

Finding the Right Mortgage Terms

Contributed by Peter Dellane

Many people in the market for a new home are now using mortgage loan calculators, which are free of charge and easily found online. It is a great convenience to quickly find a rough idea of possible monthly payments, and for this reason, calculators are a worthy service. Mortgage calculators are even found on many online property listings providing simple comparison. To fully utilize these inexpensive tools however, it is important to understand the different types of mortgage terms and which ones are right for your situation.

Fixed-rate mortgage terms are the most commonly chosen mortgages of homebuyers, especially if they are planning on staying in the home for a long time. "Fixed-rate" describes the fact that the interest rate on the loan will remain exactly the same for the duration of the loan. So whether it is a twenty or fifty-year loan, the interest rate will never change.

ARMs, or Adjustable rate mortgages, have a much wider range of term agreements. The basic idea of an ARM loan involves an introductory period where the rate is fixed, and once that period of time is over the interest then adjusts according to current market levels. At this point, the interest on an ARM loan may change as often as every year. A two-step mortgage also has an introductory rate, but the interest will only adjust one time. Both of these terms can be expressed with a number system where the first number represents the time period of the introductory interest rate while the second number refers to how long that rate must stay the same without adjusting to the market. For example a 5/25 means that the introductory interest rate will last for five years and it must remain at the new amount for the next 25 years. A 7/ 1 means that the loan may re--adjust to the market every single year after the seven year introduction.

One last type of loan terms is known as the Balloon Mortgage. These are more popular for those looking to build or remodel a home who are not planning on staying in the house for the duration of the loan. In a balloon mortgage, there is a very low introductory rate that lasts for approximately seven years, and then the remainder of the loan must be paid. If the loan is \$100k, and the introductory payments account for \$10k, then the remaining 90k must be paid in full to the lender. This is ideal for the customer that plans on keeping the house for a very short period of time or plans to sell.

Understanding the basic mortgage terms will help tremendously in the search for a great Maryland mortgage that will give you the financing you need to live in the house of our dreams. Think about your goals for owning a house and how long you plan to stay so that you can find the Mortgage terms that are best for you.

About the Author: Peter Dellane is the President of Ability Mortgage Group, LLC, A leading Maryland Mortgage company offering low costs zero point mortgages. For more information please visit www.marylandsmortgage.com