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FREE Report: Financing Basics

Following are definitions of basic types of loans available to homeowners. For more complete information, you can email me with questions, or talk to your financial lender.

Conventional- 60% of loans are this type
Usually for 30 years at a fixed rate (the payment remains the same). Taxes and Insurance are often included in the payment by the bank (they are **escrowed**).

<u>There are 2 kinds of Insurance:</u>
Homeowners- to protect the house
Private Mortgage Insurance (if less than 20% down payment has been made)- this insurance protects the lender against default on a loan by the buyer.

FHA- Lower down payment needed, more flexible regarding credit.

VA- Available to veterans

Adjustable-Rate Mortgage- Interest rate starts out lower, then after a period of time the interest rate and payments can increase or decrease.

Buydown Plan- Points (extra fees) are paid to the lender up front to reduce the interest rate, either permanently or for a few years. An example is a **3-2-1 buydown**: Payments are subsidized for three years: 3% the 1st year, 2% the 2nd year, 1% the 3rd year, and normal payments from year 4 on.