

The Right Mortgage for You

As a prospective homeowner, you have a wide range of loan options to choose from. Basically, home mortgage programs fall into one of the following categories:

- **Government loans.** These loans are backed by federal or state agencies. The most common types are the Federal Housing Authority (FHA) and Veterans Administration (VA) loans. These programs typically allow lower down payments and have more liberal qualifying guidelines.
- **Conventional loans.** Conventional loans are designed for both first-time and move-up homebuyers and make up the bulk of mortgage loans sold.
- **Jumbo loans.** A jumbo mortgage is a purchase or refinance loan that exceeds \$417,000 (in 2006) for a single-family home.¹ It is also called a non-conforming loan because it does not conform to the loan limits set by Fannie Mae (Federal National Mortgage Association or FNMA) or Freddie Mac (Federal Home Loan Mortgage Corporation or FHLMC). Rates on jumbo loans are typically higher than on conforming loans.
- **Alternative financing.** These home financing programs are designed for borrowers with less than perfect credit histories, excessive debt, or previous bankruptcy, foreclosure or tax delinquency.
- **Self-employed financing.** These programs offer flexible financing guidelines that better meet the needs of borrowers with hard to document incomes, such as those who are self-employed or work in a commission-based position.

Each of these home mortgage categories offers a range of financing options.

30-year fixed-rate

- **Key features:** Interest rate remains the same for the life of the loan.
- **Customer benefits:** Provides protection against rising interest payments. Predictable payments make budgeting for the future easier.
- **Homebuyer profile:** Especially attractive in a low interest-rate environment and ideal if you plan to stay in your new home for at least 7 years.

15-year fixed-rate

- **Key features:** Interest rate remains the same for the life of the loan, with slightly lower interest rates than the 30-year.
- **Customer benefits:** Principal is paid off sooner, saving substantial money in interest payments.
- **Homebuyer profile:** A good choice if your goal is to own your home mortgage-free and you can afford to pay a little more each month.

Adjustable-rate (1-year ARM)

- **Key features:** Interest rate (and monthly payments) can rise or fall as a result of annual rate adjustments, which occur throughout the term of the loan in response to market fluctuations. ARMs generally have a rate cap.
- **Customer benefits:** The initial interest rate (and monthly payment) generally starts out lower than that of a fixed-rate mortgage and helps you ease into higher monthly payments down the road.
- **Homebuyer profile:** An ARM may be a good choice in a higher interest rate environment or if you need a lower initial rate to help you qualify for a larger loan amount.

Intermediate ARM

- **Key features:** Offers a fixed interest rate for a designated period (3, 5, 7, or 10 years), then adjusts annually. Often referred to as 3/1, 5/1, 7/1, and 10/1 ARMs.
- **Customer benefits:** Initial interest rate and monthly payments are lower than those of a fixed rate, so payments are more manageable during the early years. The rate is usually higher than the 1-year ARM, but payments are predictable for a longer period.
- **Homebuyer profile:** This option can be a practical financial-planning tool for forward-thinking homebuyers who intend to move in 3, 5, 7, or 10 years. It is a more affordable loan option in a higher rate environment.

Convertible ARM

- **Key features:** Offers an option to convert your adjustable loan to a fixed-rate mortgage after a certain period of time (e.g., anytime after the first year but before the beginning of the fifth year).
- **Customer benefits:** The advantage of a lower initial interest rate with an opportunity to change to a fixed rate when you can better afford it.
- **Homebuyer profile:** A good choice for homebuyers who need a lower qualifying rate today, but who may want to switch to a fixed rate in the future without refinancing.

Balloon loan

- **Key features:** Offers fixed monthly payments that are lower than a fixed rate or ARM for a period of time (usually 5 or 7 years), followed by one balloon payment of the remaining loan balance.
- **Customer benefits:** Interest rate is lower than that of a fixed-rate loan.
- **Homebuyer profile:** A popular choice for homebuyers who are certain they will move or refinance in 5 or 7 years. Makes home ownership more affordable.

Renovation loan

- **Key features:** Finances the purchase of a home and provides the additional funds to improve or renovate it.
- **Customer benefits:** The amount of money that can be borrowed is based on the future value of the home after improvement.
- **Homebuyer profile:** Perfect for the homebuyer looking to purchase a "fixer-upper" or a house that requires remodeling to accommodate family needs.

New construction loan

- **Key features:** Usually involves two loans: an interim loan for building the home and a permanent loan for the completed home.
- **Customer benefits:** Loans for new construction offer options such as an extended rate lock or bridge loan. A bridge loan secures the equity in your current home and provides you with enough funds to close on a new home before your current one sells.
- **Homebuyer profile:** A practical solution for homebuyers purchasing a newly constructed home from a builder or building their own home.

NEA members may call the **NEA Home Financing Program**[®] at **1-800-NEA-4-YOU** (1-800-632-4968) to speak to one of Wells Fargo Home Mortgage's experienced home mortgage consultants, who can recommend financing solutions exactly right for their needs. Representatives are available from Monday through Friday, 8 a.m. to midnight, and Saturday, 9 a.m. to 5:30 p.m. (Eastern Time). Be sure to ask about the current member bonus offer. If you prefer, stop by your local Wells Fargo branch and identify yourself as a member of NEA. Or visit us online at www.neamb.com/loans/hmfpge.jsp.

Deaf/hard of hearing individuals may call 1-800-842-3548 TTY. Spanish speakers may call 1-800-632-4968.

¹The loan limit in Alaska and Hawaii is \$625,500, or 50% higher than the limit for the rest of the country. Wells Fargo Home Mortgage is a division of Wells Fargo Bank, N.A. ©2007 Wells Fargo Bank. All rights reserved. **Equal Housing Lender.**

###