



MORTGAGE LOANS

Quick Guide



Table of Contents

<i>Introduction</i>	1
<i>The Down Payment</i>	2
Getting the Down Payment Together	2
Examine Your Resources Carefully	2
Source 1: Your Own Savings.....	2
Source 2: Your Other Assets.....	2
Source 3: Gifts from Parents and Relatives	2
Source 4: Family Loans	2
<i>How the Lender Qualifies You for a Mortgage</i>	4
Debt Ratio	4
Let's take a look:.....	4
What Does All This Mean to You?.....	4
Mortgage Affordability Chart.....	4
<i>Understanding "Points"</i>	6
Rate versus Point Comparison.....	6
<i>Types of Mortgages: Fixed-Rate or Adjustable-Rate?</i>	7
Adjustable-Rate Mortgages (ARMs).....	7
Fixed-Rate Mortgages.....	7
Conventional Mortgages.....	8
Veterans Mortgages	8
FHA Mortgages	8

CAUTION: This report was prepared using information deemed to be reliable, but the accuracy of the information can not be guaranteed. The laws are complex and subject to change. It is understood that this quick guide is for informational purposes only and is not intended to be considered tax advice. Neither your broker dealer nor any of its representatives offer tax advice for which you should speak with your qualified tax professional.

How the Lender Qualifies You for a mortgage

Before the lender agrees to give you the money, you need to meet certain standards that determine if you qualify for a mortgage loan, and if so, how much. At times, it may seem as though the lender is waving a magic wand in coming up with its determinations, but the truth is that established rules and formulas exist to guide the lender in determining the potential creditworthiness of an applicant.

The decision on your home mortgage loan is based on several basic factors, including:

- Your **income**
- The amount of your existing debt
- How much you will be borrowing
- The value of the home you are purchasing
- Your credit history

Debt Ratio

The first thing you need to know about is something called your "debt ratio."

Lenders typically follow two general "rules of thumb" in determining how much mortgage you can afford based on your level of income and your existing debt payments. In today's environment, reliance on these ratios is not quite as rigid as it once was, but it remains the "first cut" in estimating how much a bank or credit union is willing to lend you.

Let's take a look:

- Your total monthly mortgage payment including principal, interest, taxes, and insurance should be no more than a certain percentage of your gross monthly household income. Depending on circumstances, this could range from 28% to 36%.
- Your total monthly payments on all debt, including your potential mortgage, car payment, and installment debt, should not exceed a certain percentage of your gross monthly income. Depending on circumstances, this could range from 36% to 42%.

Sound confusing? You bet it does. Let's shed a little light on the subject by looking at an example.

Calculating Your Mortgage Debt Ratios

Example:	
(1) Annual gross income	\$65,000
(2) Monthly gross income	\$5,416
(3) Car Payments	\$399
(4) Other loan payments*	\$79
(5) Credit card minimum monthly payments	\$300
(6) Other fixed payments (e.g., alimony)	\$200
(7) Total monthly debt payments (add 3, 4, 5, 6)	\$978
*Include installment debt payments, student loans, and other loans	

Using these example numbers, you would be able to afford a home and monthly mortgage payment that varies depending on the ratio and percentages used.

Let's see:

• **Ratio 1.** Your monthly mortgage payment should not exceed \$1,516 ($\$5,416 \times 28\%$).

• **Ratio 2.** Your monthly mortgage payment should not exceed \$971 ($\$5,416 \times 36\%$ less \$978 in other debt payments).

You will note that the monthly mortgage amount ratios can give you significantly different numbers. It depends on the lender as to whether or not they use ratio 1 or the more restrictive ratio 2 in computing how much they feel you can handle each month.

What Does All This Mean to You?

Since lenders are using these guidelines to evaluate what you can afford and how much they will lend you, you should use them to get a ballpark figure of how much home you can buy and how much mortgage you can handle. Looking at homes can be very time consuming and frustrating. By calculating your price range in advance, you can narrow your search to those homes that you can afford, letting you find the home that's right for you a lot sooner.

SUGGESTION: Some lenders will calculate your mortgage debt ratios and offer you a pre-purchase loan commitment before you buy your home. Having this "pre-approved" status eliminates that uncertainty for the seller and makes you a more attractive buyer. This gives you additional buying power when negotiating the purchase price of your potential home.

