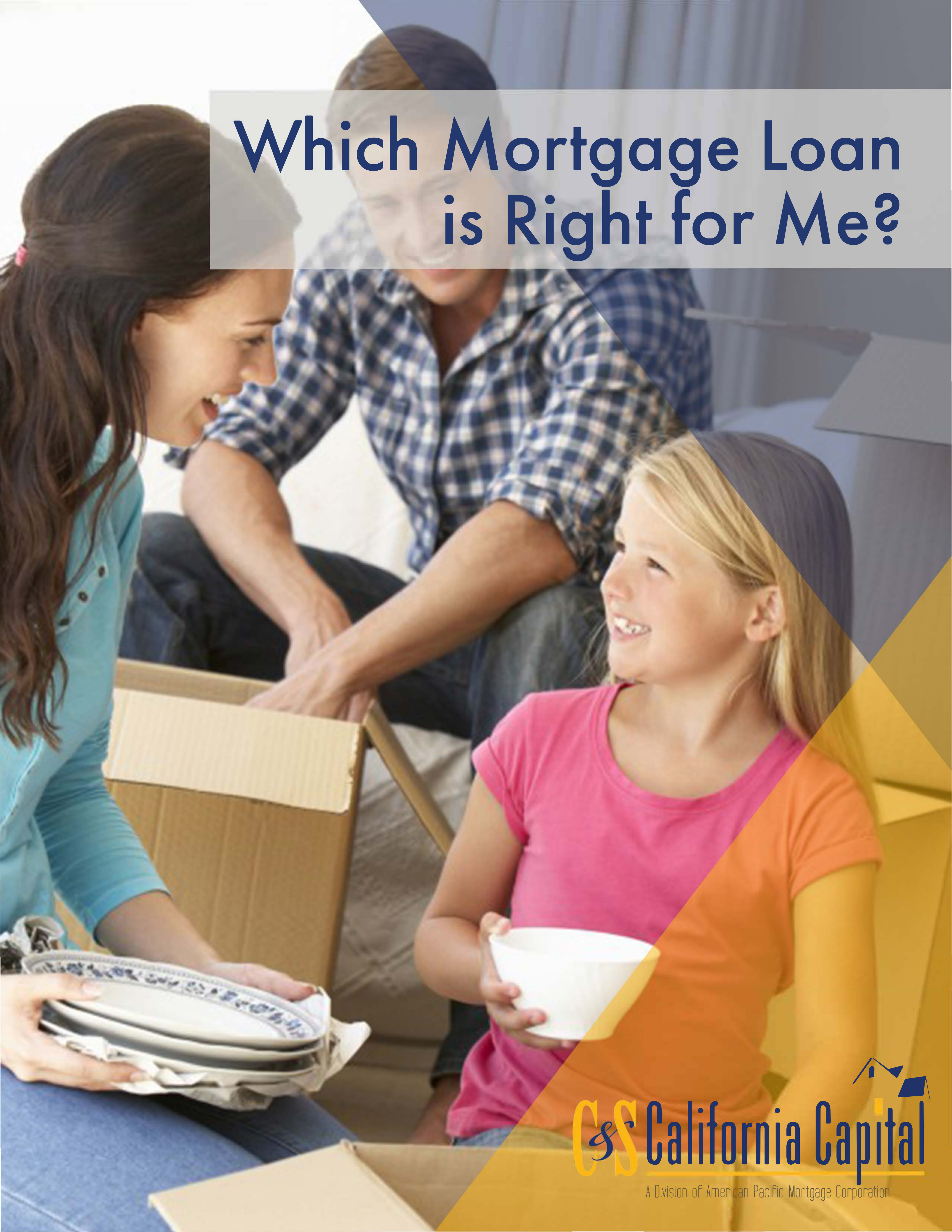
Which Mortgage Loan is Right for Me?



