

CLEAR VISION BROKERAGE

How to Find the Best Loan for You

If you're not familiar with the various types of mortgages and loans, you stand the chance of paying out thousands of dollars more than you should during the life of your loan. There are several different types of mortgages and loans and each one has its own list of pros and cons. In order to find the ideal loan for you, it's wise to evaluate your current situation and become familiar with each type of loan and mortgage.



FHA

The most common misconception about FHA loans is that the Federal Housing Administration lends the money. The fact is the FHA simply insures the loan in case of default and the loan must be given out by an FHA approved lending institution. First-time homebuyers often choose this type of loan and while the interest rates are competitive with other types of loans, they may have higher loan-to-value ratios. An FHA loan is best for someone who doesn't have perfect credit and individuals who need low down payments and low closing costs.

VA-Guaranteed Loans

The Department of Veterans Affairs has a division that guarantees loans for veterans to purchase or build a home. In order to take advantage of the VA loan, an individual must meet certain requirements to receive a VA certificate. The VA loan allows a veteran or spouse to purchase or build a home with a small down payment or none at all. As with the FHA loan, the Department of Veterans Affairs doesn't lend the money. They simply insure the loan.

Conventional

A conventional loan is considered to be a secured loan. The loan-to-value ratio is most often one of the lowest, with a ratio that is generally less than 80 percent of the value of the home. With this type of loan, the borrower is often required to make a down payment of at least 20 percent. The conventional loan is best for buyers who can put down at least a 20 percent down payment.

ARM

The Adjustable Rate Mortgage is a loan that will have a fixed interest rate for a specified amount of time and then the interest rate will be adjusted according to an objective economic indicator. The loan will have a margin of how much the interest rate can be adjusted, as well as how often. This type of loan is best for someone who is not planning to be in their home long-term. An ARM allows for lower interest rates and a lower payment at the beginning of the loan term.

Sub-prime

The Sub-prime lender is one who will approve financing for individuals who have been turned down by traditional lenders, most often due to a low credit score. Because of the higher risk, the borrower must pay a

higher interest rate on the loan. The Sub-prime loan should only be used by buyers who have been turned down by mainstream lenders since the borrower will end up paying thousands of dollars more on this type of loan.

No Down Payment

There are several types of loans that will allow for no down payment from the borrower. These often include FHA loans, VA loans, as well as Sub-prime and Conventional. However, when no down payment is given, the interest rates will often reflect this by being a little higher.

PMI

Private Mortgage Insurance is an insurance the borrower purchases in order to secure the loan with the lender. It will usually only protect the top portion of the loan in case of default. This is best to be obtained when a borrower has a lower down payment. Once the top portion (for example, the top 30 percent of the loan) is paid, the PMI is cancelled.

Equity Line of Credit

This type of loan is a re-usable line of credit that is secured by your original mortgage. The payments on this type of loan will vary as the credit line rates may be adjusted every month. This loan is best for those individuals who do not need all of the cash up front, as you can withdraw only the amount you need and pay only the interest on what money you have withdrawn.

Home Improvement Loans

These loans are best for borrowers who need money to improve their home. They're often available at a fixed interest rate and are tax-deductible. These loans are great for major home improvements and will allow you to pay off your loan over a longer period of time.

No-Documentation Loans

The No-Documentation loan is best for those individuals who may have a difficult time proving their income. Often, these are available with either a fixed or adjustable rate, as well as an interest-only loan.

If you have any questions, please contact:

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