Buying A Home 101: Shopping For A Mortgage

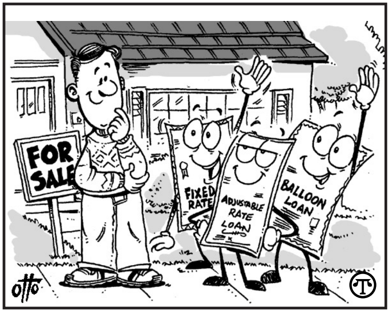
(NAPSA)—Thinking—or even just dreaming—of buying a new house? It's never too early to start preparing. One of the first steps in making your experience a positive one is to determine what type of mortgage loan fits your needs. There are many factors to consider. What is the right term of the loan? How much of a down payment can you afford? How long do you plan to stay in your new home? All of these items factor into the type of loan that's right for you.

"Determining the most appropriate loan program is a critical step in the home-buying process," said David Herpers, director of consumer affairs at Amerisave, a leading online mortgage provider. "It's important for consumers to understand the various programs: how one loan differs from another, how the various loan features will affect the mortgage and how you can lower your interest rate with a higher down payment."

There are many loan mortgage options:

• Fixed Rate Loans: Fixed rate loans have interest rates that remain the same throughout the life of the loan. The terms, or length, typically are 30, 20, and 15 years.

• Adjustable Rate Mortgages (ARM): ARMs feature interest rates that adjust to the general level of mortgage rates. The rates are fixed for a pre-specified period of time, and then typically adjust annually throughout the rest of the loan. Amerisave, for example, offers 7-, 5-, 3- and 1-year ARMs. The initial rates for ARMs are typically lower than a fixed rate, but there is the risk that rates could rise in the future. ARMs are a good choice for consumers who don't plan to stay in their new home for a long period.



• Interest Only Loans: Interest Only loans require no principal reductions, making the monthly payments significantly less than a traditional fixed rate or ARM program. The principal payments can be made optionally, offering greater flexibility for people who have fluctuating incomes or want increased cash flow for investing or other financial needs.

• Balloon Loans: Balloon loans typically amortize over a 30- or 20-year period, but are due at the end of the initial term, or the maturity date, typically 3, 5 or 7 years. The interest rate is fixed throughout the initial term of the loan.

• Jumbo Loans: Jumbo loans generally exceed $333,700. These loans typically carry slightly higher interest rates. Consumers who are close to a jumbo loan limit may want to increase their down payment or use a piggyback loan to reduce their loan amount.

• Piggyback Loans: Piggyback, or combo, loans combine a standard mortgage loan with a second mortgage or home equity line of credit. Each loan has its own note, including repayment term, interest rate and monthly payment.

The best place to begin researching the various loan programs is on the Internet. The rate-listing sites such as bankrate.com are a great resource. But watch out for unscrupulous lenders who use bait and switch tactics—offering a low rate with stipulations that are unrealistic.

As one of the nation's leading and fastest-growing online mortgage companies, serving customers in 41 states via its Web site, www.amerisave.com, Amerisave's mission is to offer the best rates from top banks for a variety of home financing needs. The company provides customers the ability to obtain the most competitive rates instantly via the Web. It has a $300 guarantee that consumers will not find a mortgage loan at lower cost in rates and fees.