Spectrum CREDIT UNION

Choosing the Best Mortgage for You

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EQUAL HOUSING LENDER

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Understand Your Options

When you are considering a mortgage, there are some key choices you will need to make.

These include:

- Type of interest rate
- Loan length

Understanding how these choices affect your **monthly payment**, your **overall costs**, and your **level of risk** can help narrow down the best home loan for your individual circumstances.

Type of Rate: Fixed vs. Adjustable

Fixed-Rate Mortgages keep the same interest rate and monthly payment throughout the loan period.

Adjustable Rate Mortgages (ARMs) start out with an initial fixed-rate period and then adjust with the market.

For example, a 7/1 ARM has a fixed interest rate for the first seven years, and the interest rate adjusts each year after that for the life of the loan. A 3/3 ARM has a fixed rate for the first three years and adjusts every three years after that.

Each rate type has advantages and disadvantages.

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Fixed-Rate Mortgage vs. ARM

Fixed-Rate Mortgage	ARM
A fixed rate can provide peace of mind if you are concerned about rising interest rates.	After the initial period, your rate and monthly payment can go up with each adjustment.
Knowing what your payment will be each month can make budgeting easier.	The unknowns can make budgeting and long-term financial planning more difficult.

Fixed-Rate Mortgage vs. ARM

Fixed-Rate Mortgage

Rates are usually higher on fixed-rate mortgages compared to the initial fixed period of an ARM.

The only way to take advantage of a rate drop is to refinance.

ARM

Lower rates and payments in the initial period may help you buy a larger home.

If rates drop, you will automatically benefit when your loan adjusts.

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Type of Rate: Fixed vs. Adjustable

If you value stability, are risk averse, and plan to be in your home for a long time, a **fixed-rate mortgage** may be best for you.

If a lower initial rate is especially important, or if you don't plan on being in your home very long, an **ARM** may be a good option.

Loan Length: Longer vs. Shorter

The most common mortgages are financed over a period of either 30 or 15 years.

With a **30-year mortgage**, your monthly payments will be smaller, but you will end up paying more for your home overall due to extra interest.

With a **15-year mortgage**, you will pay less overall, but your monthly payments will be substantially larger.

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30-Year vs. 15-Year Mortgage

30-Year Mortgage

Lower payments free up money for savings and other long-term financial goals.

Lower mortgage payments can help make your home purchase more affordable.

15-Year Mortgage

Higher mortgage payments may make it harder to save for other financial goals.

Higher payments may strain your budget if your income drops or a financial emergency happens.

30-Year vs. 15-Year Mortgage

30-Year Mortgage	15-Year Mortgage
You will pay a higher interest rate for a 30-year mortgage.	Rates for 15-year loans are lower than those for 30-year loans.
You end up paying a lot more for your home overall.	You can own your home in half the time with considerably less money spent overall.

Loan Length: Longer vs. Shorter

- If you want as low of a payment as possible and are willing to pay more interest overall, a **longer term** could be your best option.

- If you want to pay off your home faster and are financially able to handle a larger payment, a **shorter term** may be your best bet.

Call Us to Learn More

To help determine which home loan is right for you, give our lending experts a call:

510-251-6010 • 888-750-4124