



## Your Mortgage PLANNER

with Jamie H. Harrington, President

### WHAT ARE 5/1 AND HYBRID MORTGAGES?

What's the best type of mortgage loan - a solid fixed-rate mortgage or a more affordable variable rate mortgage (ARM)? That's a question that puzzles many people who are financing a home purchase or refinancing an existing mortgage. ARMs are still popular with today's borrowers, but the newer "hybrid" ARM is the rising star in the mortgage field.

In recent months, the rate difference between a fixed-rate and adjustable-rate mortgage has narrowed. This would normally weaken the demand for adjustable-rate loans. But as the starting interest rates of ARMs increased, mortgage lenders and brokers offered larger rate discounts that strengthened the incentive to opt for an ARM.

The "hybrid" ARM is rapidly growing in popularity with borrowers. This is a loan with an initial fixed-rate period of more than one year, often 3, 5 or 7 years. It then reverts to an annually adjusted ARM for the remainder of its 30-year term. The most popular hybrid product is known as a 5/1 ARM. This mortgage carries a fixed-rate for five years, then the rate is annually adjusted for the remaining term. Last year, two out of every five ARM originations were 5/1 mortgages, according to Freddie Mac.

If you would like to discuss what type of mortgage loan will work best for you, call Jamie Harrington at **828-632-0650** for an appointment. United Carolina Group, Inc., is located at 493 NC Highway 16 - Suite 2, in Taylorsville.

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