

## **What are conventional fixed rate loans?**

Good credit borrowers prefer conventional loans. They are the most common mortgage kind. The interest rate is fixed for the loan duration and typically requires down payment. They are of two types - conforming or non-conforming depending on whether they comply or don't comply with financial guidelines from Federal Housing Finance Agency (FHFA).

## **What is FFHA and FHA?**

The Federal Housing Finance Agency (FHFA) sets the loan limits on conforming conventional loans. Federal Housing Administration (FHA) sets the loan limits on FHA loans based on the geography.

## **What are Jumbo loans?**

Jumbo loans are appropriate for good-credit borrowers buying expensive homes. Jumbo mortgages exceed FHFA conforming loan restrictions. Jumbo loans often require a large down payment of at least 20%.

## **What are Adjustable-Rate Mortgage ARM loans?**

An adjustable-rate mortgage (ARM) has a variable interest rate. The rate fluctuates over the repayment period. For example, a 5/1 ARM, has an initial fixed-rate period of 5 years and a period where the rate adjusts annually.

## **Which is better – a conventional fixed rate or an adjustable rate where rate changes?**

On a fixed-rate loan, the interest rate doesn't change over the life of the loan. In an adjustable-rate mortgage (ARM) the interest rate that is fixed for a set number of years and then afterwards introduces some risk as rates can go up or down. The rate change is based on a market index such as the - secured overnight financing rate (SOFR).

## **What is a Federal Housing Administration (FHA) Loan?**

A Federal Housing Administration (FHA) loan is a home mortgage insured by the government and issued by a lender/bank approved by the agency. FHA loans require a lower minimum down payment than many conventional loans, and are suited to applicants with lower credit scores.

## **What loan is available for new construction?**

A construction loan can provide short-term financing for costs associated with building a new house. Construction loans may cover the costs of buying land lots, engineering design contracts, getting permits, and labor and materials.