Plan Ahead

How much home you can afford to buy revolves around how much mortgage you can afford to pay down each month (and whether your lender agrees with you!). If you're single, you will be your only source of funds. Make certain you've taken all your financial needs into consideration, like an emergency fund, for example. You won't have a spouse or co-owner to fall back on if finances get tight.

Budgeting how much you can afford is especially important since what you can afford today, when you're buying, may not be what you can afford several years down the road. Think ahead and plan prudently. What will your income be like? Are new expenses on the horizon? Fluctuating interest rates and purchase prices could make buying a home in today's market a tricky endeavor. Securing the right financing can mean the difference between affordable monthly payments and paying thousands of extra dollars over the life of the mortgage. Making the right decision could make the difference in where you live.

The Down Payment

Getting the Down Payment Together

Traditionally, the standard down payment was 20%, but this can vary based on several factors. When you also figure in the fact that housing prices have increased over the last decade in most parts of the country, you realize that affording the monthly mortgage payment isn't necessarily what keeps folks from owning their own homes. It's coming up with the money for the down payment. So, once you decide you're ready to take the big step, you need to realistically assess your resources and determine what you can afford.

SUGGESTION: If you are a first-time homebuyer, you may qualify for special government-backed mortgages that will accept a lower down payment.

Examine Your Resources Carefully

Source 1: Your Own Savings

Presumably, you've been putting money aside in a separate fund to buy real estate. Today's down payment requirements make it difficult to purchase real estate unless you've got a considerable stash put away. First-time home buyers spend an average of 2½ years saving for their down payment. If you don't feel comfortable with the amount you've managed to put away, we will give you ideas on how to boost your savings rate.

Source 2: Your Other Assets

Too often, we think of available cash as just that: money we have managed to save in savings accounts, money market funds, we lose sight of other assets which we own when, if sold, may lead to significant additional sources of money. You may have a considerable amount of savings bonds that your grandparents gave you each holiday. Or, what about

that stock that was given to you when you were a child? Do you participate in a company stock purchase program? Don't think of just cash; think of items that you can convert to cash as well.

Source 3: Gifts from Parents and Relatives

If you're fortunate enough to have family members who want to give you money, you can certainly use it to pay for the property. Anyone can give up to \$14,000 per year, or \$28,000 per year if it is a joint gift, to as many people as they wish without having to pay federal gift taxes. So, each parent (or grandparent) can give you \$14,000. If you're married, your in-laws could do the same, if they have the money. If both spouses have two living parents, that could be a total of \$56,000. The person receiving the gift is not required to pay income taxes on any amount received.

Source 4: Family Loans

If a parent or relative is not willing to give you the money you need, perhaps they would consider lending you the money instead. The important thing to remember here is that they should charge you a reasonable interest rate, reasonable meaning that it is based on current market rates. The IRS sets a minimum interest rate, called the Applicable Federal Rate (AFR), which is subject to change monthly. Make sure that you have a written, enforceable note (i.e., a legal document) that clearly spells out the terms of the loan. Without this note, the IRS may decide that your loan is really a gift and impose gift taxes on the loan. If the loan is deemed to be a below-market loan, the IRS may impute interest on the loan. Consult your tax professional for more information.

IMPORTANT NOTE: Many lenders will not allow you to use borrowed money for a down payment. You should check with the lender for their requirements.

SUGGESTION: Make sure that the terms of the note stipulate that it is collateralized (secured) by the property. In that way, the interest on the loan would be deductible for federal income tax purposes

SUGGESTION: If you have outstanding personal loans, it is to your advantage to finance as much of the price of the home as possible. By reserving as much of your cash as possible, you'll be able to pay off your personal debt. By doing so, you will convert non-deductible interest on the personal loan to potentially tax-deductible interest on the mortgage loan, and save some tax dollars.

Adopt this philosophy: If your money is growing at a higher after-tax rate than the after-tax rate at which a lender will loan you the money, borrow the money and leave those investments alone.

Source 5: Equity Sharing

Through this arrangement, a third party, frequently parents, lends you the money for the down payment and in return receives a piece of appreciation in the property, plus in some cases, may receive interest income from you. For example, they may receive 5% interest and a 50% stake in the appreciation on the home in return for lending you \$20,000. As an alternative, the "investor" provides the down payment and you, the "occupant-owner," pay the closing costs, monthly mortgage, and upkeep. Eventually, the owner-occupant can buy the investor's interest in the property, or they can sell the property and share the appreciation in value.

