Type	Description	Payment Structure	Balance Increase	Risk	Reward
15 Yr Fixed Mortgage	For those who prefer the security of fixed payments. Builds equity quickly, but costs more per month than a 30 yr. fixed rate mortgage	Payments remain fixed for entire loan term. Independent of market conditions	None – Buyer pays interest & mortgage each month – balance decreases by payment	Generally - risk averse. Buyer misses out if interest rates decline and has to restructure to take advantage.	Stability and protection from volatile market interest rates. Allows the buyer to make steady, calculated payments
30 Yr Fixed Mortgage	For those who prefer the security of fixed payments. Builds equity quickly, but costs more per month – less than a 15 yr. fixed rate mortgage	Payments remain fixed for entire loan term. Independent of market conditions	None – Buyer pays interest & mortgage each month – balance decreases by payment	Generally - risk averse. Buyer misses out if interest rates decline and has to restructure to take advantage.	Stability and protection from volatile market interest rates. Allows the buyer to make steady, calculated payments.
Adjustable Rate Mortgage (ARM)	Interest rate paid adjusts at a specified time & frequency. Typically offer lower initial rate than a 30 yr. fixed.	Payments stay the same for initial period and adjust with market trends	None – Buyer pays interest & mortgage each month – balance decreases by payment	If rates skyrocket you will pay a large increase when adjustment occurs. Considered riskier than fixed mortgages.	Typically have lower initial rate than fixed mortgages. Allows for a higher budget on a home in the short term. If rates drop, so will your payments.
Interest Only Mortgage	Fixed OR Adjustable rate mortgages where you have the option of paying interest for a specified term 5-10 years. After initial term, mortgage switches to fully amortizing mortgage for the remainder of the loan	Buyer has the option of paying only interest, or both interest & principal. At the end of the interest only period, payments increase greatly	None – if you choose to pay interest each month the balance doesn't decrease either.	If your house does not appreciate in value, refinancing is harder. It could leave you with very high mortgage payments.	This type of loan provides flexibility to the buyer as you determine which aspects you are paying in the short term. Also, lower initial payments leave more room for home purchasing.