

**Select Portfolio Management, Inc**  
26800 Aliso Viejo Parkway  
Suite 150  
Aliso Viejo, CA 92656  
949-975-7900  
800-445-9822  
info@selectportfolio.com  
www.selectportfolio.com

**SELECT** Portfolio Management, Inc.  
REGISTERED INVESTMENT ADVISOR  
Money Management, Inc.  
REGISTERED INVESTMENT ADVISOR

# Popular Types of Mortgages

## Popular Types of Mortgages

Like homes themselves, mortgages come in many sizes and types. The type of mortgage that's right for you depends on many factors, such as your tolerance for risk and how long you expect to stay in your home. Here are some characteristics of various popular types of mortgages.

Conventional Fixed Rate Mortgages	Adjustable Rate Mortgages (ARMs)
<ul style="list-style-type: none"> <li>• Low risk</li> <li>• 10- to 40-year terms</li> <li>• Interest rate doesn't change</li> <li>• Larger down payment (compared to government mortgages) may be required</li> <li>• Payment remains the same</li> </ul>	<ul style="list-style-type: none"> <li>• Higher risk</li> <li>• Initial interest rate often lower than conventional fixed rate mortgage</li> <li>• Interest rate may go up or down</li> <li>• Interest rate usually adjusted annually</li> <li>• Rate adjustments may be limited by cap(s)</li> <li>• Payment caps can result in negative amortization in periods of rising interest rates</li> </ul>
Government Mortgages	Hybrid Adjustable Rate Mortgages (ARMs)
<ul style="list-style-type: none"> <li>• FHA, VA, or bond-backed</li> <li>• Interest rate sometimes lower than conventional fixed rate mortgage</li> <li>• Variety of programs available</li> <li>• Low down payment requirements</li> <li>• Less stringent qualifying ratios</li> <li>• Attractive to first-time homebuyers</li> <li>• Higher insurance costs may apply for FHA loans</li> <li>• Payment remains the same</li> </ul>	<ul style="list-style-type: none"> <li>• Higher risk</li> <li>• Initial interest rate often lower than conventional fixed rate mortgage</li> <li>• Fixed term for 1-10 years, then becomes a 1-year ARM</li> <li>• May have option to convert to a fixed rate mortgage before becoming a 1-year ARM</li> <li>• Interest rate may go up or down</li> <li>• Rate adjustments may be limited by cap(s)</li> <li>• Payment caps can result in negative amortization in periods of rising interest rates</li> </ul>
Jumbo Loans	
<ul style="list-style-type: none"> <li>• Any loan over \$417,000 or \$625,500 in high-cost areas (\$625,500 or \$938,250 in Alaska, Guam, Hawaii, and the U.S. Virgin Islands) for a single-family home or condo</li> <li>• Size of loan increases lender's risk, so interest rates are generally higher than for conventional fixed rate mortgages</li> </ul>	

Caution: The Consumer Financial Protection Bureau's qualified mortgage rules discourage mortgage loans that result in negative amortization due to the high risk of default associated with these loans.

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