

Understanding Hybrid Home Loans

If you are in the market for a new home and you are shopping around for home loans to help you finance the purchase you may come across some things that you have heard of and some things that you have not. One of the types of loans that are quite common today that you may not be familiar with is the hybrid home loan. Many lenders are offering these loans and many consumers are jumping at the offer. Before you go jumping at the offering or assuming that it is not right for you, you should learn more about this financing opportunity.

Understanding the Hybrid Loan

Hybrid home loans are basically a combination of fixed rate loans and adjustable rate mortgages, or ARM loans. The way that this works is that the first period of the loan provides a fixed rate and then an ARM is attached as a delayed adjustment. Many people who find these home loans appealing like them because they are much less risky than your standard ARM loan that adjusts after just 12 months. These loans are great for a lot of buyers because the average buyer is only staying in their home for about seven years and these loans allow for the individual to benefit from a very low interest rate for the first few years of ownership.

There are many benefits to hybrid home loans. The first is that you get a low fixed interest rate during the first few years of the loan. This is very much like a conventional ARM but the difference is that you don't see the big rate increase after just 12 months, which means these loans are not as risky as the conventional ARM but they offer the same initial savings.

The hybrid loan is a great option for the borrower that knows that they will only be in a home for a specific amount of time. A lot of today's borrowers know that they will only stay in the home for five years or seven years, and because they know this, they know that they can take one of these loans and benefit from substantial savings.

The benefit of the hybrid loan is that it does allow for someone to build equity in a home but it also keeps the interest rate very low. When you know you are going to sell a home you aren't necessarily interested in building equity, but it is nice to know that you are building some while still getting the most affordable monthly payment possible aside from a conventional ARM loan. In addition to taking advantage of low rates, these mortgages are generally assumable, which is a great option for someone who knows that they will not be in the home all that long.

What many people don't think about is when you have an ARM loan you can actually see a decrease in your interest payment. When you have one of these loans you may actually start off with one interest rate that is very affordable and then when you do see an adjustment your payment may actually go down. These home loans are definitely not for everyone but they are a great option for a growing demographic of people who want to keep a short term loan as affordable as possible.

About the Author

Get more information about [home loans](#) as well as hybrid home loans visit our expert site at: <http://www.refinance.com/>

Source: <http://www.articletrader.com>