



Types of Mortgages

The chart below provides an overview of the types of mortgage programs that are most widely available. (Keep in mind that these types can overlap. For example, a lender may provide an adjustable rate FHA loan.) Check with mortgage financing experts for details about financing options. They can help you determine the loan to fit your needs.

Mortgage Type	Key Features	Customer Benefits	Homebuyer's Scenario
30-Year Fixed-Rate	<p>Interest rate (and monthly principal and interest payments) remain the same (fixed) for the life of the loan.</p> <p>If payments are made as agreed, the loan balance will be \$0 at the end of the term.</p>	<p>Provides protection against rising interest rates.</p> <p>Predictable payments make budgeting for the future easier.</p>	<p>Especially attractive in a low interest-rate environment. Ideal if you plan to stay in your new home for a long period of time, have a fixed or slowly-increasing income, and have a lower tolerance for financial risk.</p>
15-Year Fixed-Rate	<p>Interest rate remains the same for the life of the loan; slightly lower interest rates than 30-year fixed.</p>	<p>The loan is paid off sooner, saving substantial money in interest payments over the life of the loan.</p>	<p>Investment-minded homebuyers who can or wish to make higher mortgage payments can build equity faster.</p>
Adjustable Rate Mortgages (ARM)	<p>Interest rate (and monthly principal and interest payments) adjusts periodically based on an index.</p> <p>The initial rate can be locked in for different periods. Some lenders offer introductory periods of one, three, five, seven, or ten years.</p> <p>Typically the rate readjusts annually after the introductory period.</p>	<p>The initial interest rate (and monthly payment) is usually lower than that of a fixed-rate mortgage, after which the rate adjusts periodically, based on a market index.</p> <p>Borrowers are typically protected from steep increases in rates through annual and lifetime adjustment caps.</p>	<p>An ARM may be a good choice for borrowers who plan to live in their home a short period of time or can manage to make larger monthly payments after the rate adjusts.</p>

Types of mortgages (continued)

Mortgage Type	Key Features	Customer Benefits	Homebuyer's Scenario
<p>Balloon Loan</p>	<p>Offers fixed payments for a period of time (usually 5 to 7 years), followed by one large payment, known as a balloon payment, of the remaining loan balance.</p> <p>The amount of the monthly payment is not sufficient to repay the balance during the scheduled term. For example, the payments are based on a 30-year term; however, the loan is due and payable in 5 years.</p>	<p>Interest rate is lower than that of a 30-year fixed-rate loan.</p>	<p>A popular choice of homebuyers who are certain they will move or refinance in 5 to 7 years.</p>
<p>Renovation Loan</p>	<p>Finances the purchase of a home and provides the additional funds to improve or renovate it.</p>	<p>The amount of money that can be borrowed is based on the future value of the home after improvement.</p>	<p>Investment-minded homebuyers who can or wish to make higher mortgage payments can build equity faster</p>
<p>Renovation Loan</p>	<p>Offers two types of programs: one that finances the purchase of a newly constructed home and one that finances the actual construction plus the purchase of the finished home.</p>	<p>Loans for new construction may offer options such as an extended rate lock or a bridge loan.</p>	<p>Perfect for a homebuyer looking to purchase a "fixer-upper" or a house that requires remodeling to accommodate family needs.</p>

Types of mortgages (continued)

Mortgage Type	Key Features	Customer Benefits	Homebuyer's Scenario
Federal Housing Administration (FHA) Loans	The FHA insures a wide variety of mortgages provided by many lenders.	Low down payment requirements. Loan limits based on geographic locations. Generally more liberal qualifying guidelines. Use of gift funds for down payment and/or closing costs.	Homebuyers purchasing a home with little money down, who may be overcoming credit challenges including a limited or less-than-perfect credit history, and/or need the help of a family member or friend as a co-signer to qualify.
Veterans Affairs (VA) Loans	The Department of Veterans Affairs (VA) guarantees mortgages provided by many lenders.	Low or no down payment requirements. A wide range of rate, term, and cost options. Flexible qualifying guidelines. Use of gift funds for closing costs.	Qualified veterans and active-duty military personnel and their spouses who are first- or second-time homebuyers.

Tips for Loan Shopping

Ask about "points." Points are fees charged to borrowers by lenders. One point is equal to 1% of the loan amount. Many loan programs allow you the option of receiving a discounted interest rate by paying points or other fees. Ask if the interest rate the lender quotes you reflects the payment of points.

Ask lenders for the Annual Percentage Rate (APR). When you want to determine which loan will likely cost you the most, the Annual Percentage Rate (APR) is a quick way to make a first comparison. The APR takes into account a loan's interest rate, term, and fees to illustrate the total cost of credit expressed as a yearly rate. This will allow you to compare different loans.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at www.wellsfargo.com or any Wells Fargo store.