

How To Find the Mortgage that is Right for You

By Joe Daniels

You hear the radio commercials all the time: now is the time to call XYZ Mortgage Company and lock in your rate.

With new products like interest-only mortgages and others on the market, it is easy for a person who doesn't deal with the mortgage business all the time -- and that's most of us -- to be confused.

A great source of independent information about mortgages is available through Fannie Mae, the U.S. government-chartered agency that provides mortgage services to the nation's banks and other lenders.

Fannie Mae-approved lenders offer a variety of mortgage products:

- Fixed-rate mortgages are the most popular type of mortgage. They offer an interest rate that will remain the same for as long as you have your loan. Stretching out your repayment term means your monthly mortgage payment will be less than it would be with a comparable shorter-term mortgage.
- Adjustable Rate Mortgages (ARMs) offer an interest rate that adjusts periodically to keep it in line with changing market rates.
- Low and No Down Payment options allow for as little as three percent down, or no down payment at all for borrowers with good credit but with minimal funds for a down payment. Some products come with no income restrictions for homebuyers with good credit. Home Improvement loans allow you to buy and renovate a home or repair or improve your home. The amount of the loan is based on the as-completed, appraised value of the home. If you want to build your home and buy the land upon which it will be built, then consider Fannie Mae's Construction to Permanent Mortgage.

Special Financing Mortgages were created for homebuyers with special needs, such as low- and moderate-income people who have disabilities or who have family members with disabilities living with them. Also, several mortgages are designed for Native Americans and for people living in rural areas.

Check whether your employer offers an Employer-Assisted Housing (EAH) program. The EAH loan is commonly used toward your down payment, closing costs, and interest rate buy downs, which can help lower your monthly mortgage payment.

If you qualify, you may consider government loans as a way to finance your dream of homeownership. Agencies that offer such loans are the Federal Housing Administration (FHA), the U.S. Dept. of Veterans Affairs (VA), and Rural Housing Services (RHS). To get one of these loans, you apply through a lender that is approved to offer them. The property being purchased must meet certain criteria.

One topic you'll want to discuss with a potential lender is whether interest rates are likely to rise while your loan is being processed. If you anticipate rising rates, it might be a good idea to lock-in the current interest rate. When you lock in a rate, you may have to pay points to guarantee the rate. A point equals one percent of the loan amount. So, if you were applying for a mortgage totaling \$200,000, one point would equal \$2,000.

It's important to get an agreement in writing that lists when the lock-in takes effect and how long it remains applicable. The length of the lock-in should last through the closing on your loan. Lenders typically provide a variety of "lock options," and they can help you select the one that best fits your needs.

Remember, in most cases, once you've signed the loan application, you will have to accept the terms of the loan if it's approved. So, you should make sure your loan application contains terms and amounts that are acceptable to you.