Mortgage Types

Directions:

Using the information from the presentation, as well as your own independent research, fill out the chart below with the various pros and cons of each mortgage type. Then, write one to two paragraphs on the back of this page about which type you feel you would be most likely to use and why.
Answers will vary, but may include some of the points listed below.

	Pros	Cons
Fixed-rate mortgage	• Fixed-rate means payments are predictable • Does not suffer when market rates rise	• Does not benefit when market rates fall • Initial rate is higher than with an ARM
Adjustable-rate mortgage	• Offers a lower initial rate than fixed-rate loans • Benefit when market rates fall	• No stability; payments change when rates change • Suffer when market rates rise
FHA loan	• Allows for a lower down payment than many types • Loan rates are typically lower than some other types	• Size of loan may be limited • Due to lower down payment, mortgage insurance is required • Processing may take longer
VA loan	• Low or no down payment with no mortgage insurance required • Higher debt-to-income ratio allowed • Flexibility for those with past bankruptcy or foreclosure	• Only available to servicepeople • Size of loan may be limited • Some sellers less open to VA loan buyers • Only for primary residences
Balloon mortgage	• Low payments for a fixed period • Lower total cost of the loan (less interest paid in long run) • Relatively easy to refinance	• Risky if not prepared to pay full balance after initial period • Qualifying is tougher than other types
Reverse mortgage	• Allows seniors to convert home equity to cash without selling • No income requirements	• Upfront fees higher than other types • Does not relieve the costs of taxes, insurance or repairs