



Pathway to Information

ARM

The adjustable rate mortgage, better known as an ARM, is very popular with many buyers as an alternative to fixed rate mortgages. It is exactly what it sounds like...the loan involves an initial rate for a period of time ranging from 1 month to 10 years, after which, a rate adjustment will occur.

Pros

- Lower interest rate at beginning of the term of the loan than fixed rate mortgages, creating a lower initial payment. This appeals to those
 1. who don't plan on living in the house for a long period of time
 2. who subscribe to time value of money principle
 3. who are comfortable with the historical performance of the index upon which the product is based

Cons

- Product based on index (i.e. one-year treasury bill, LIBOR) plus a certain margin over that figure
- Historical performance does not guarantee future
- Initial rate change often increases your monthly payments

Qualifications

- Same as any other loans

Make sure you are informed with critical information regarding indices, floors, ceilings and the like. For more information on this product and others, call a mortgage expert at Flaherty Funding.