

State Department Federal Credit Union

Topics of Interest

How To Choose The Right Mortgage Product?

You don't have to become an expert in financing to make smart decisions about your mortgage. By answering a few simple questions, we can help you structure the best plan for your needs.

Q. How long do you expect to have the loan before you sell or refinance?

A. This is a big question. It will help determine what product makes sense for you, whether or not you should pay discount points, and how to structure your closing costs.

Q. Which is more important to you, minimizing monthly payments or paying off your mortgage as soon as possible?

A. Some products dramatically cut your interest costs in the long run but cost more each month. These products include short-term mortgages, prepayment plans and biweekly mortgages.

Q. Where are rates historically?

A. If rates are near historic lows, it makes more sense to lock in for a longer period of time than when they are at high levels.

Q. How big is the spread between fixed and adjustable rate mortgages(ARM)?

A. A big spread makes ARMs more of a bargain.

Q. What kind of return do you expect on money you invest?

A. This will help you decide whether it makes sense to apply extra funds towards your mortgage in the form of a larger down payment, principal prepayments, or shorter-term mortgages.

Q. How comfortable are you with payments and interest rates that can adjust?

A. Some people just are not comfortable with a payment or rate that can change. Think about whether your cash flow can handle payments that could go up and consider the sleepless night factor.