TYPES OF HOME LOANS

Adjustable Rate Mortgage (ARM)	A type of loan in which the interest rate may periodically adjust based on a specific index and a margin. These types of loans may initially have lower monthly payments, but can result in negative amortization and/or higher monthly payments. Negative amortization occurs when the loan payments do not cover the interest accrued which over time, results in a higher principal balance than the amount of the original loan. This type of loan is also known as a variable rate mortgage.
Balloon Mortgage	A short term fixed-rate loan that involves smaller payments for a specified period of time, and one large payment at the end of the loan term.
Blanket Mortgage	A mortgage securing several pieces of real estate.
Bridge Loan	A mortgage securing a piece of property which will be paid off upon securing a loan for an additional property.
Conventional Loan	A mortgage not insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration (VA). This mortgage is not a subprime loan.
FHA Loan	A loan insured by the Federal Housing Administration (FHA) and open to all qualified home purchasers. These loans require a smaller down payment (typically 3%) than a conventional loan. This program allows buyers who might not otherwise qualify for a home loan to obtain one because the risk is removed from the lender by FHA insurance.
Fixed Rate Mortgage	A mortgage in which the interest rate stays the same for the term of the loan.
Home Equity Loan	A type of loan in which the borrower uses the equity in the home as collateral. These loans are usually used to finance major expenses such as home repairs, medical bills or college education. It creates a lien against the borrower's home, and reduces actual home equity. Most home equity loans require good to excellent credit history, and reasonable loan-to-value and combined loan-to-value ratios. Home equity loans come in two types: closed end and open end and both are usually referred to as second mortgages since they are secured against the value of the property.

Home Equity Line of Credit (HELOC)	A line of revolving credit with an adjustable interest rate where the borrower can choose when and how often to borrow against the equity in the property, with the lender setting an initial limit to the credit line based on criteria similar to those used for closed-end loans. As with the closed-end loan, it may be possible to borrow up to 100% of the value of a home, less any liens. The term of HELOCS range from 10 to 30 years and usually have a variable interest rate which is tied to the prime rate plus or minus a specified margin. The minimum monthly payment can be as low as only the interest that is due.
Interest Only Mortgage	A mortgage in which the borrower pays only interest on the principal of the loan for a set period of time, followed by a larger payment period that includes interest and principal payment, or a balloon payment.
Reverse Mortgage	A special type of home loan that lets a homeowner convert a portion of the equity in their home to cash. Unlike a traditional mortgage, no repayment is required until the borrower no longer occupies the home. Borrowers must, in government-backed reverse mortgage products, be over the age of 62, and must attend a counseling class and receive a certificate to verify they understand the terms of the loan.
	There are three types of reverse mortgages according to the Federal Trade Commission:
	Single Purpose Reverse Mortgages – offered by some state and local government agencies and nonprofit organizations;
	Federally Insured Reverse Mortgages – these are known as Home Equity Conversion Mortgages (HECMs) and are backed by the U. S. Department of Housing and Urban Development (HUD);
	Proprietary Reverse Mortgages – private loans that are backed by the companies that develop them.
Subprime Loan	A type of loan that is offered at a rate above prime to individuals who do not qualify for prime rate loans usually due to their low credit ratings or other factors that suggest that they have a reasonable chance of defaulting on the debt repayment. Subprime loans tend to have a higher interest rate than the prime rate offered on traditional loans. The additional percentage points of interest often translate to much higher interest payments over the life of a longer term loan.
VA Loan	Loans made to veterans that are guaranteed by the Department of Veterans Affairs.