

Understanding the Types of Home Loans and Finding the Right One

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Shopping for a home can be a challenge. Home buyers can have a hard time finding the perfect home in the right neighborhood with all the must-have features. Buyers may be so focused on finding the perfect home that they forget to *shop for the perfect home loan*. **There are many types of home loans**, and there is not one type that is best for everyone. Buyers should consider factors that could influence the decision such as *where they live*, *how long they plan to remain in the home*, *how much cash they have for a down payment*, and a few other special considerations. Our friendly mortgage experts at [America West Financial](#) in Utah would love to help you with your home loan that works best for you.

Fixed-Rate Mortgages

A fixed-rate mortgage has an interest rate that is set on the day a borrower originates the mortgage. **The interest rate and payment stay the same for the entire term of the loan**. Fixed-rate mortgages typically have either 15-year or 30-year maturities.

Fixed-rate mortgages are best for **borrowers who plan to stay in their homes for more than a few years**. They can lock in today's historically low interest rates for up to thirty years. **Since the payments do not change over the life of the loan, fixed-rate mortgages are also appropriate for borrowers who desire mortgage payments that do not change over time**.

Adjustable-Rate Mortgages

The main feature of the adjustable-rate mortgage is that **the borrower's interest rate changes along with market interest rates**. When market interest rates increase, the borrower's mortgage interest rate also increases. When market interest rates fall, the borrower's mortgage interest rate also falls. **The mortgage payment changes along with the interest rate, so the borrower will have a higher payment when interest rates increase and a lower payment when interest rates fall**.

Since the interest rate on a new adjustable-rate loan is typically lower than the interest rate on a new fixed-rate loan, **this type of mortgage is good for borrowers who do not plan to be in the home for more than a few years**. These borrowers can take advantage of the current low interest rates without facing significant risk of higher interest rates over the life of the loan. In addition, it can be **easier for borrowers with lower credit scores to qualify for adjustable-rate mortgages when compared to fixed-rate mortgages**.

FHA Mortgages

[FHA mortgages](#) are insured against default by the Federal Housing Authority. **They help provide mortgage financing for borrowers who could otherwise find it difficult to receive financing for a home purchase**. Through the FHA mortgage program, borrowers can put down as little as 3.5% of the home price as a down payment. **In exchange for this mortgage insurance, however, borrowers do pay a higher interest rate**.

An FHA mortgage is best for borrowers buying their first home as well as lower income borrowers who both benefit from the lower down payment requirements. FHA mortgages do have a maximum loan amount, which is \$417,000 in most locations. **They also feature a fixed interest rate** and either a 15-year or 30-year term.

VA Mortgages

The [VA Mortgage](#) is one of the benefits **available to members of the United States military**. These mortgages feature a ***loan guarantee from the Department of Veterans Affairs***. The mortgage can require a funding fee but can allow the borrower to avoid a large down payment as well as mortgage insurance.

Obviously, **VA mortgages are only available to members of the United States military in good standing**. The actual qualifications for these mortgages do change, but the current standard is 90 consecutive days of wartime service, 180 days consecutive days of peacetime service, or six years in a reserve unit. In addition, ***veterans can only use this to purchase a primary residence***.

USDA Mortgages

USDA Mortgages are restricted to **borrowers residing in specified rural areas**. The United States Department of Agriculture's Rural Development program provides ***financing for 100% of the home purchase price at a discounted interest rate***. Borrowers, however, do need to ***pay a funding fee and purchase mortgage insurance in exchange for these benefits***.

The USDA mortgage is great for borrowers in rural areas that do not have many financing options available to them. The lower interest rates and zero down payment financing options are also appealing for borrowers in rural areas. Borrowers, however, ***must adhere to both income and debt ratio requirements***. Borrower income cannot exceed 115% of the median income for the area, and the total debt cannot exceed 41% of income.

Conventional Mortgages

A [conventional mortgage](#) is a name for a specific type of **fixed-rate mortgage**. The name comes from Fannie Mae and Freddie Mac's standards for loan purchase in the secondary market. ***The biggest requirement for the conventional mortgage is a 20% down payment on the home***. In addition, borrowers ***must not exceed the required debt-to-income ratios***. Conventional mortgages typically have either a 15-year or 30-year term. The federal loan limit for a conventional mortgage is \$424,100 in most areas, but it is higher in certain regions of the country where the average home price exceeds this amount.

A conventional mortgage is best for borrowers who **plan to stay in their home for more than a few years and do not qualify for other government-backed lending mortgage programs**. In exchange for the 20% down payment requirement, borrowers ***get the best interest rates available at the time for fixed-rate loans***. Borrowers also ***avoid paying any type of mortgage insurance***.

Home Loan Experts at America West Financial in Utah

Still unsure about which mortgage option is the best? Prospective home buyers in Utah can [contact America West Financial](#) and speak to one of our mortgage experts. ***We will help you learn more about the different mortgage options and help you apply for one that is right for you***. We will answer your questions and walk you through each step of the home financing process. At [American West Financial](#), we are mortgage lenders and not just a bank. That means ***we have many mortgage options available for borrowers and can beat the rates of most competitors***. Give us a call at **801-957-0155** to speak to a Utah home loan mortgage expert today.