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## Fixed Rate Mortgages Remain the Safe Loan Choice

While adjustable rate mortgages (ARMs) really came into vogue during the recent housing boom, more and more home buyers and homeowners are turning to fixed rate mortgages as the housing market has slowed and interest rates have skyrocketed. The latest poll by consumer resource group GuideToLenders.com revealed that home loan borrowers are increasingly switching out of ARM loans into fixed rate mortgages. In fact, compared with February, in April twice as many borrowers cited the desire for a fixed rate as their reason for refinancing into a new loan.

The sheer numbers of those choosing fixed rate loans has jumped up dramatically as well. According to Dow Jones MarketWatch, of all the loans originated in January 2006, 41.9 percent were adjustable rate mortgages of some type. In March of 2007 however, ARM loans accounted for only 18.4 percent of all mortgages originated.

This shift is apparently a product of more cautious lenders and borrowers. With foreclosure rates rising among ARM borrowers, and interest rates rapidly rising, homebuyers are worried about the risks of ARM loans. In a recent survey by TrueCredit.com, a website for credit reporting agency TransUnion, 24 percent of those with ARM loans expressed concern with the monthly payment cost, and 13 percent fear the risk of negative amortization – owing more on their home than the original mortgage balance. Eleven percent of the ARM borrowers surveyed were worried about their payments increasing when their loan rate resets, and 7 percent had little confidence that they would be able to refinance into a better loan.

Lenders too are concerned with the risks of ARM loans. Consumers are not the only ones who face uncomfortable consequences in the case of foreclosure. As lenders have seen foreclosure rates rise, they have increasingly steered borrowers towards the safer fixed rate loans.

If you are considering a new home loan, or if you are interested in refinancing your current ARM loan, there are plenty of reasons to switch to a fixed rate mortgage. The most obvious reason, of course, is that your interest rate never changes with a fixed rate loan. While the rate may be higher than an initial rate on an ARM loan, it will not change with market fluctuations as ARMs will. You never have to worry about the rate or payments increasing.

It is possible that market interest rates could drop significantly below the rate on your current fixed mortgage. In that case, you can always turn to a refinance loan that will create a new fixed mortgage at the new lower rate.

Another great benefit of fixed rate home mortgages is that because borrowers know exactly how much their mortgage payment will be each month, they have an easier time planning for other financial goals. With a fixed rate loan, you know that from now until the end of your loan term you have to contribute X dollars towards your mortgage, and you can budget the rest of your income with confidence towards other things like retirement, vacations, etc.

So if your adjustable rate mortgage has you worried about higher rates and payments, perhaps it is time to start looking into a safe and stable fixed rate loan!