

## Choosing the Right Mortgage

### Comparing Loan Options for the Best Fit For Your Financial Situation

Choosing a mortgage is one of the most important financial decisions in the home-buying process.

With various loan types available, understanding your options can help you find the best fit for your budget and long-term goals.

#### FIXED-RATE VS. ADJUSTABLE-RATE

The first decision buyers face is whether to choose a fixed-rate mortgage (FRM) or an adjustable-rate mortgage (ARM).

A fixed-rate mortgage offers stability, as the interest rate remains constant throughout the loan term. This predictability makes it a great option for buyers who plan to stay in their home long-term or want steady payments without worrying about market fluctuations.

An adjustable-rate mortgage starts with a lower interest rate for an initial period, typically 5, 7 or 10 years, before adjusting periodically based on market conditions. While ARMs can offer lower initial payments, they carry the risk of higher costs later. These loans are best suited for buyers who expect to move or refinance before the rate



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adjusts.

#### GOVERNMENT-BACKED VS. CONVENTIONAL

Homebuyers can also choose between government-backed and conventional mortgages.

FHA loans, insured by the Federal Housing Administration, are ideal for

first-time buyers with lower credit scores or smaller down payments. These loans require mortgage insurance, which adds to the overall cost, but they offer more lenient qualification requirements.

VA loans, available to eligible military members and veterans, require no down payment or private mortgage

insurance (PMI), making them one of the most affordable options for qualified borrowers.

USDA loans help buyers in rural areas by offering low or no down payment options. However, these loans come with income limits and property location requirements.

For those with strong credit

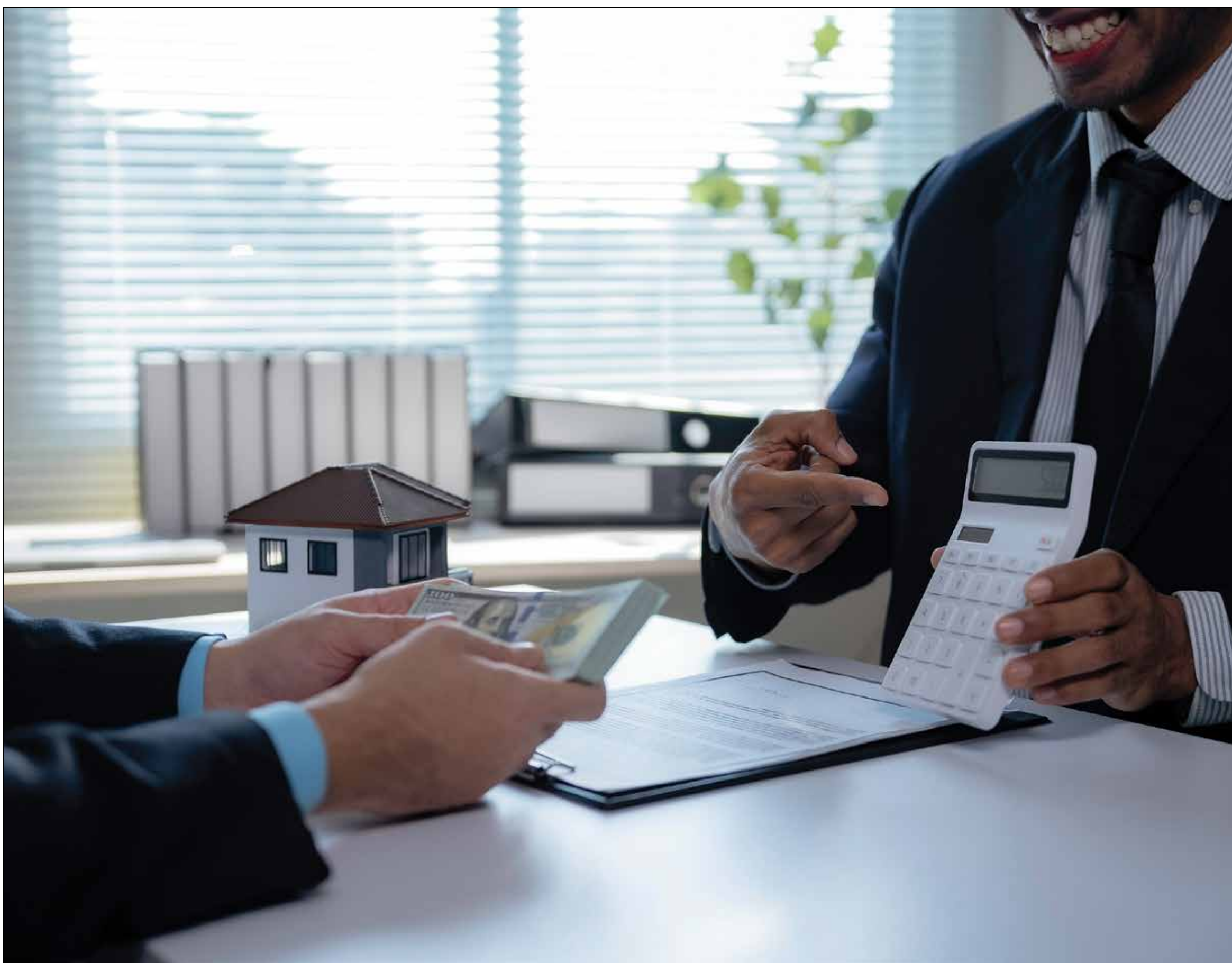
and a larger down payment, a conventional loan may be the best choice. These loans often come with lower interest rates and no PMI if the buyer puts down at least 20%. However, they typically require higher credit scores and stricter debt-to-income ratios.

#### FINDING THE BEST LOAN FOR YOUR NEEDS

When selecting a mortgage, consider your financial situation and future plans. If you plan to stay in your home for many years, a fixed-rate loan provides stability. If you're looking for short-term savings, an ARM may be worth considering.

Compare lenders to find the best interest rates and loan terms. Even a small difference in rates can save thousands over the life of the loan. Working with a mortgage broker or shopping around with multiple lenders can help you secure the most competitive offer.

Choosing the right mortgage is just as important as finding the right home. By understanding loan options, interest rates and long-term costs, you can make an informed decision that supports your financial future.



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For those with strong credit and a larger down payment, a conventional loan may be the best choice. These loans often come with lower interest rates and no PMI if the buyer puts down at least 20%. However, they typically require higher credit scores and stricter debt-to-income ratios.

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### REAL ESTATE 101



### HOMESWISE GLOSSARY

#### Get Pre-Approved Before You Shop

Before house hunting, secure mortgage pre-approval. This helps determine your budget, strengthens your offer and prevents delays once you find the right home.

**Fixed-Rate Mortgage:** A fixed-rate mortgage is a home loan with an interest rate that remains the same for the entire loan term. This stability allows homeowners to budget consistently without worrying about rate increases.

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