



Your Mortgage PLANNER

with Jamie H. Harrington, President

KNOW YOUR ARMs "LENGTH"

When shopping for Adjustable Rate Mortgages (ARMs), the fixed margin is almost as important as the initial rate. All ARMs specify a variable interest rate base called an index, such as the 11th District Cost of Funds Index. The margin is the additional percentage that is added to the loan's index to determine the total interest rate at any given time.

Let's compare two hypothetical monthly ARMs. The first loan has an initial rate of 3.50% with a margin of 2.50%, and the second one begins at 3.25% with a 2.75% margin. Assuming that the index is 5.00% after one year, the first loan will have a new rate of 7.50% (5.00% + 2.50%), while the second loan will be 7.75% (5.00% + 2.75%) for the second year. Even though the first loan had a slightly higher initial rate, it will have a lower rate in subsequent years, provided that the payment caps are not exceeded.

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.

www.unitedcarolinagroup.com