Source 6: Renting with a Buy Option

This gives you the right to buy a home you are renting within a specified time period, say one to three years, at a negotiated price. Part of your monthly rent payment goes toward building up the down payment. Most rent-with-the-option-to-buy plans charge the renter a fee that could range from \$1,000 to \$5,000.

Source 7: Private Mortgage Insurance (PMI)

A lender may grant a mortgage if you have a small down payment, but you will be subject to PMI. Private Mortgage Insurance is sold through banks and mortgage companies to cover the difference between a lower down payment and the 20% usually required by most lenders. It insures that, should you not be able to make your mortgage payments and your home is foreclosed, the PMI company will make good on a pre-determined percentage of the outstanding balance,

thereby reducing the lender's loss. While this is not a source of funds, it could lower the amount the lender will require from you for your down payment.

If you are subject to PMI, you may be able to reduce your initial down payment below 20%. Most lenders carry policies with several companies. Needless to say, this flexibility comes at a price. Most policies will require an up-front payment of as much as 1% of the amount you're financing plus an additional monthly fee, which is automatically added to your mortgage payment. Although this option can be expensive, many times it means the difference between being able to afford your first home and postponing the purchase until you can save additional money for the down payment.

Source 8: Life Insurance Loan

If you have a cash-value life insurance policy, you can borrow against the cash value, often at reasonable interest rates. When you do, however, your death benefit is reduced by the amount you borrow. That means that if you die while the loan remains outstanding, your heirs will receive less than the policy's face amount.

IMPORTANT NOTE: Although you can basically set your own repayment schedule on a life insurance loan, if you don't repay the loan and enough interest expense accumulates, you could lose your insurance coverage and possibly be forced to pay taxes on part of what you borrowed.

Source 9: Retirement Plans

You may be able to borrow against a defined contribution retirement plan, such as a 401(k) or company profit-sharing plan. The general rule is you can only borrow up to half of your vested balance or \$50,000, whichever is less. In some plans, if 50% of the vested balance is less than \$10,000, the employee can still take out up to a maximum of \$10,000. You must repay the loan within five years, although loans used to purchase or substantially improve your home can have a longer payback period. The interest expense is not tax-deductible. Employers may impose other limits on this type of loan. There are also certain situations where you can take a hardship withdrawal to use the money in an emergency, but there are income tax disadvantages when you withdraw your money from the plan. You should generally use this as the last resort.

IMPORTANT NOTE: We recommend that you do not take a hardship withdrawal and find other ways to obtain the money you need.

Qualified first-time homebuyers can take a penalty-free distribution from an IRA, subject to a \$10,000 lifetime limit.

Source 10: Loan Guarantee Programs

If you are eligible, the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), and

the Rural Development division of the Department of Agriculture all have loan programs that require little or no down payment to qualified buyers. Also, most states have subsidy programs in place for first-time home buyers. Check what's available by calling your state's housing agency.

How the Lender Qualifies You for a Mortgage

Before the lender agrees to give you the money, you need to meet certain standards that determine if you qualify for a mortgage loan, and if so, how much. At times, it may seem as though the lender is waving a magic wand in coming up with its determinations, but the truth is that established rules and formulas exist to guide the lender in determining the potential creditworthiness of an applicant.

The decision on your home mortgage loan is based on several basic factors, including:

- Your income
- The amount of your existing debt
- How much you will be borrowing
- The value of the home you are purchasing
- Your credit history

Debt Ratio

The first thing you need to know about is something called your “debt ratio.”

Lenders typically follow two general “rules of thumb” in determining how much mortgage you can afford based on your level of income and your existing debt payments. In today's environment, reliance on these ratios is not quite as rigid as it once was, but it remains the “first cut” in estimating how much a bank or credit union is willing to lend you.

Let's take a look:

1. Your total monthly mortgage payment including principal, interest, taxes, and insurance should be no more than a certain percentage of your gross monthly household income. Depending on circumstances, this could range from 28% to 36%.
2. Your total monthly payments on all debt, including your potential mortgage, car payment, and installment debt, should not exceed a certain percentage of your gross monthly income. Depending on circumstances, this could range from 36% to 42%.

