

Mortgage Programs

Private Sector

Conventional Loans - The only security guarantee is the value of the property.

Conforming Loans

Conventional loans that follow the terms and conditions established by the guidelines of Fannie Mae and Freddie Mac.

- **Fixed-Rate Mortgage**
The interest rate and the principal payments remain fixed throughout the loan. Keep in mind your monthly escrow account payment could vary from year-to-year as taxes and insurance rates change.
- **Variable or Adjustable-Rate Mortgage**
The interest rate on the loan fluctuates over the period of the loan. Periodic adjustments to the interest rate are made based on changes to a defined index. The loan's interest rate is determined by adding a fixed number of points to the defined index.
- **Balloon Loan**
Short term, fixed-rate mortgage that has monthly payments usually based on a 30-year amortization schedule and a lump sum payment due at the end of term, usually 3, 5 or 7 years. The interest rate on balloon loans is usually less than a 15- or 30-year fixed-rate mortgage.
- **Piggyback Loan**
A second mortgage that closes with the first. Often the first mortgage is for 80% of the purchase price and the "piggyback" is for 10%. The home buyer covers the remaining 10% with their down payment. (Some lenders will write a second mortgage of 15% or even 20% of the purchase price.)
- **Housing Finance Agencies**
These agencies offer special loan programs to low- and moderate-income buyers, buyers interested in rehabilitating a home in a targeted area, and other groups as defined by the agency. Working through a housing finance agency, you can receive a below market interest rate, down payment assistance and other incentives.

Jumbo and Non-Conforming Loans

Loans above the maximum amount established by the guidelines of Fannie Mae and Freddie Mac. Often the interest rate charged for a jumbo or non-conforming loan is higher than that of a conforming loan.

- **B/C Loans**
Loans for borrowers who cannot meet the credit guidelines established by Fannie Mae and Freddie Mac. The purpose is to offer temporary financing to someone whose credit history disqualifies them for a conforming loan (including someone who has recently filed for bankruptcy, foreclosure or late payment on their credit report). Typically the interest rates run higher and vary depending upon the individual credit situation.

Government

FHA Loans

The Federal Housing Authority (FHA), which is part of the U.S. Department of Housing and Urban Development (HUD), plays a significant role in helping low- to moderate-income families qualify for mortgages. FHA assists first-time buyers and others who would not qualify for a conventional loan, by providing mortgage insurance to private lenders. Interest rates for an FHA loan are usually the going market rate, while the down payment requirements for an FHA loan are lower than conventional loans. The required down payment can be as low as 3 percent and the closing costs can be included in the mortgage amount.

VA Loans

VA Loans are guaranteed by the U.S. Department of Veterans Affairs. Service persons and veterans can qualify for a VA Loan, which usually offers a competitive fixed interest rate, no down payment and limited closing costs. While the VA does not issue the loans, it does issue a certificate of eligibility required to apply for a VA loan.

RHS Loan Programs

The Rural Housing Service (RHS), which is part of the U.S. Department of Agriculture, guarantees loans from private lenders to help low- to moderate income families qualify for mortgages.