Alamo Title Company™

Common Loan Types

Choosing among the many houses that may be available is hard enough--then you need to make a choice from the myriad of mortgages that are offered in today's market. So many decisions! Take heart, though, since although there are literally hundreds of different mortgages available, they all fall into only a few basic varieties.

Fixed Rate or Adjustable: One of your first decisions should be between a fixed rate (the interest rate remains constant through the life of the mortgage) or an adjustable (the interest rate is adjusted either up or down at specified times during the mortgage term).

Adjustable Rate Mortgages (ARMs): will generally have an initial interest rate lower than fixed rates but will adjust upward (unless rates really fall!) usually after the fixed term. They may be a good choice if you are sure that you will not be owning the home for an extended period (more than 5-7 years) of time.

Conventional: A "traditional" mortgage, not directly insured by the Federal Government. Most conventional loans under $417,001 (this amount is subject to change through out the year) are administered through Fannie Mae or Freddie Mac (private corporations but regulated by the government). Those loans over that amount are designated "jumbo loans" and are funded by the private investment market.

FHA: Insured by (but not funded by) the Federal Housing Administration (FHA) a division of the U.S. Department of Housing and Urban Development (HUD), and designed for, low down payments and good rates. FHA loans have somewhat more relaxed qualifying standards and ratios than conventional loans and have the availability of both 15 and 30 year fixed as well as adjustable rate mortgages.

VA: For those qualified by military service, the Veterans Administration (VA) insures (but does not fund) 15 and 30 year fixed as well as adjustable mortgages with some down payment requirement (as low as 0 down), somewhat more lenient qualifying ratios and good interest rates.

No-Document ("No-doc) Loans: No-doc mortgages are generally a wise choice for self-employed people. The benefits of a no-doc mortgage include a shorter application process since you are not required to provide income, employment or asset documentation, as well as a streamlined approval process because there is little subsequent verification. However, no doc mortgages generally will be at slightly higher interest rates and are offered by fewer lenders.