

# 10

# Ways To Buy A Home Today

**D**ifferent buyers have different mortgage needs. Fortunately, lenders today offer many mortgage options to choose from. Chances are you'll find a mortgage plan that works for you.

Because points, fees and interest rates vary, check with a real estate agent or your lender for specific information on the type of loan you are considering. The "snapshot" interest rate examples shown here are for illustrative purposes only and may not reflect current rates. For simplicity, all examples here use a \$100,000 sale price. Monthly payments are for principal and interest only (taxes, insurance and condo/homeowner fees would be additional).

**Adjustable-Rate Mortgage:** The interest rate is adjusted up or down periodically based on a financial market index (such as Treasury bills). Monthly payments start lower than for fixed-rate mortgages. The initial rate is set for a specified period — 1, 3, 5, 7, or 10 years — and then rates adjust on a schedule, say, annually. The adjustments generally are limited by annual caps and a life-of-the-loan cap.

**Down Payment:** \$10,000  
**Mortgage Amount:** \$90,000  
**Term of Loan:** 30 years  
**Interest Rate:** 5½% (until first rate adjustment)  
**Monthly Payment:** \$511 (until first rate adjustment)

## Fixed-Rate 30-Year Conventional

**Mortgage:** A fixed-rate conventional loan is made by a commercial lender for 30 years. Monthly payments (excluding taxes, insurance) remain unchanged for the life of the loan. Most lenders allow mortgages with as little as 5% down, but require private mortgage insurance for loans with less than 20% down.

**Down Payment:** \$10,000  
**Mortgage Amount:** \$90,000  
**Term of Loan:** 30 years  
**Interest Rate:** 7¼%  
**Monthly Payment:** \$613

## Fixed-Rate 15-Year Conventional

**Mortgage:** Similar to the 30-year conventional mortgage, except the loan is repaid in half the time. Interest rates are typically lower than for a 30-year loan, and interest paid over the life of the loan is less, but the monthly payments are usually slightly higher. Government-backed loans — VA and FHA — are also available in 15-year terms.

**Down Payment:** \$10,000  
**Mortgage Amount:** \$90,000  
**Term of Loan:** 15 years  
**Interest Rate:** 7%  
**Monthly Payment:** \$808

**Two-Step Loan:** This 30-year loan is a cross between the ARM and conventional loans. The mortgage carries a fixed rate for 5, 7 or 10 years and then adjusts to market interest rates once for the remainder of the loan. The initial rate is generally lower than a fixed-rate conventional mortgage, but the second step of the two-step mortgage is often conditional on the lender's approval.

**Down Payment:** \$10,000  
**Mortgage Amount:** \$90,000  
**Term of Loan:** 30 years  
**Interest Rate:** 6¼% (for first of 2 steps)  
**Monthly Payment:** \$583 (until adjustment)

## Federal Housing Authority (FHA) Loan:

Government-insured loans so homeowners can make a smaller down payment than on conventional loans. The limits on FHA loans are high enough to handle moderately priced homes in many parts of the country. FHA loans are assumable for future buyers who qualify.

**Down Payment:** \$4,500  
**Mortgage Amount:** \$95,500  
**Term of Loan:** 30 years  
**Interest Rate:** 7%  
**Monthly Payment:** \$635



**VA Loan:** Loans for qualified veterans backed by the Department of Veterans Affairs with low or no down payment required. These mortgages are subject to the VA mortgage funding fee, a premium of up to 1% of the loan amount, depending on the size of the down payment. VA loans can be combined with second mortgages and are assumable to qualified buyers.

**Down Payment:** None  
**Mortgage Amount:** \$100,000  
**Term of Loan:** 30 years  
**Interest Rate:** 7%  
**Monthly Payment:** \$665

**Seller Financing:** Sellers may take back a loan against their equity in the property in the form of a first or second mortgage. One approach to owner financing is to use a balloon mortgage calculated and repaid for 5 or 7 years as a 30-year mortgage, but then the balance of the loan is due in a lump sum.

**Down Payment:** \$15,000  
**Mortgage Amount:** \$85,000  
**Term of Loan:** 5 years  
**Interest Rate:** Negotiable  
**Monthly Payment:** Depends on rate

To Purchase Call (703) 698-7750