C&S California Capital

A Division of American Pacific Mortgage Corporation

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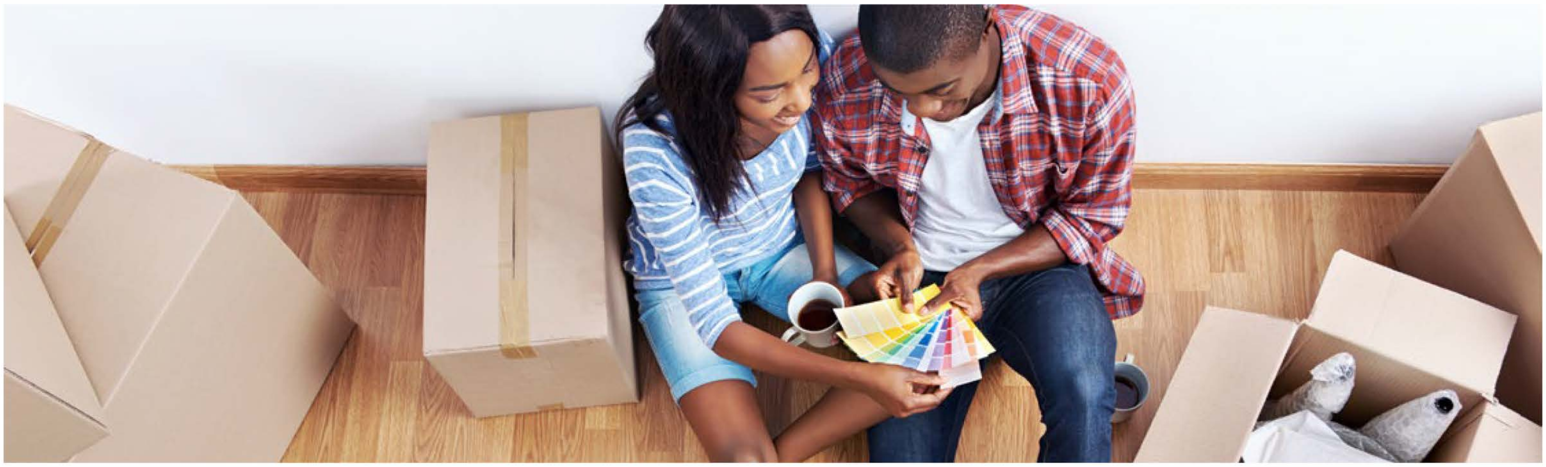

You've found the perfect home, and now it's time to find the perfect loan. The right home loan will do more than simply offer you a low interest rate and affordable monthly mortgage payment; it can also be a powerful tool to help you reach your financial goals. If you are a first time homebuyer, selecting the right mortgage loan may feel a bit daunting, but it doesn't have to be.

This short quiz will help you determine what's most important to you with a home loan program, and set you down the right path to selecting that perfect mortgage loan for your unique situation and specific financial goals.

Ready to get started?

Take the Quiz

For each of the following questions, choose or circle the answer that best describes you.

1. **How long do you want to stay in your home?**
   - **a.** I want to stay here forever.
   - **b.** I can see myself in this home for a long time.
   - **c.** Just a few years.
   - **d.** Long enough to repair and resell it.

2. **How steady is your monthly income?**
   - **a.** Rock steady, down to the penny.
   - **b.** Mostly steady, with a few big bonuses throughout the year.
   - **c.** Pretty steady, but it can vary at times.
   - **d.** Not steady at all, it ebbs and flows depending on commission and other factors.

3. **What are your career goals?**
   - **a.** To continue to work my way up within my company.
   - **b.** I've already hit them.
   - **c.** I'm working on a big career change in the next 5 years.
   - **d.** I'm self employed and building my own business.

4. **Which describes your financial goals?**
   - **a.** I have a long-term plan for my financial future.
   - **b.** I want to achieve my goals fast.
   - **c.** I have a short-term strategy that plays into my longer term goals.
   - **d.** I have a financial strategy that includes real estate investment.

5. **Which of these is the least appealing to you?**
   - **a.** Not knowing how to budget for next year.
   - **b.** Paying more in the long-run than I need to.
   - **c.** Paying more cash up front than I need to.
   - **d.** Losing out on an investment opportunity.

