



Fixed vs. Adjustable Rate Mortgages

What Type of Mortgage is Right for You?

A traditional fixed rate mortgage is a safe choice for many borrowers, but in some circumstances an adjustable rate mortgage (ARM) might make sense for you. If you are considering an ARM, be sure you understand the tradeoffs.

Fixed Rate Mortgages	ARMs
<p>With a fixed rate mortgage, the interest rate and monthly payment stay the same for the entire loan term.</p> <p>Consider a Fixed Rate Mortgage if:</p> <ul style="list-style-type: none"> • You would prefer predictable payments or have difficulty managing monthly payments that increase; or • You plan to stay in your home for a long period of time. 	<p>With an ARM, the interest rate and monthly payment often start out lower than with a fixed rate mortgage. However, both the rate and payment can increase very quickly.</p> <p>Consider an ARM if:</p> <ul style="list-style-type: none"> • You are confident that you could afford increases in your monthly payment, even at the maximum amount (sometimes as much as double your initial payment amount); or • You plan to sell your home within a short period of time.

If you are considering an ARM, don't count on being able to refinance before your interest rate and monthly payments increase. You might not qualify for refinancing if the market value of your home goes down, or your financial situation changes due to job loss, illness, or other large debts.

Where to Find Help

For more information about how to choose the right loan for you, or for a list of licensed housing counselors in your area that could help you make this decision, visit www.federalreserve.gov.