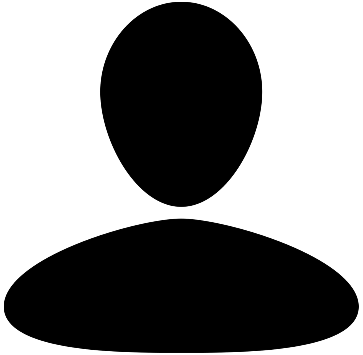
<u>Fixed VS Adjusted Mortgages (theoretically)</u>

Mortgage Type->	**Adjusted Rate Mortgage**	**Fixed Rate Mortgage**
Property		
Interest Rate	Variable	Fixed
Aggregate Interest Payment	Higher(lower in the initial years, much higher later)	Lower
Individual Payments	Variable over the term(complicated for simple minded customers)	Fixed over the term(easier for the customer to manage finances)

Comparing Mortgages -

	Fixed Rate - 4% Term - 30 years	Fixed Rate - 2.5% Term - 20 years	7-1 Adjustable Mortgage Rate (ARM)
Principal	$ 1 Million	$ 1 Million	$ 1 Million
Installment Amount	$ 4,774.15 [Fixed]	$ 5,299.03 [Fixed]	$ 4,216.04 - $ 6,298.33 [Variable]
Total Interest Paid	$ 0.72 Million	$ 0.27 Million	$ 1.25 Million
Holding Period for the Asset	Long [Fixed Interest Period 30 years]	Medium [Fixed Interest Period 20 years]	Short [Fixed Interest Period 7 years]
Risk of debtor	Low	Moderate	High
Income Growth of debtor (Expected)	Low	Moderate	High



Mortgage Type	Ideal Customer
30-year fixed rate at 4%.	A couple or a family, with very stable but barely sufficient income, investing in buying a home. They are willing to pay smaller amount for longer time frame which would help them in budgeting
20-year fixed rate at 2.5%.	A couple or a family,, sufficiently well off, wanting to do away with the burden of the mortgage payments at the earliest even at the cost of larger individual payments.
7-1 Adjustable Rate Mortgage (ARM) with 3% mortgage rate for the first 7 years and maxima of the preceding year' mortgage rates for maximising the lender' gain.	A newly employed individual at the start of his career with not much capital but great future prospects. This mortgage will allow this individual to pay less initially while he's still growing in his field and pay more in later term of mortgage when he/she is well settled in their profession.