

AN ALL-INCLUSIVE GUIDE TO MORTGAGES

FROM CONFORMING FIXED-RATE LOANS TO GOVERNMENT-INSURED ADJUSTABLE RATE LOANS, THERE ARE MANY DIFFERENT TYPES OF MORTGAGE LOANS AVAILABLE TO HOMEBUYERS TODAY. WHAT TYPE OF MORTGAGE LOAN IS RIGHT FOR YOU?

FIXED OR ADJUSTABLE RATE MORTGAGE?

ALL HOMEBUYERS CHOOSE BETWEEN A FIXED-RATE OR ADJUSTABLE RATE MORTGAGE (ARM) BEFORE BUYING A HOME.

FIXED-RATE

Interest rates are locked in over the course of the loan.

A fixed-rate loan is better for long-term budgeting, but you may get locked into a higher interest rate.

ADJUSTABLE RATE

Interest rates fluctuate throughout the life of the loan based on market conditions.

Most ARMs have fixed rates during the first five to 10 years of the loan.

CONVENTIONAL LOANS

THE LOAN AMOUNT IS DETERMINED BY THE BORROWER'S CREDIT SCORE AND DEBT-TO-INCOME RATIO. CONVENTIONAL LOAN DOWN PAYMENTS ARE TYPICALLY FIVE TO 10 PERCENT ON AVERAGE.

GOVERNMENT LOANS

GOVERNMENT LOANS ARE INSURED BY THE FEDERAL GOVERNMENT BUT PROVIDED BY A PRIVATE LENDER LIKE A CONVENTIONAL LOAN. THEY OFTEN HAVE A MORE FLEXIBLE LOAN LIMIT BECAUSE THEY'RE MORE SECURE FOR THE LENDER AND ARE OVERALL LESS STRINGENT.

FHA loans are commonly used by buyers with little or no credit history. They typically require low down payments - sometimes as little as 3.5% - but do come with higher fees and require monthly mortgage insurance.

VA loans are offered to veterans or family members of deceased veterans. A big advantage to VA loans is they do not require a down payment or monthly mortgage insurance.

USDA loans are primarily used by rural borrowers with a "low or modest income." They also do not require a down payment and offer low mortgage rates.

CONFORMING LOANS

CONFORMING MORTGAGE LOANS CAN BE BOUGHT BY FANNIE MAE OR FREDDIE MAC BECAUSE THE LOAN MEETS THE ESTABLISHED CREDIT, INCOME, ASSET REQUIREMENTS AND MAXIMUM LOAN AMOUNT GUIDELINES SET BY THE FHFA. CONFORMING LOANS ALSO:

Have stricter requirements
Require a five to 20 percent down payment
Offer lower interest rates and lower fees

NON-CONFORMING LOANS

NON-CONFORMING LOANS EXCEED THE FANNIE MAE AND FREDDIE MAC MAXIMUM LOAN AMOUNT. THE HIGHER LOAN AMOUNT MAKES THEM RISKIER TO THE LENDER, HAVE HIGHER INTEREST RATES AND STRICTER QUALIFICATION REQUIREMENTS.

Jumbo loans are the most common type of non-conforming loan. They're mostly used by high income individuals with good credit.

Other types of non-conforming loans exist for borrowers with poor credit, who have recently filed bankruptcy or have a high debt-to-income ratio.

NEED HELP DETERMINING WHICH MORTGAGE LOAN IS RIGHT FOR YOU?
THE LICENSED MORTGAGE PROFESSIONALS AT PINNACLE CAPITAL MORTGAGE CAN HELP YOU FIND YOUR DREAM HOME FOR THE BEST POSSIBLE RATE!

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