

## A Guide To Mortgage Loans

While there are many different types of mortgage loans available at present, they can generally be grouped into two kinds: fixed rate mortgages and adjustable rate mortgages. Deciding which type of mortgage loan to apply for will depend on your particular set of circumstances and how much risk you are willing to incur. Below we outline some of the advantages and disadvantages of both types of mortgage loans and a few ideas on how to choose the mortgage loan that is right for you.

### Fixed Rate Mortgages

On the whole, fixed rate mortgages tend to offer more security and stability for the home buyer. Since fixed rate mortgages have a predetermined interest rate throughout the entire course of the loan, you will know exactly how much you have to pay every month. Therefore, you will be paying the same monthly principal and interest rates during the entire period of the mortgage. While there are some adjustable rate mortgages that offer a fixed interest rate at the start of the mortgage period, the interest rates for fixed rate mortgages stays the same for the duration of the loan.

One disadvantage of fixed rate mortgage loans is that they typically have a higher interest rate than an adjustable rate mortgage. Generally speaking, the longer your mortgage loans terms are, the higher the differences in costs will be with fixed rate mortgages compared to adjustable rate mortgages. If the mortgage borrower plans to stay in their house for many years and believes that interest rates may go up, then the premium today could be a substantial savings tomorrow.

**Adjustable rate mortgages (ARMs)** Adjustable rate mortgages attend to provide a homeowner with a lower initial interest rate but more uncertainty about interest rate and payment changes in the future. With adjustable rate mortgages, the interest rates are dependent on general interest rates or what is known as an index. Many adjustable rate mortgages are considered hybrid mortgages and have a fixed introductory period of 1, 3, 5 or 7 years during which time the interest rate does not change. Many other types of ARMs typically have shorter interest rate adjustment periods however. If a homeowner knows that they will only stay in their home for a few years, then a hybrid adjustable rate mortgage loan may meet their needs. Bear in mind however that payments for adjustable rate mortgages may rise along with the rest of your interest rates. Many ARMs however impose limits on how high interest rates can increase during an adjustment period.

**Choosing the right mortgage loan for you** How do you make a decision on which types of mortgage loans to go for? As we mentioned at the start of this article, that decision is dependent on the risk that you are willing to incur and your present situation. Fixed rate mortgages are generally a safer option simply because you know how much you will have to pay each month. Adjustable rate mortgages may be more affordable at the beginning, but there are more risks involved. In any case, careful comparison shopping will help you decide which mortgage loan will best suit your needs. Related Content [Mortgage refinancing ...](#) [Home equity loans ...](#) [Home equity loan ...](#) [Mortgage calculator ...](#)

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