What Does All This Mean to You?

Since lenders are using these guidelines to evaluate what you can afford and how much they will lend you, you should use them to get a ballpark figure of how much home you can buy and how much mortgage you can handle. Looking at homes can be very time consuming and frustrating. By calculating your price range in advance, you can narrow your search to those homes that you can afford, letting you find the home that's right for you a lot sooner.

SUGGESTION: Some lenders will calculate your mortgage debt ratios and offer you a pre-purchase loan commitment before you buy your home. Having this “pre-approved” status eliminates that uncertainty for the seller and makes you a more attractive buyer. This gives you additional buying power when negotiating the purchase price of your potential home.

Mortgage Affordability Chart

How much house can you afford at today's interest rate? Take a look at the chart below to see how interest rates affect how much you will pay for your home.

How to use the chart:

- First, determine how much you can comfortably pay monthly for housing expense.
- Figure out how much you will pay each month in property taxes and insurance, and subtract that number from your monthly maximum payment.
- Look under each column in the chart to find out what loan amount you can afford at varying interest rates.

For example:

You determine you can pay \$1,500 per month for housing. Your taxes and insurance total \$300 per month, so you can afford a monthly mortgage payment of \$1,200. If you look at the chart, you will see that you can take out a loan of \$251,353 at 4 percent interest.

If interest rates rise, your loan amount and the price of the home you can afford will go down. For example, the chart shows that if rates were to rise to 6 percent, your loan amount would be reduced to \$200,150.

figures listed below include principal and interest only. Keep in mind that your monthly tax and insurance escrow will add to your total monthly mortgage payment. Note that when comparing loans, you must consider the cost of the loan as reflected in the APR.

Notes about this chart: This chart was created assuming a 30-year fixed rate conventional loan. The

Monthly Payment	Interest Rate			
	3%	4%	5%	6%
\$300	\$71,157	\$62,838	\$55,884	\$50,037
\$400	\$94,876	\$83,784	\$74,513	\$66,717
\$500	\$118,595	\$104,731	\$93,141	\$83,396
\$600	\$142,314	\$125,677	\$111,769	\$100,075
\$700	\$166,033	\$146,623	\$130,397	\$116,754
\$800	\$189,752	\$167,569	\$149,025	\$133,433
\$900	\$213,470	\$188,515	\$167,653	\$150,112
\$1,000	\$237,189	\$209,461	\$186,282	\$166,792
\$1,100	\$260,908	\$230,407	\$204,910	\$183,471
\$1,200	\$284,627	\$251,353	\$223,538	\$200,150
\$1,300	\$308,346	\$272,300	\$242,166	\$216,829
\$1,400	\$332,065	\$293,246	\$260,794	\$233,508
\$1,500	\$355,784	\$314,192	\$279,422	\$250,187
\$1,600	\$379,503	\$335,138	\$298,051	\$266,867
\$1,700	\$403,222	\$356,084	\$316,679	\$283,546
\$1,800	\$426,941	\$377,030	\$335,307	\$300,225
\$1,900	\$450,660	\$397,976	\$353,935	\$316,904
\$2,000	\$474,379	\$418,922	\$372,563	\$333,583
\$2,100	\$498,098	\$439,869	\$391,191	\$350,262
\$2,200	\$521,817	\$460,815	\$409,820	\$366,942
\$2,300	\$545,536	\$481,761	\$428,448	\$383,621
\$2,400	\$569,255	\$502,707	\$447,076	\$400,300
\$2,500	\$592,973	\$523,653	\$465,704	\$416,979
\$2,600	\$616,692	\$544,599	\$484,332	\$433,658
\$2,700	\$640,411	\$565,545	\$502,960	\$450,337
\$2,800	\$664,130	\$586,491	\$521,589	\$467,017
\$2,900	\$687,849	\$607,438	\$540,217	\$483,696
\$3,000	\$711,568	\$628,384	\$558,845	\$500,375

Understanding “Points”

Let’s begin by looking at something you always hear about when you talk about mortgage basics: points.

Lenders make money on mortgage loans in two ways: (1) by charging you interest, which you pay each month when you send in your payment, and (2) by charging you a “loan fee,” commonly called “points,” which are paid when you take out the mortgage loan.

