Buying a Home?
Compare Your Loan Options
You’ve thought it over. Had discussions with your spouse and/or family, and have come to a decision: It’s time to buy your next home. That’s great news! Why? Well, if you’ve been out of the housing game for a while, you might not realize that now is a great time for a home purchase. Rates are low. Like, historically low — making homes in most markets pretty affordable.

So, whether you’ve outgrown your starter home, need to relocate for work, are ready to downsize, or need to move due to a different circumstance — you’ve got options. This guide will inform you on which loan will help you achieve your home financing goals — and set you up for this new, exciting chapter.
Before we jump into the real nitty-gritty of your home purchase, let’s lay out the loan options available to you, along with some related words for each loan. There might even be a few you’ve never heard of! That’s okay. This is just the beginning of figuring out which loan is right for you.

**Fixed Rate Mortgage:**
Stable interest rate and monthly payment throughout the life of the loan. 10-, 15-, 20-, 25-, and 30-year options are typically offered.

*Associated words:* popular, stable, for the long haul

**Adjustable Rate Mortgage:**
Low interest rate for the first 5, 7, or 10 years. Following that initial term, your rate and monthly payment could fluctuate based on prevailing interest rates.

*Associated words:* fluctuate, advantageous, short-term

**FHA Loan:**
Government-insured loan program with low credit requirements and closing cost flexibility. 15- and 30-year options are typically offered. Popular among millennials and first-time homebuyers.

*Associated words:* first-time homebuyer, flexible, affordable

**VA Loan:**
Loan option exclusively for those affiliated with the military: active duty personnel, veterans, reservists, National Guard members, or surviving spouses are eligible. This loan has low credit requirements and closing cost flexibility.

*Associated words:* military, exclusive, affordable
Now that you have a general idea of the home loans you can choose from, it’s time to determine which of these options will be right for what you want out of your home purchase — including which works for your living situation and financial status.

Before you start comparing loan options, familiarize yourself with these mortgage terms. Each will play a vital role in this section, and ultimately your home loan decision.

**Credit score:**
A three-digit number that reflects your creditworthiness. The number considers your payment history, amount owed, length of credit history, and other factors.

**Debt-to-income ratio (DTI):**
The calculation of your total gross monthly debts divided by your total gross monthly income. The smaller the percentage, the better.

**Down payment:**
The initial upfront payment that is the difference between the home’s purchase price and the amount of the mortgage.

**Closing costs:**
Home financing fees charged to the homebuyer at the point of closing on the loan. Included fees are: loan processing fee, origination fee, underwriting fee, and more.

Below is our home loan comparison chart, broken down by their requirements, benefits, and the situations in which each might make sense for you.
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<th>LOAN OPTIONS</th>
<th>THE REQUIREMENTS</th>
<th>THE BENEFITS</th>
<th>RIGHT FOR YOUR SITUATION IF:</th>
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<tr>
<td><strong>Fixed Rate</strong></td>
<td>Typically, a credit score of at least 620, DTI between 40%-50%, and a down payment of at least 5%.</td>
<td>A fixed interest rate, stable monthly payments, and flexible terms.</td>
<td>You prefer the stability of a fixed monthly payment and plan to stay in the home for a while.</td>
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<tr>
<td><strong>Adjustable Rate</strong></td>
<td>Typically, a credit score of at least 620, DTI between 40%-50%, and a down payment of at least 5%.</td>
<td>Lower rates and payments in the initial term and rate caps to limit how much your rate can increase both yearly and over the life of the loan.</td>
<td>You plan to move or refi before the rate adjusts, or you're expecting a boost in income soon.</td>
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<tr>
<td><strong>FHA Loan</strong></td>
<td>A credit score of at least 580, DTI between 40%-50%, and a down payment of at least 3.5%.</td>
<td>Lower rates than conventional loans and low down payment accepted.</td>
<td>You're a first-time homebuyer who wants to own, but doesn't have a significant monthly income, and/or your credit score or DTI needs improvement.</td>
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<td><strong>VA Loan</strong></td>
<td>Must meet VA eligibility requirements, have a credit score of at least 620, and a DTI around 40%.</td>
<td>Lower rates than conventional loans and no down payment needed.</td>
<td>You're an active military member or veteran who doesn't have the money for a down payment.</td>
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Fixed Rate

The requirements:
- Credit score of at least 620
- Debt-to-income ratio between 40%-50%
- Minimum down payment of at least 5% (requires mortgage insurance)

The benefits:
- Fixed interest rate
- Stable monthly mortgage payments (making budgeting easier)
- Flexible terms, ranging from 10 to 30 years in 5-year increments
- Simple to understand

Right for your situation if:
- You prefer the stability of a fixed monthly payment
- You plan to stay in the home for a while
- You can put at least 5% to 20% down

Adjustable Rate

The requirements:
- Credit score of at least 620
- Debt-to-income ratio between 40%-50%
- Minimum down payment of 5% (requires mortgage insurance)

The benefits:
- Lower rates and payments in the initial term
- Rate caps to limit how much your interest rate can increase both yearly and over the life of the loan
- Lets borrowers take advantage of falling rates without needing to refi

Right for your situation if:
- You plan to move or refinance before the rate adjusts
- You’re expecting a boost in income soon
FHA Loan

The requirements:
• Credit score of at least 580
• Debt-to-income ratio between 40%-50%
• Minimum down payment of 3.5%
• Mortgage insurance required (upfront and monthly premium)

The benefits:
• Lower rates than conventional loans
• Low down payment accepted
• Seller may pay up to 6% of closing costs
• Overall, an easier loan to qualify for

Right for your situation if:
• You’re a first-time homebuyer who wants to own, but doesn’t have a significant monthly income
• You don’t have the down payment needed for a conventional loan
• You don’t have the credit score or DTI to qualify for a conventional loan

VA Loan

The requirements:
• Must meet eligibility requirements
• Credit score of at least 620
• Debt-to-income ratio around 40%

The benefits:
• Lower rates than conventional loans
• No down payment needed
• No mortgage insurance required
• Seller may pay up to 4% of closing costs
• An assumable mortgage

Right for your situation if:
• You’re an active military member or veteran who doesn’t have the money for a down payment
Conclusion

Hopefully you’ve benefited from learning more about your home loan options and the situations in which each may work well for you. At this point, you may have already identified the right loan for you!

Regardless of where you are, why not learn even more about these home loan options and what else we can do for you? Get started online or give us a call at 1-866-575-3176 and speak to one of our Home Loan Specialists.