

Alaska Real Estate Education  
MORTGAGE LOAN CHART

Type of Mortgage	Pros	Cons
Fixed-rate mortgage	No surprises The interest rate stays the same over the entire term, usually 15, 20 or 30 years.	If interest rates fall, you could be stuck paying a higher rate.
Adjustable-rate (ARM) or variable-rate mortgage	Usually offers a lower initial rate of interest than fixed-rate loans.	After an initial period, rates fluctuate over the life of the loan When interest rates rise, generally so do your loan payments.
FHA (Federal Housing Administration) loan	Allows buyers who may not qualify for a home loan to obtain one Low down payment.	The size of your loan may be limited.
VA loan	Guaranteed loans for eligible veterans, active duty personnel and surviving spouses Offers competitive rates, low or no down payments	The size of your loan may be limited.
Balloon mortgage	Usually a fixed rate loan with relatively low payments for a fixed period.	After an initial period, the entire balance of the loan is due immediately This type of loan may be risky for some borrowers.
Interest-only	Borrower pays only the interest on the loan, in monthly payments, for a fixed term.	After an initial period, the balance of the loan is due. This could mean much higher payments, paying a lump sum or refinancing.
Reverse mortgage	Allows seniors to convert equity in their homes to cash; you don't have to pay back the loan and interest as long as you live in the house.	Subject to aggressive lending practices and false advertising promises, particularly by lenders that prey on seniors. Check to make sure the loan is Federally insured.