Loans: Not 1 Fits All

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Mortgages! It sounds like a complicated word. There are many types of mortgages, and each type has advantages, disadvantages, and qualifications. Some mortgages programs are flexible, and some are very rigid. In this article I plan to outline some of the poplar loan programs out there. I spoke with Kim Barnum of MVB Mortgage who is also the Affiliates Committee Chairman of the Morgantown Board of REALTORS to get some insight in the differences of each type of loan.

Conventional Mortgages usually imply that the buyer/borrower has 20% money to put towards the purchase price of the home. Today you can still qualify for a conventional loan if you have as little as 5% money to put down. However, if you have less than 20% down you will have to obtain PMI which is Private Mortgage Insurance and is an additional payment upon your mortgage. PMI is paid on the loan until you reach 20% equity into the home. The advantage of a conventional loan is that generally they have the most competitive interest rates, and lower PMI costs. These programs are also generally less restrictive than government funded loans.

FHA Mortgages are government guaranteed loan programs, and require less down payments. The buyer/borrower only needs to have 3.5% of the purchase price of the home for a down payment. This is quite helpful as it limits up front money needed for home ownership. It does come with a premium as it also has the most expensive form of PMI. The buyer will pay PMI for the life of the loan! There are also more guidelines that the borrower and the property being purchased must meet to obtain the loan. These restrictions may be worth it to get you into home ownership.

USDA Mortgages are a government guaranteed loan program that was developed to encourage home ownership in more rural areas and requires no money down! There are income limits for borrowers to qualify for this loan. There is a guarantee fee up front but it is rolled into the loan amount. PMI included in the life of the loan but it is a reduced rate. USDA loan will only work in parts of Monongalia County, but are available in all parts of Preston County. For more information about USDA loans visit: http://eligibility.sc.egov.usda.gov

In House loans programs are more flexible for the individuals who do not fit in the “box”. These guidelines may vary from bank to bank. These loans come with adjustable rates meaning the interest rate is fixed only for a certain period of time and then will adjust to the market. There are caps on how high these rates can go.

In this complex world of lending it is important to seek out your local lender and sit down with them to see what program may best meet your needs.