Types of Mortgages

Conventional Mortgage	a loan secured by real property through the use of a mortgage note
ARM	a mortgage loan with the interest rate on the note periodically adjusted
FHA Mortgage	backed loans that usually require a lower down payment and may sometimes have a lower interest rate
Reverse Annuity Mortgage	lender makes periodic payments to the borrower using the borrower's equity in the home as satisfaction of mortgage
Balloon Mortgage	a mortgage which does not amortize over the term of the note, thus leaving a balance due at maturity
Blanket Mortgage	used to fund the purchase of more than one piece of real property
Package Mortgage	a method of financing in which the loan that finances the purchase of a home also finances the purchase of personal items
Shared Equity Mortgage	Joint ownership of real estate by both lenders and property dwellers

Types of Mortgages (cont)

Wrap-Around Mortgage	The seller extends to the buyer a junior mortgage which wraps around the existing in addition to any superior mortgages already secured by the property

10/1 ARM - fixed 10 yrs/adjust every yr ARM best suited for people who move; fixed overall is better

Key Terms

point	a loan fee equal to 1% of the mortgage amt
Private Mortgage Insurance (PMI)	insurance payable to a lender or trustee for a pool of securities that may be required when taking out a mortgage loan
HELOC	a line of credit extended to a homeowner that uses the borrower's home as collateral
usury	on a loan, claiming a rate of interest greater than that permitted by law

Subprime Loans:
-high interest rates & closing costs
-balloon payments
-geared towards unqualified buyers
-refinancing (flipping)

Other Things to Remember

LTV is based on the appraised value or contract price, whichever is less

Housing expense ratio (PITI) = front-end ratio (shouldn't be greater than 33%)

Need to be at least 62 yrs old for reverse annuity loan

Fixed rate mortgage offers the least amount of risk and is preferred among long term homeowners

FHA Mortgage is best suited for first time home buyers who lack the funds for a large down payment

Banks look for appraisal and title in a property

Missed/Unsure Questions

What type of mortgage is often recommended for buyers seeking to live in the house for only a short period of time?

adjustable rate mortgage

If Michael wants the lowest starting interest rate, what ARM should he get?

3/1 ARM

Which ARM has the closest starting interest rate to a 30 yr fixed mortgage?

10/1 ARM

What is the typical annual cap on ARM?

2%

What valuation method does a lender typically use when determining the value of a property?

Market approach

What parameters do appraisers typically use to determine the value of a property using sales comparison approach?

Properties w/in 1 mile radius, sold w/in the last 6 months

What are known as the limits to the interest rate on an ARM?

Rate Caps