and Mortgage Advice and solutions. For more information on Mortgage Rates, Please visit: www.bestmortgagerates.com

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