6. **How comfortable are you taking financial risks?**
   - **a.** Not comfortable at all. Small, steady gains are best.
   - **b.** Slightly comfortable, if they help me reach my goals faster.
   - **c.** I'm comfortable with risks that will put more cash in my pocket now.
   - **d.** Very comfortable. You can't win big if you don't risk big.

7. **When do you see yourself refinancing?**
   - **a.** Not anytime soon. I want to set my finances in order and move forward.
   - **b.** Only if the rates drop significantly.
   - **c.** Probably in a few years.
   - **d.** Whenever I need cash for investments.

8. **Which of the following is most important to you?**
   - **a.** Keeping my monthly payments steady.
   - **b.** Building up equity as fast as I can.
   - **c.** Getting the most house possible at the lowest payment.
   - **d.** Saving as much of my cash as I can.

9. **Which of the following best describes your future?**
   - **a.** I want to retire in 30 years.
   - **b.** I want to retire in 15 years, and then start a new business.
   - **c.** I'm not sure where I will be in 5 years, I want to keep my options open.
   - **d.** I want to make big time investments now that will put my money to work for me later.

10. **What's your vision of home?**
    - **a.** A forever home that my family can grow into.
    - **b.** A place that I own completely—bought and paid for.
    - **c.** A perfect place to fit my current life style.
    - **d.** A fixer-upper that I can resell for more than I paid.

Add up the number of A, B, C, or D answers that you provided. Notice a trend? Here's what your answers say about the loan option that is best for you.

If You Answered Mostly A’s, Consider a 30-Year Fixed Rate Mortgage

If you answered mostly a’s, a 30-year fixed rate mortgage may be for you. You are ready to buy a home, and want a simple mortgage solution. A stable and consistent monthly mortgage payment and interest rate will help you to reach your long-term financial goals, and you are hoping to make this place your home for the foreseeable future.

What’s important to you is settling into your home for the long run while you work towards your future goals for your career, finances and family.

You are trying to avoid financial uncertainty and unnecessary risks.

About the 30-Year Fixed Mortgage

The most popular home loan option for new homebuyers is the 30-year fixed rate mortgage. With a 30 year fixed loan, your principal and interest payments will remain consistent and steady over the life of the loan. This stability and consistency with your mortgage payments can make it easy to budget and work towards your long-term financial goals.

Pros and Cons of a 30-Year Fixed Mortgage

Does the 30-year fixed loan sound like the right choice for you? Here are some of the pros and cons of this loan option:

Pros:

- Stable monthly mortgage payments and interest rates over the life of the loan.
- Won’t pay for rising interest rates if market fluctuates.
- Predictable housing payments makes budgeting easier.
- Easy to understand loan terms.

Cons:

- Stability comes at a price: higher interest rates compared to other loan options.
- Higher fixed rates may mean you qualify for less home.
- Cannot take advantage of decreasing rates without refinancing.
- May require mortgage insurance for down payments less than 20%.

If predictability, stability, and simplicity over the long-term is what you want in a mortgage, then the 30-year fixed rate may be the perfect loan program for you. Need more information to make your decision? *Give us a call today* so that we can help you find the perfect loan program to meet your individual financial goals.

Finding the Right Loan for You

There is a loan program available for almost every scenario you can imagine. Whether you need 100% financing, gift funds for a down payment, or more lenient credit qualifications, chances are there maybe the right loan program that will get you funded.

Here are some of the mortgage programs that can be tailored to fit your needs as a fixed or adjustable rate loan:

Conventional Loan

A mortgage that is not insured or guaranteed by the federal government is known as a conventional loan. Conventional loans are offered by private lenders, and often have stricter requirements compared to a government insured loan program. Borrowers may be required to have higher credit scores, larger down payments, and lower DTI limits.

The benefits of a conventional loan may include more attractive interest rates, lower cost private mortgage insurance, and a faster, more streamlined loan approval process.