Some loans are “no-point” loans, which mean that no money is collected up front. While this helps you with the cash that you need when buying the home, the trade-off is that the amount of interest you pay each month will be higher. There are also some unique tax treatments in conjunction with points paid on a refinance as opposed to points paid on obtaining an original loan. Sounds simple enough, but what does it mean to you? How do you choose between two different loans and decide which loan is cheaper for you?

One easy measure is to compare each loan’s annual percentage rate (APR). Each lender is required by law to provide you with this information. When trying to decide between two loans, generally the one with the lower APR will be the cheapest.

The problem is that the APR is computed as if you held the mortgage until you completely paid it off. What if you only intend to stay in this home or keep the mortgage for five or six years? You’ll need to look at the effective annual interest rate.

Rate versus Point Comparison

Here is an example of the rate versus point comparison. The loan with the lower effective rate wins.

Example	Lower Rate and Higher Points	Higher Rate and Lower Points
a) Interest Rate	4%	4.125%
b) Number of years you plan to hold the loan	5 years	5 years
c) Multiply (a) by (b)	20%	20.625%
d) Points	2%	1%
e) Add lines (c) and (d)	22%	21.625%
f) Divide line (e) by (b) to get the Effective Annual Interest Rate	4.4%	4.325%

The effective annual interest rate represents the true annual cost of the loan over the period of time you intend to keep the loan. The lower the rate, the lower the cost of the loan. The effect of paying more points will diminish the longer you intend to hold the loan. Although this calculation will help you determine your best choice, it does not take into consideration the time value of money. If the time value of money is factored in, the effective annual interest rate would rise slightly as you pay more points.

IMPORTANT NOTE: Points paid on a mortgage for the purchase of one’s principal residence are tax deductible in the year they are paid. Points paid on a mortgage for the purchase of other real estate are deductible over the term of the loan.

SUGGESTION: Assuming equivalent APR’s on two mortgages, one with points and one without, the rule of thumb is that the no point mortgage will be cheaper unless you plan on holding your mortgage loan at least nine or ten years.

SUGGESTION: Mortgage lenders are in a position to help explain the various features and benefits of the lending programs they offer. Don’t be afraid to ask for help in understanding the many options

Types of Mortgages: Fixed-Rate or Adjustable-Rate?

Once you decide whether you'll pay points or not, your financing decision will probably come down to two basic options: Should you stick with the traditional fixed-rate loan or take a chance on an adjustable-rate mortgage (ARM)?

Your answer hinges on your individual situation, specifically:

- Your current and future family income
- Your mobility
- Where you think interest rates are headed in the future

When choosing between an ARM and a fixed-rate mortgage, it is important to understand how each works.

The fixed-rate option is fairly straightforward. It has an interest rate and monthly payments that remain constant over the life of the loan. With an ARM, the interest rate varies with the index to which it is tied. ARMs usually have low fixed interest rates, known as “teasers,” for an initial period. This period may be six months to as many as seven years. Thereafter, the rate is adjusted based on a predetermined index. Many ARMs cap the interest rate increase at six points over the life of the loan with annual increases of no more than two points. This helps you avoid “payment shock” if interest rates rise while you hold the loan.

Adjustable-Rate Mortgages (ARMs)

Adjustable Rate Mortgages (ARMs) have lower initial interest rates, which can help qualify you for a larger loan amount and reduce your monthly payments.

IMPORTANT NOTE: The initial lower rate is usually just temporary, and will eventually adjust to the market rate.

Let's look at features shared by all ARMs:

- **Lower initial rates.** Your starting rate on these mortgages is, for the most part, one to four percentage points below those on a conventional 30-year mortgage.
- **An adjustment period.** This is the amount of time before your mortgage rate adjusts to the market. For

example, a one-year ARM means that your interest rate adjusts to the market rate every year on a pre-set anniversary date. A three-year ARM will adjust three years after you take out the loan and then every third year thereafter.

- **A margin and index.** The margin is the amount over the index that your rate will be set at. For example, if the margin is 2% and the index is 2%, your interest rate will be 4% (2% plus 2 points). The index is a published national rate, most frequently the current interest rates being paid on short term U.S. Treasury securities.
- **A cap.** This is the amount that cannot be exceeded during any one adjustment period. For example, if your cap is two points (the most common) and your new rate will be three points higher than your current rate at an adjustment date, the maximum your rate would go up is two points (the cap), not the calculated three-point increase.

