Title:
How to Find the Right Mortgage

Word Count:
494

Summary:
A mortgage that is properly suited to an individual’s needs when buying a home can save the individual thousands while a mortgage that has not been properly tailored to their needs can place the house and the individual’s financial future in jeopardy.

Keywords:
finance, loan, dept, home, consolidation

Article Body:
A mortgage that is properly suited to an individual’s needs when buying a home can save the individual thousands while a mortgage that has not been properly tailored to their needs can place the house and the individual’s financial future in jeopardy. And because there are so many types of mortgages and mortgage products available, it’s essential to have a basic understanding of mortgages before choosing which one is the right one.

First one needs to understand the different options available to them. For people who have good credit, a fixed rate mortgage is usually the best option. These types of mortgages offer the same interest rate for the entire life of the loan so the monthly payments will always be the same. One may also choose an adjustable rate mortgage (ARM) after a one, five, or ten year term. These mortgages have a fixed rate for a certain period and they then move to a variable rate after the one, five, or ten years. This means that the monthly payments could be more or less, depending on what the interest rate currently is. Rates don’t generally have dramatic increases or reductions so there are usually no large surprises. However, over the course of a thirty-year loan, the interest rate could be considerably more or less by the end of the mortgage.

Individuals who have no or bad credit will have a higher interest rate on their mortgage. They may also have to look into the sub-prime lending market where the loans will have much higher interest rates and many different structures. When looking at the different loan options available, it’s important to make sure there is no prepayment penalty, which have a fee associated with paying off more of the mortgage in advance. These loans should be avoided as the goal is to pay off the debt.

A mortgage consists of two major components: the down payment and the interest rate. For people who are very active in investing in different things such as the stock market, and real estate, it’s best to pay as little down payment as possible. If the individual has a good credit rating, it’s best to try to get a 100% mortgage. The interest on these mortgages is generally higher but the cost of borrowing will be less than the returns the individuals will receive on their investment.

For individuals that are not active investors, the mortgage can be a great investment tool. Paying off a mortgage with a 6.5% to 7.5% interest rate makes more sense than savings accounts that offer a 2.5% interest rate.

Everything in the mortgage process is negotiable. The goal is to lower the down payment and the interest rate. The higher the down payment is, the lower the interest rate will be and the sooner one will be able to pay off the mortgage. Using a mortgage broker can help one find the best mortgage for the specific situation.