Jumbo/Non-Conforming Loans

Jumbo loans are mortgages that exceed the conventional conforming loan limits ranging between $417,000-625,000* depending on area. Jumbo loans are also considered "non-conforming" loans, because they cannot be sold to Fannie Mae or Freddie Mac on the secondary market. Jumbo loans are available for loan amounts up to $5 million, in a variety of fixed and adjustable rate terms. Jumbo loans tend to have higher down payment and cash reserve requirements.

Our loan advisors can help you determine if your loan amount falls outside of the conforming limits. While piggyback second mortgages and larger down payments could bring your loan amount down to conforming limits, you may choose to utilize a Jumbo loan instead. We will help you understand your options so you can decide which loan will best fit your needs.

FHA Loans

FHA loans are insured by the Federal Housing Administration, and have been designed specifically to help get borrowers into homes. A government guaranteed loan often has more lenient qualifying guidelines, including lower down payments, lower debt ratios, and seller contributions allowed. Some FHA programs may require you to pay mortgage insurance premiums, and to live in the home as your primary residence.

Borrowers who need more lenient qualifying guidelines and lower down payment requirements may be able to obtain a federally backed FHA loan.

VA Loans

VA Loans are insured by the U.S. Department of Veterans Affairs. VA approved lenders issue these government guaranteed loans which offer tremendous benefits to veterans, active duty military, and their surviving spouses. To help these heroes get into homes, VA loan benefits may include 100% (or higher) financing, no down payment requirements, and no mortgage insurance requirements.

VA loans are a unique loan program made available for the exceptional men and women who serve our country.

USDA Loans

USDA Loans are government insured loans for buyers who wish to purchase homes on rural property outside of major metropolitan areas. USDA loans are the only government loan that offers 100% financing to non-military borrowers. As long as you meet the USDA qualifying requirements, you can purchase a home with no down payment and receive 100% financing on homes outside of major metros.

If a quiet, country life and rural property is your idea of home, a USDA loan may be the ticket to purchasing your home with no down payment.

Want more loan options? Give us a call to talk to an expert who can help you ***select the perfect loan program*** for your unique scenario and individual financial goals.

Jumbo loan limits may vary from year to year or county to county. Talk with an advisor about the current limits for a Jumbo loan.

If You Answered Mostly B's, Consider a 15-Year Fixed Rate Mortgage

If you answered mostly b's, you may want to consider a 15-year Fixed Rate Mortgage. You want the stability and predictability of a fixed rate mortgage, with the peace of mind knowing that your monthly mortgage payments and interest rates will remain the same. However, you are also highly motivated to pay down the principal balance on your home as quickly as possible. You have big plans for your future once your home is paid off, like retiring early, traveling often, paying for your child's college education, or starting your own company, and you don't want to wait a single day longer than necessary to make those dreams come to life.

What's important to you is owning your home outright as soon as possible. You are comfortable with a higher monthly mortgage payment, so long as it helps you reach your goals faster.

You are trying to avoid unnecessary financial risks, prolonged payments, and paying too much in interest over the total life of your loan.

About the 15-Year Fixed Mortgage

The 15-year fixed home loan provides the financial stability of a fixed interest rate and monthly payment, and gives you the option of paying off your home loan in half the time of a 30-year fixed option. Generally, interest rates are lower on a 15-year fixed compared to a 30-year fixed. The 15-year loan will rapidly pay down the principal balance on your home loan, and ultimately allow you to pay far less in total interest costs over the life of the loan. The total interest savings compared to a 30-year fixed could equal thousands, or even tens of thousands of dollars, making the 15-year fixed a real money saver in the long run.

Pros and Cons of a 15-Year Fixed Mortgage

Does the 15-year fixed loan sound like the right choice for you? Here are some of the pros and cons of this loan option:

Pros:

- Stable monthly mortgage payments and interest rates over the life of the loan.
- Rapid reduction of principal balance means you build equity faster.
- Own your home debt-free in half the time compared with a 30-year fixed.
- Pay less in total interest payments over the life of the loan.

Cons:

- Higher monthly mortgage payments (can be 15%–30% higher) than with a comparable 30-year fixed.
- Can be more difficult to qualify for as compared with a 30-year fixed.
- Higher payments may mean you qualify for less home.
- Paying less total interest may mean less mortgage interest tax deductions.

