Watertown Savings Bank

WHICH MORTGAGE IS RIGHT FOR ME?

Fixed-rate or adjustable-rate…Which mortgage is right for me? Use this as a brief overview of the different mortgage products we offer as well as a guide to help give you a better understanding of your financing options.

What is a Fixed-Rate Mortgage?

A Fixed-Rate Mortgage is a home loan that has a fixed interest rate for the entire term of the loan. This means that the mortgage carries a constant interest rate from beginning to end which makes budgeting easy for homeowners. The main advantage of a fixed-rate loan is that, if interest rates rise, the borrower is protected from sudden and potentially significant increases in monthly mortgage payments. Although the rate of interest is fixed, the total amount of interest you'll pay depends on the mortgage term. The most common terms are 30, 20, and 15 years.

What is an Adjustable-Rate Mortgage (ARM)?

An **Adjustable-Rate Mortgage (ARM)** has an introductory fixed rate before adjusting based on a fluctuating market index. This means once the introductory fixed period ends, the interest rate may then increase or decrease based on the market index, but can't go above a predetermined cap.

For example:

Our **5/1 ARM** is fixed for the first **5** years, then adjusts **annually** based on a market index over a **30-year** period.
Our **5/5 ARM** is fixed for the first **5** years, then adjusts every **5 years** based on a market index over a **30-year** period.
Our **10/5 ARM** is fixed for the first **10** years, then adjusts every **5 years** based on a market index over a **30-year** period.

What is an ARM with No Closing Costs?

We also offer **Adjustable-Rate Mortgages with a No Closing Cost option.** They have the same set of terms as our other ARMs, but the borrower is not charged for many of the closing costs of the mortgage. Not ***all*** fees are waived (e.g., escrow deposit, odd days interest, etc.) but many are. Those fees, instead, are covered by the bank. However, **the mortgage loan account must be kept open for a minimum of 3 years to avoid paying closing costs.**

Closing costs may include fees such as title insurance, abstract update, non-escrow, credit report, loan processing, appraisal, attorney fees and other expenses that are non-recurring (one time) charges at the beginning of the loan process. Because these fees are waived for the borrower, the interest rates for No Closing Cost ARMs are higher than a typical ARM.

Why pay a higher rate for no closing costs?

This is an option for those who may not have extra cash to pay for the fees associated with closing costs. Since the bank waives the fees and covers the costs for the borrower, the interest rates are higher.

Which Loan Is Right for You?

When choosing a mortgage, you need to consider the following questions:

- *How large a mortgage payment can you afford today?*
- *Could you still afford an ARM if interest rates rise?*
- *How long do you intend to live in the property?*
- *In what direction are interest rates heading, and do you anticipate that trend to continue?*

If you are considering an ARM, calculate for a worst-case scenario to ensure your payment will still be affordable if interest rates skyrocket. However, if interest rates are high and expected to fall, an ARM will ensure that you get to take advantage of the drop. Conversely, if interest rates are climbing or you simply want to rely on having a predictable payment, a fixed-rate mortgage may be the way to go. If you're still unsure, talk with us. We'll be happy to help and make sure you're getting the right type of loan to fit your needs.