lortgage Financing Options: 30- Year and 15- Year Fixed-Rate Loar

There are many, many options out there when it comes to financing your mortgage. The trick is finding the right loan program for your needs. The oldest and most traditional way of borrowing money for a home purchase is with a fixed rate loan.

Fixed rate loans are exactly what they sound like. You lock in a certain interest rate at the beginning and you pay that interest rate during the entire term of the loan. These loans offer a lot of peace of mind for those who deplore risk-taking. With a fixed rate program, you will always pay the same amount of money each month and you will know at the start of the loan exactly what you are getting into. The drawback, however, is that you will usually have to settle for a higher interest rate than you could initially get with an adjustable rate mortgage (ARM.) Even over the course of the entire loan your interest rate will likely be higher than the average interest rate on an ARM.

If you prefer the predictability of fixed rate payments though, you should take a look at the terms and conditions of fixed rate loans. Fixed rate loans can actually be amortized over many different time periods. These loans are available in 10, 15, 20, 25, 30, and 40 year terms. By far, the most popular of these options are the 30-year and the 15-year loans. The difference between them, besides the length of time you make payments, is the interest rate and the size of the payment you will make.

With a 30-year loan you will have lower payments each month than you would with a 15-year loan. Yet this means you will end up paying a lot more in interest because of the length of the term. And conversely, you would pay less interest total on a 15-year loan, but you would definitely have to fork out payments that could be as much as double the monthly payments you would make on a 30-year fixed rate loan.

With both of these loans, your initial payments made up of principal and interest will be heavily weighted on the interest side. Towards the end of your loan, the payments will consist of mostly principal. This is to ensure the lenders that they make back their money as soon as possible.

A nice feature of fixed rate mortgages is that if you secure a loan without a pre-payment penalty, you can shorten the term of your loan at will by making larger payments each month or whenever you get a large in-flow of cash. This can help reduce the amount of interest you have to pay in the long run.

Be aware however, that, as with most loans, if your down payment is less than 20% of the home value, you will have to pay monthly private mortgage insurance. This will protect your lender against losses should you go into foreclosure, but it could cost several hundred dollars a year in extra fees for you.

There are many great benefits to taking on a fixed rate loan as your mortgage financing. If you have considered all the pros and cons, and decide that you would like to choose this type of program, start by shopping around, even getting mortgage quotes online. This will help you find the best deal and terms for your fixed rate loan.