If you want to build equity and pay off your home faster, pay thousands less in total interest payments over the life of your loan, and still enjoy the stable monthly payments of a fixed rate loan, the 15-year fixed loan may be for you. Need more information to make your decision? Give us a call today so that we can help you find the perfect loan program to meet your individual financial goals.

If You Answered Mostly C's, Consider an Adjustable Rate Mortgage

If you answered mostly c's, you may want to consider an Adjustable Rate Mortgage. You want to pay less in interest rates and a lower monthly mortgage payment. You like the idea of freeing up more cash each month to go towards other financial priorities, and you know that you are likely to refinance or move out of your home sometime in the next five to ten years.

What's important to you is having more cash on hand now for your short-term financial goals, and getting the most house possible for your mortgage payments.

You are trying to avoid high monthly mortgage payments.

Adjustable Rate Mortgage (ARM)

An Adjustable Rate Mortgage (ARM) offers a low introductory fixed rate term, typically 5, 7, or 10 years. After this initial period is over, the interest rate can adjust up or down for the remainder of the 30-year loan term. During the initial fixed period, the interest rates on an ARM are generally lower compared to a 30-year fixed mortgage. Lower rates means lower monthly payments, which can often help homebuyers qualify for more home compared to a fixed loan option.

Pros and Cons of an Adjustable Rate Mortgage

Does the Adjustable Rate Mortgage sound like the right choice for you? Here are some of the pros and cons of this loan option:

Pros:

- Lower interest rates and monthly payments during the initial fixed period.
- Lower rates and payments may help borrowers qualify for more home.
- If rates fall, homeowners typically don't need to refinance to take advantage.
- Most homebuyers refinance or sell within 5 to 7 years, before the initial fixed period ends.

Cons:

- Possibility of higher rates and payments after intro period.
- Rates and payments can rise significantly over the full life of the loan.
- Uncertainty over rates and payments can make long-term financial planning difficult.
- Terms can be more difficult to understand compared to fixed rate loans.

If you have short-term goals for your home or finances, and are comfortable taking on the risk of an adjustable loan in exchange for lower interest rates and payments over the next 5 to 10 years, an Adjustable Rate Mortgage may be the loan for you. Need more information to make your decision? Give us a call today so that we can help you find the perfect loan program to meet your individual financial goals.

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Understanding ARM Terminology:

Adjustable Rate Mortgage Glossary

Adjustable Rate Mortgages have additional terminology depending on the loan program. mortgage. Understanding the following ARM terms can help as you decide if this loan is the right tool to reach your financial goals. Here are some of the terms you should know if an ARM feels like the right loan for you.

Adjustment Date

The date that the interest rate changes on an adjustable-rate mortgage (ARM).

Adjustment Period

The period elapsing between adjustment dates for an adjustable-rate mortgage (ARM).

Cap

Limits how much the interest rate or the monthly payment can increase, either at each adjustment or during the life of the mortgage. Payment caps don't limit the amount of interest the lender is earning and may cause negative amortization.

Conversion Clause

A provision in an ARM allowing the loan to be converted to a fixed-rate at some point during the term. Usually conversion is allowed at the end of the first adjustment period. The conversion feature may cost extra.

Index

The index is the measure of interest rate changes a lender uses to decide the amount an interest rate on an ARM will change over time.The index is generally a published number or percentage, such as the average interest rate or yield on Treasury bills. Some index rates tend to be higher than others and some more volatile.

Initial Interest Rate

This refers to the original interest rate of the mortgage at the time of closing. This rate changes for an adjustable-rate mortgage (ARM). It's also known as "start rate" or "teaser."

Interest Rate Ceiling

For an adjustable-rate mortgage (ARM), the maximum interest rate, as specified in the mortgage note.

Interest Rate Floor

For an adjustable-rate mortgage (ARM), the minimum interest rate, as specified in the mortgage note.

Lifetime Payment Cap

For an adjustable-rate mortgage (ARM), a limit on the amount that payments can increase or decrease over the life of the mortgage.

