



STERLING
SAVINGS BANK [®]
Home Loan Division

www.sterlinghomemortgages.com

Types of Mortgages Defined

Confused about which loan type is best for you? Personal situations vary, and only a qualified lender can give you the details you need to decide which loan type will fit your needs. Here's some information on some common mortgage types.

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EQUAL HOUSING LENDER



TYPES OF MORTGAGES

Here is a list of common types of mortgages and their pros and cons. Please speak with your Sterling Loan Professional for additional details, qualification requirements and underwriting conditions.

30-Year Fixed

PRO:

- Fixed monthly payments over the life of the loan
- Lowest risk
- Your principal and interest payments will not change for the life of the loan

CON:

- Higher initial interest rates than adjustable loans mean the borrower may pay more interest charges over the life of the loan, depending on whether rates on adjustable mortgages go up or down

20-Year, 15-Year, 10-Year Fixed

PRO:

- Faster equity buildup than a 30-year mortgage
- Interest rates may be lower than 30-year fixed

CON:

- Monthly payments may be higher than a 30-year fixed loan

Adjustable Rates (ARM), also known as Variables

PRO:

- Starts out at a lower interest rate, then may adjust after 1, 3, 5, 7 or 10 years (also called 3/1, 5/1, 7/1, or 10/1)

CON:

- Depending on market conditions, the loan's adjustments can result in increased monthly payments down the road

FHA loans

PRO:

- Lower interest rates
- Generally, FHA loans accept lower credit scores and will allow gift funds to be used for down payment and closing costs
- Insured by the Federal Housing Administration
- Lower down payments

CON:

- Mortgage insurance is added to the principal in addition to the monthly payments

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TYPES OF MORTGAGES Continued



Interest Only**

PRO:

- Lower monthly payments

CON:

- Does not pay down the principal
- Often a higher interest rate than 30-year fixed loan
- Interest-only payments do not last the full term of a loan. After the initial interest-only period, you must begin making monthly payments of principal and interest, which will be a higher monthly payment

Jumbo Financing**

PRO:

- Higher loan limits available for financing of homes typically located in high-cost areas
- Both fixed- and adjustable-rate Jumbo loans are available

CON:

- Most Jumbo loans feature a higher interest rate and may have higher credit score and stricter qualifying requirements

VA Loans

PRO:

- Lower interest rates and down payment requirements
- Available for veterans who have served in the military, those in active duty, or for qualifying spouses of veterans
- No or low down payment options available†

CON:

- VA loans may require a funding fee that can be financed into the loan or paid in cash at closing. This fee is waived for disabled veterans.

USDA Rural Housing Loans

PRO

- Lower interest rates
- USDA Rural Housing loans accept lower credit scores and little to no assets
- Insured by the USDA
- Zero down loans available and the guarantee fee may be financed

CON

- Only properties in USDA designated Rural areas are eligible
- Income limits apply
- Guarantee fee is added to the principal

** Home financing option(s) are not guaranteed to be offered by Sterling Savings Bank, and may be brokered to another lender.

† A down payment is required if the borrower does not have full VA entitlement, or if the loan amount is greater than \$417,000.

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