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YOUR BUFFALO HOMEFINDER

Should I consider an adjustable-rate mortgage loan (ARM)?



BY ERIK J. MARTIN

Fixed-rate mortgage loans have tilted into the unaffordable range for many prospective home buyers and homeowners seeking to refinance. That begs the question: Is an adjustable-rate mortgage (ARM) a viable alternative right now?

For answers, we turned to a panel of pros. Here are their insights and advice.

Q: What is an adjustable-rate mortgage (ARM) and how does it work?

Roseanna West, vice president of mortgage origination, Members Choice Credit Union, Houston: An ARM is a loan, typically offered by most banks, credit unions, and mortgage companies, where the introductory rate is fixed for a specific number of years—often 1, 3, 5, 7, or 10 years—and then adjusts, typically

every year, after that. The initial rate is typically lower than a fixed rate mortgage, and then will adjust based upon a specific index plus a preset margin. A fixed-rate mortgage has a rate that is fixed for the entire term of the loan and will never increase or decrease.

Q: What are the pros and cons of choosing an ARM vs. a fixed-rate mortgage loan?

West: On the plus side, the initial start rate on an ARM is typically lower than a fixed rate, often by 1½ to 2 percent. The lower payment could help you qualify for more than a higher fixed-rate loan. But your start rate is only guaranteed for a specific period; it could increase when the rate adjusts, increasing your monthly payment. All ARM programs have caps on how much the rate can

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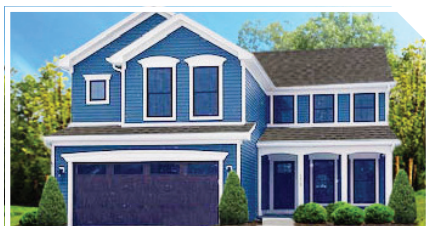
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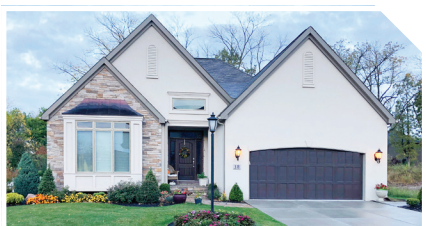
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