Lifetime Rate Cap

For an adjustable-rate mortgage (ARM), a limit on the amount that the interest rate can increase or decrease over the life of the loan.

Margin

The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

Negative Amortization

Negative amortization occurs when the monthly payments do not cover all of the interest cost. This means that even after making many payments, you could owe more than you did at the beginning of the loan. Negative amortization can occur when an ARM has a payment cap that results in monthly payments not high enough to cover the interest due.

Payment Change Date

The date when a new monthly payment amount takes effect on an adjustable-rate mortgage (ARM) or a graduated-payment mortgage (GPM). Generally, the payment change date occurs in the month immediately after the adjustment date.

Treasury Index

An index used to determine interest rate changes for certain adjustable-rate mortgage (ARM) plans. Based on the results of auctions that the U.S. Treasury holds for its Treasury bills and securities or derived from the U.S. Treasury's daily yield curve, which is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market.Being self-employed is not a road block to homeownership. But if you are self-employed, it is even more important that you plan ahead, and have documented proof of financial stability to show lenders.

If You Answered Mostly D's, Consider an Interest Only Mortgage

If you answered mostly d's, an Interest Only Mortgage may be the right choice for you. You are looking for the absolute lowest monthly payment available on a home loan. You may have inconsistent income that ebbs and flows, and want to maximize cash flow in between commissions or bonuses. You may be an investor who intends to quickly repair and resell a home. Either way, you don't want to tie up too much cash into a monthly mortgage payment.

What's important to you is increasing your short-term monthly cash flow rather than building equity.

You are trying to avoid making higher monthly payments that pay down principal.

Interest Only Mortgage (IO)

An Interest Only (IO) mortgage is a unique financial tool which allows you to pay only the full monthly interest due on your loan for a fixed initial period ranging from 5 to 10 years. During this interest only fixed period, you are only required to make interest payments. When the fixed period expires, your mortgage payments increase as you begin paying on the principal balance, too. An IO loan is a unique tool that can benefit borrowers who have inconsistent income, need to maximize cash flow in between bonuses or commissions, or investors who plan on reselling a home quickly.

Pros and Cons of an Interest Only (IO) Mortgage

Does the Interest Only Mortgage sound like the right choice for you? Here are some of the pros and cons of this loan option:

Pros:

- Pay only the interest due on the loan for the first 5 to 10 years.
- Additional payments can be applied to principal balance, which may lower your next monthly payment.
- Principal payment reduction is often without penalty.
- Maximizes cash flow for borrowers whose income is inconsistent.

Cons:

- During interest only period, no principal reduction is occurring.
- Payments will increase when fixed period ends.
- Some lenders may have limits on the amount of principal you can pay down during IO period.
- Not good for buyers who want to quickly build equity or pay off mortgage.

If you are looking for a creative way to maximize your cash flow and you are comfortable not paying down the principal balance of your loan every month, an Interest Only loan may be the unique financial tool to help you reach your goals. Need more information to make your decision? Give us a call today so that we can help you find the perfect loan program to meet your individual financial goals.

Summary

Every homebuyer has an individual situation, and unique financial goals. If your answers to the quiz didn't lead you directly to one specific loan program, don't worry! Understanding the loan options available to you is only one step to finding the perfect mortgage. If you need more assistance identifying your goals and how to reach them, let one of our experienced loan advisors lend you a hand.

We can present all of the loan options available to you and help you select the best loan program for your individual situation and your financial goals.

About C&S California Capital

C&S California Capital was established in 1991 as a Mortgage Broker dedicated to provide informed, exceptional service. In order to provide our clients with more products and service, C&S California Capital became a branch of American Pacific Mortgage Corporation in 2014.

We have always prided ourselves with providing our clients, Realtors, and associates with respect and professionalism while exceeding our customer expectations and maintaining the integrity of our company. We provide customers with the information needed to make informed decisions. We are advocates for consumer education and careful financial reform. We are involved and committed to our local communities and the improvement of the Mortgage Industry.