



Question: How do I know what mortgage is best for me?

A: After you find that perfect home you've been searching for, there are still some important decisions ahead, including arranging the financing through a mortgage lender, bank or other source of funding. There are a variety of choices available to you and the option you choose should be the one that best fits your needs.

If you have never borrowed to buy a house before, then a good place to start is wherever you do your personal or business banking. Most banks offer home mortgages and as an existing customer you may enjoy the benefit of lower interest rates and fees not available to non-bank customers. For those who have owned homes with mortgages in the past, contacting your previous lender could also produce similar advantages.

In recent months the mortgage industry has become more cautious in the types of loans they make and the qualifications of borrowers. As a result, it is wise to shop around and not limit yourself to a single source. Competition among lenders is good for you as a borrower.

A wide variety of institutions offer home mortgage loans, including savings and loan associations, credit unions, commercial banks, mutual savings banks and mortgage companies. There are also mortgage brokers who represent a variety of lenders offering you one-stop shopping to get multiple choices. Your REALTOR® will be able to recommend some lenders you should consider.

When you meet with lenders be prepared to ask the following questions.

- What types of loans do you have available?
- For what types of loans do I qualify?
- Can I get a federally insured or guaranteed loan from you? (These loans usually require smaller down payments.)
- What about special loan programs like those offered by the Federal Housing Administration (FHA loans) or the Department of Veterans Affairs (VA loans)? (These loans are attractive to first time buyers and to military veterans.)

Other factors to consider are the length of the loan, the interest rate and whether that rate will be fixed or adjusted from time to time. In addition, you should consider options on the amount of the down payment and any fees or closing costs associated with the loan type and interest rate.

Your financial status and your plans for how long you might stay in the house will also affect which loan might be best for you. If you are in for the long haul and want the financial piece of mind in knowing your payment won't change, then a 30-year fixed rate loan may be your ticket.

If you would prefer to keep payments low for the first few years of a loan, consider an Adjustable Rate Mortgage. There are ARM loans that adjust after the first year, the fifth year or at other pre-

determined intervals. If you make this choice understand that your payments will go up at some future date unless you refinance the loan.

Your REALTOR can help you get a better understanding of your financing options and the lenders that may offer the best products for your individual needs.

---

This article was provided by the Colorado Association of REALTORS®.