

Advisors of
nVision Wealth
9200 Indian Creek Pkwy Ste 500
Overland Park, KS 66210
913-956-4000
nVision-Wealth@lpl.com
www.nvision-wealth.com



Popular Types of Mortgages





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Like homes themselves, mortgages come in many sizes and types. The type of mortgage that's right for you depends on many factors, such as your tolerance for risk and how long you expect to stay in your home. Here are some characteristics of various popular types of mortgages.

Conventional Fixed Rate Mortgages	Adjustable Rate Mortgages (ARMs)
<ul style="list-style-type: none"> • Low risk • 10- to 40-year terms • Interest rate doesn't change • Larger down payment (compared to government mortgages) may be required • Payment remains the same 	<ul style="list-style-type: none"> • Higher risk • Initial interest rate often lower than conventional fixed rate mortgage • Interest rate may go up or down • Interest rate usually adjusted annually • Rate adjustments may be limited by cap(s) • Payment caps can result in negative amortization in periods of rising interest rates
Government Mortgages	Hybrid Adjustable Rate Mortgages (ARMs)
<ul style="list-style-type: none"> • FHA, VA, or bond-backed • Interest rate sometimes lower than conventional fixed rate mortgage • Variety of programs available • Low down payment requirements • Less stringent qualifying ratios • Attractive to first-time homebuyers • Higher insurance costs may apply for FHA loans • Payment remains the same 	<ul style="list-style-type: none"> • Higher risk • Initial interest rate often lower than conventional fixed rate mortgage • Fixed term for 1-10 years, then becomes a 1-year ARM • May have option to convert to a fixed rate mortgage before becoming a 1-year ARM • Interest rate may go up or down • Rate adjustments may be limited by cap(s) • Payment caps can result in negative amortization in periods of rising interest rates
Jumbo Loans	
<ul style="list-style-type: none"> • For 2018, any loan over \$453,100 or \$679,650 in high-cost areas (\$679,650 or \$1,019,475 in Alaska, Guam, Hawaii, and the U.S. Virgin Islands) for a single-family home or condo • Size of loan increases lender's risk, so interest rates are generally higher than for conventional fixed rate mortgages 	

Caution: The Consumer Financial Protection Bureau's qualified mortgage rules discourage mortgage loans that result in negative amortization due to the high risk of default associated with these loans.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

The information provided is not intended to be a substitute for specific individualized tax planning or legal advice. We suggest that you consult with a qualified tax or legal advisor.

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