

Save Money

Perhaps the single largest factor in deciding to finance your home with an adjustable rate mortgage is length of ownership. Many people anticipate job transfers, growing families, or “moving up” to a larger home in the future.

An ARM is the ideal way to save money when you know you’ll be moving in approximately 7 to 10 years. You’ll save yourself thousands of dollars in interest while eliminating the risk associated with future rate increases.

The best thing to do is select an ARM with a term that is close to the time you’ll need the mortgage. For instance, if you expect to be in your house 7 years, choose a 5/1 or 7/1 ARM, where you’ll have a fixed rate period that is approximately as long as you will own your home.

By doing this you’ll avoid wasting your money paying the higher rate of a 30-year fixed mortgage. Remember the example earlier in the brochure that showed a savings of over \$11,000 during the first 5 years? Keep that money in your pocket instead of throwing it away on a 30-year fixed mortgage that you don’t need!

Types of ARMs

There are various ARMs available, each with different terms. Several of the more common types include:

3/1 Adjustable Rate Mortgage. A lower fixed interest rate for the first 3 years, with yearly adjustments after that.

5/1 Adjustable Rate Mortgage. A lower fixed interest rate for the first 5 years, with yearly adjustments after that.

7/1 Adjustable Rate Mortgage. A lower fixed interest rate for the first 7 years, with yearly adjustments after that.

Generally, the **shorter** the fixed rate period, the **lower** the interest rate. In the loans noted above, the 3/1 ARM will offer you the largest initial savings.

Save Big

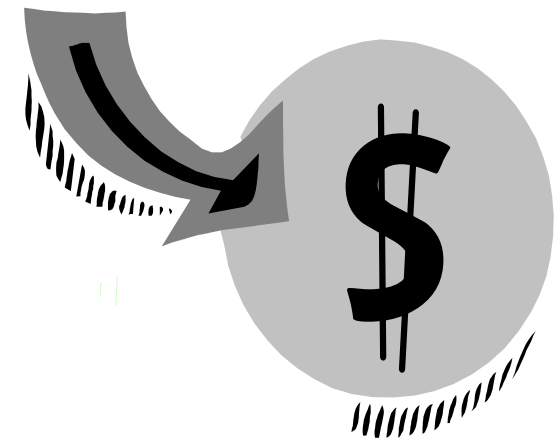
with the

Adjustable Rate Mortgage

Business Name

Primary Business Address
Your Address Line 2
Your Address Line 3
Your Address Line 4

Phone: 555-555-5555
Fax: 555-555-5555
Email: xyz@microsoft.com



What is an ARM?

Unlike fixed-rate mortgages, the interest rate on an Adjustable Rate Mortgage (ARM) changes on a set schedule after an initial fixed-rate time period. For example, a "5/1 ARM" is fixed at an initial low rate for the first 5 years and then adjusts, either up or down, once each year.

But don't let ARMs confuse you! Once you know a few simple terms you'll feel comfortable getting your own adjustable rate mortgage:

Index Rate. ARM interest rates are tied to an "index rate," the most common of which is the U.S. Treasury Bill. As general interest rates move, so does the index rate. An ARM interest rate follows these trends.

Rate Cap. All ARMs have a rate cap that limits the amount the interest rate can increase over the life of the loan.

Margin. An ARM's interest rate is determined by adding a few percentage points (called the Margin) to the index rate.

Adjustment Period. The time period between one rate change and the next is called the adjustment period.

During the initial fixed rate period, ARM interest rates can be up to 2% lower than 30-year rates! This results in real savings for your pocketbook.

Choosing an Adjustable Rate Mortgage instead of a 30-year fixed rate mortgage can be a smart way to save REAL cash!

Why Choose an ARM?

Did you know that the average homeowner moves or refinances every 3 to 5 years? Because ARMs start with a low rate during the initial fixed term, they are an excellent choice for many people. You should consider an adjustable rate mortgage if you:

- Want or need more home than you can qualify for with a higher fixed rate mortgage
- Are confident your income will increase over the next 3 to 5 years
- Plan on moving within ten years of buying your home
- Are purchasing a starter home
- Expect to outgrow your home because you're starting or expanding your family
- Don't plan to incur any sizable debt in the near future (such as college tuition)
- Run the likelihood of a job transfer in the future

By selecting an ARM you'll save thousands of dollars in interest initially, and chances are very good that you'll move before the rate adjusts!

Lower Payments

The lower interest rate during an ARM's initial term means real cost savings for you. For instance, on a \$200,000 mortgage your payment will be:

- **Fixed Rate Mortgage:** Rate = 6%
Payment = \$1,199.
- **5/1 ARM:** Initial Rate = 4.5%
Payment = \$1,013.

You'll save \$2,232 per year ... or \$11,160 during the first 5 years! Many people use these savings to do home repairs or pay down higher interest debt, such as credit cards and auto loans. What could **you** do with that kind of money?

Buy More House

Because adjustable rate mortgages have lower interest rates than expensive 30-year mortgages, you can qualify for a larger loan with your current income. So if you want or need "more" house, for example because of a growing family, an adjustable rate mortgage can be the ideal way to get all the house you need.