



pick a mortgage

Mortgages are like all those pairs of jeans in your closet—only one fits just right. That's why it's important to know all that you can about each one before making a decision.

COMPILE THESE DOCUMENTS IN ONE FOLDER:

- One month's worth of recent pay stubs from each earner
- Tax returns and W-2 forms from the past two years
- Three months' worth of statements from your bank, 401(k), IRA, mutual funds, and stocks
- Three months' worth of student loan statements or past mortgage payments
- Letter of employment verification
- Letter from financial gift givers, confirming that it's a gift

MAKE SURE YOU:

- Review mortgage terminology and rates online (we like **MTGProfessor.com**)
- Make appointments with at least three banks or brokers.
- Get a GFE (good faith estimate) from each loan officer, with terms and fees spelled out.
- Crunch the numbers and decide which loan is best.
- Sign a mortgage agreement.
- Send thank-you notes to anyone who gave you money or helped you for free.

15-YEAR FIXED RATE

- Monthly payment: higher
- Interest rate: lower
- Rate changes: never
- Total interest paid: lower
- Best for: couples who can afford higher monthly payments, want to save in the long run, and plan to stay in their home for a long time

30-YEAR FIXED RATE

- Monthly payment: lower
- Interest rate: higher
- Rate changes: never
- Total interest paid: higher
- Best for: couples who prefer lower monthly payments, may need more time to pay for the house they desire, and plan to stay there for a long time

3/1 ADJUSTABLE RATE

- Monthly payment: lower for three years; then may change each year
- Interest rate: lower
- Rate changes: fixed for three years; then can fluctuate
- Total interest paid: depends on interest rates
- Best for: couples who prefer lower initial monthly payments, are confident they can handle future market fluctuations, and plan to move after a few years

5/1 INITIAL INTEREST ONLY PAYMENT

- Monthly payment: much lower for five years because only interest payments are required
- Interest rate: lower
- Rate changes: fixed for five years, then can fluctuate
- Total interest paid: depends on interest rates
- Best for: couples who prefer very low initial monthly payments, are sure they can handle significantly higher payments in five years, and plan to move in a few years

7-YEAR BALLOON

- Monthly payment: lower, then—whammo!—the entire balance of the loan must be repaid or refinanced.
- Interest rate: lower
- Rate change: fixed for seven years
- Total interest paid: depends on rates when balance is due
- Best for: couples with a magic crystal ball that shows a) lottery numbers or b) interest rates in seven years

PAY OPTION ADJUSTABLE RATE

- Monthly payment: four choices each month—very low minimum, low interest-only, or higher principal/interest options
- Interest rate: very low
- Rate changes: monthly
- Total interest paid: depends on interest rates
- Best for: one making minimum payments (like with a credit card), can lead to a mortgage growing over time