SUGGESTION: ARMs may make the most sense for those who relocate frequently. Since initial rates are lower than those available with a fixed-rate mortgage, you may be moving before the mortgage gets a chance to adjust.

A feature common to some ARMs is the ability to convert to a fixed-rate mortgage at some future point in time. Expect to pay for such a feature in the form of a higher rate, a fee up front, or a fee at the time of conversion. This payment may be worth it. If you take out an ARM, get the benefit of lower initial rates, and when interest rates come down, you can lock in at the lower rate. You get the best of both worlds—a cheaper initial mortgage followed by the predictability of a fixed rate later.

Fixed-Rate Mortgages

For decades, the 30-year, fixed-rate loan was a universal solution to every borrower's financing needs. Although we have seen the growth of many other options, this choice still remains the most popular.

Why? **Predictability.** Over the life of the loan, as you pay back your loan, your monthly payments, which consist of principal and interest, do not change. Added in to this monthly payment will be a charge for local property taxes, your homeowner's insurance premium, and, if applicable, private mortgage insurance (PMI).

As your insurance premium goes up and your property taxes are increased, your lender will also adjust your monthly payment. So, your payment will change, but it won't be because of your mortgage. That piece will remain constant. Fixed-rate mortgages come in several varieties.

Conventional Mortgages

The conventional mortgage is the most common. You take out a conventional fixed-rate mortgage at your lender for a 30-year, 20-year, or 15-year term. Needless to say, the shorter the period of payback, the larger the monthly payment. However, since you will be paying for a shorter period of time, and because the interest rate on these loans is generally lower, the shortest mortgage is also the cheapest.

Shorter Term Means Cheaper Mortgage

Although a 15-year mortgage will cost you more monthly, you will save a considerable sum of money if you intend on staying in the home long-term.

Veterans Mortgages

Within this classification, you may qualify for a sponsored mortgage.

If you're a veteran, you may want to look into a VA mortgage. Under this program, the Department of Veteran's Affairs guarantees repayment on these loans to the lender who produces the loan. As a result, you may borrow up to a certain amount, often with a small (between 3% and 5%) down payment. Interest rates are slightly below those for non-VA sponsored conventional mortgages. In addition, no private mortgage insurance is required with a VA mortgage.

SUGGESTION: The term "veteran," for purposes of VA loan qualification, also includes members of the National Guard, military reservists with six or more years of service, and some widows of veterans.

FHA Mortgages

If you don't qualify as a veteran, almost anyone can apply, regardless of income, for a FHA mortgage. These are insured loans, available through banks and other lenders. The maximum loan amount is set by the FHA. Remember those nasty debt ratios we discussed earlier? For FHA loans, lenders relax those requirements so that all your debt cannot exceed 43% of your gross income. This means that a lender will qualify you for a mortgage with FHA sponsorship that you would not have qualified for otherwise. To apply,

inform your lender that you will want FHA insurance. Many lenders are authorized to approve an application without submission of any paperwork to FHA. These lenders are called Direct Endorsement Lenders. If you can, try to use one, since your application time should be quicker. In any case, the process will be handled by the lender, and you, as the borrower, will never have to deal with FHA directly. ♦

IMPORTANT NOTE: A large disadvantage to FHA and VA mortgages is that much paperwork is required and the approval process is very slow. As a result, many lenders are reluctant to issue them, and sellers are often unwilling to wait the extra time that processing these applicants requires.

Let's take a quick look at some other types of mortgages and how they work:

- **Bi-weekly mortgage.** Payments are set up as if the loan was for 30 years, for example, but instead of paying once a month, you pay one-half of the normal payment every 2 weeks. Result: You save a bundle in interest expense.
- **Balloon mortgage.** Monthly payments based on fixed interest rate, but payments made cover interest only, with the entire principal due at end of term, usually a short period. Provides lower payments, but risky if rates climb.
- **Jumbo mortgage.** A standard mortgage, except that the loan principal exceeds a nationally set lending limit. Rates and terms on these loans are typically less favorable than standard mortgages.
- **Buy-down.** Typically a developer or builder will offer an interest subsidy on the buyer's loan which lowers monthly payments during the first few years of the loan. Can be fixed or an ARM. Provided as an incentive to help sell slow-moving property.