

Comparison of interest-only loans and payment-option ARMs to fixed-rate loans

**SAMPLE MORTGAGE COMPARISON**

*(Not actual loans available)*

**Sample Loan Amount \$200,000 – 30-Year Term – Interest Rates For Example Purposes Only**

	<b>Traditional Fixed Rate Mortgage</b> (7%)	<b>5-Year Interest-Only ARM</b> (initial rate 7%; maximum rate 12%)	<b>Payment Option ARM</b> (rate in 1 <sup>st</sup> month 2%; variable rate after 1 <sup>st</sup> month (starting at 7%); maximum rate 12%)
<b>REQUIRED MONTHLY PAYMENTS</b>			
<b>Years 1-5</b>	<b>\$1,331</b>	<b>\$1,167</b>	<b>\$739–\$987</b> (increasing annually)
<b>Year 6 – if rates don't change</b>	<b>\$1,331</b>	<b>\$1,414</b>	<b>\$1,565</b>
<b>Year 6 – if rates rise 2%</b>	<b>\$1,331</b>	<b>\$1,678</b>	<b>\$1,859</b>
<b>Year 8 – if rates rise 5%</b>	<b>\$1,331</b>	<b>\$2,094</b>	<b>\$2,319</b>
<b>EFFECT ON LOAN BALANCE AND HOME EQUITY</b>			
<b>After 5 Years, How Much Will You Owe?</b>	<b>\$188,263</b>	<b>\$200,000</b>	<b>\$221,486</b>
<b>After 5 Years, How Much Home Equity Have Your Loan Payments Built?</b>	<b>\$11,737</b>	<b>\$0</b>	<b>NEGATIVE \$21,486</b>

Borrowers Initials \_\_\_\_\_

Co-borrowers Initials \_\_\_\_\_

Date \_\_\_\_\_