

Basics Of Mortgage Loans

There are two broad categories of mortgage loans fixed rate mortgages and adjustable rate mortgages although there may be several different types available. The decision to go with a particular mortgage loans depends on your present situation and the amount of risk that you are willing to take. In this article, we will cover the benefits and drawbacks of both mortgage loans, and give you some hints on choosing the best mortgage loan for your needs.

Fixed Rate Mortgages

On the whole, fixed rate mortgages tend to offer more security and stability for the home buyer. Fixed rate [mortgage loans](#) provide a clear picture of how much you can expect to pay each month because the interest rate is fixed for the duration of the loan. Therefore, you will be paying the same monthly principal and interest rates during the entire period of the mortgage. While some adjustable rate mortgages have an introductory period during which the interest rate is fixed, a true fixed rate mortgage has one interest rate for the entire term of the mortgage loan.

One disadvantage of fixed rate mortgage loans is that they typically have a higher interest rate than an adjustable rate mortgage. Generally speaking, the longer your mortgage loans terms are, the higher the differences in costs will be with fixed rate mortgages compared to adjustable rate mortgages. If you intend to live in the home for a long time and you anticipate an increase in interest rates in the future, the increased expense that you pay today can result in considerable savings in the future.

Adjustable rate mortgages (ARMs) Adjustable rate mortgages do offer lower interest rates at the outset, but interest rates and payments will likely change in the future. With adjustable rate mortgages, the interest rates are dependent on general interest rates or what is known as an index. There are many adjustable rate mortgages that can be considered hybrid mortgages, in that they offer a fixed interest rates for a period of 1, 3, 5, or 7 years. But other type of ARMs can reset at much more frequent intervals. If a homeowner knows that they will only stay in their home for a few years, then a hybrid adjustable rate mortgage loan may meet their needs. Bear in mind however that payments for adjustable rate mortgages may rise along with the rest of your interest rates. Many ARMs however impose limits on how high interest rates can increase during an adjustment period.

Choosing the right mortgage loan for you So how do you decide which mortgage loans are right for you? As we said earlier, it all depends on the risk that you are willing to take as well as your particular circumstances. Fixed rate mortgages are generally a safer option simply because you know how much you will have to pay each month. Adjustable rate mortgages on the other hand may be less expensive initially, but carry more risk. In any case, careful comparison shopping will help you decide which mortgage loan will best suit your needs. More articles [Home equity loan](#) [Refinance home loan](#) [Home equity loan](#) [Loans](#)

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