Years you plan to stay in home	Best program
1-3	3/1 ARM, 1 year ARM or 6 month ARM
3-5	5/1 ARM
5-7	7/1 ARM
7-10	10/1 ARM, 30 year fixed or 15 year fixed
10+	30 year fixed or 15 year fixed

Program	Pros	Cons
Fixed Rate Mortgages • 30 Year fixed • 15 Year fixed	• Monthly payments are fixed over the life of the loan • Interest rate does not change • protected if rates go up • can refinance if rates go down	• Higher interest rate • Higher mortgage payments • Rate does not drop if interest rates improve
Adjustable Rate Mortgages • 10/1 ARM • 7/1 ARM • 3/1 ARM • 1 year ARM • 6 month ARM • 1 month ARM	• Lower initial monthly payment • Lower payment over a shorter period time • Rates and payments may go down if rates improve • May qualify for higher loan amounts	• More risk • Payments may change over time • Potential for high payments if rates go up
Balloon Mortgages • 7 year • 5 year	• Lower initial monthly payment • Lower payment over a shorter period of time • Many balloon mortgages offer the option to convert a new loan after the initial term	• Risk of rates being higher at the end of the initial fixed period • Risk of foreclosure if you cannot make balloon payment or if you cannot refinance or if you cannot exercise the conversion option
First Time Buyers	• Lower Down payment • Easier to qualify • Sometimes you may get lower rates	• May be subject to income and property value limitations • Some programs which have government subsidies may have a recapture tax if you sell the house too early
No point, No fee Programs	• No closing costs • Less money required to close	• Higher rates • Higher payments
Imperfect Credit Programs	• Potential for reestablishing credit if you pay your mortgage on time • When used for debt consolidation, you may be able to reduce your monthly debt payment	• Higher rates • Terms may not be as favorable • Harder to get long term fixed loans • Loans may have prepayment penalties
Home Equity Line of Credit	• You only borrow what you need • Pay interest only on what you borrow • Flexible access to funds • Interest may be tax deductible	• Rates can change, max rates are normally high • Payments can change • Harder to refinance your first mortgage
Home Equity Fixed Loan	• Fixed payments • Interest may be tax deductible	• Higher interest rates than on 1st mortgages • Harder to refinance 1st mortgage