

Alaska Real Estate Education
MORTGAGE LOAN CHART

| Type of Mortgage | Pros | Cons |
|---|---|---|
| Fixed-rate mortgage | No surprises The interest rate stays the same over the entire term, usually 15, 20 or 30 years. | If interest rates fall, you could be stuck paying a higher rate. |
| Adjustable-rate (ARM) or variable-rate mortgage | Usually offers a lower initial rate of interest than fixed-rate loans. | After an initial period, rates fluctuate over the life of the loan When interest rates rise, generally so do your loan payments. |
| FHA (Federal Housing Administration) loan | Allows buyers who may not qualify for a home loan to obtain one Low down payment. | The size of your loan may be limited. |
| VA loan | Guaranteed loans for eligible veterans, active duty personnel and surviving spouses Offers competitive rates, low or no down payments | The size of your loan may be limited. |
| Balloon mortgage | Usually a fixed rate loan with relatively low payments for a fixed period. | After an initial period, the entire balance of the loan is due immediately This type of loan may be risky for some borrowers. |
| Interest-only | Borrower pays only the interest on the loan, in monthly payments, for a fixed term. | After an initial period, the balance of the loan is due. This could mean much higher payments, paying a lump sum or refinancing. |
| Reverse mortgage | Allows seniors to convert equity in their homes to cash; you don't have to pay back the loan and interest as long as you live in the house. | Subject to aggressive lending practices and false advertising promises, particularly by lenders that prey on seniors. Check to make sure the loan is Federally insured. |