

Considerations you need to make before taking out a mortgage loan

When you want to buy a new house you have to take out a mortgage loan. [Mortgage loans](#) are secured loans which you have to pay back at the end of the term. This is because your mortgage loan is secured against your house and if you don't pay back your mortgage at the correct time your house will be foreclosed to pay for your mortgage. Thus you will end up losing your house. Here are some considerations you need to make before you buy a mortgage loan.

- 1. Choose the type of mortgage you want to buy** – It is very important that you choose the correct type of mortgage in order to be comfortable with your mortgage payment. There are two main kinds of mortgage loans, fixed rate mortgage and variable rate mortgage. A fixed rate mortgage is a traditional mortgage which has the same interest rate throughout the term of the loan. A variable rate mortgage on the other hand has an interest rate which varies throughout the term of the loan depending upon the market mortgage rate which is the index that it follows. There are also other types of loans such as balloon mortgage, FHA loan, and VA loan and so on. You should find out about each in details from your lender before choosing one.
- 2. Decide upon the down payment** – You should decide upon the down payment that you want to make as the more down payments you make, the lesser amount of monthly debt payment you have to make. Your loan balance will also be lower. Most lenders require you to make a down payment of 20%. However, there are a number of loan programs that are for households with lower income that will allow you smaller down payments.
- 3. Compare quotes** – You have to pay a mortgage fee to your lender for processing cost of the loan and so on. This will help you to get a complete picture of your mortgage. You should ask your lender to give you a list of all the expected fees and the expenses that are pre-paid which you need to pay at or before the closing cost. When you compare fees and interest rates it becomes easier for you to decide upon the correct mortgage.

Thus you can see how the above points can help you to choose the correct mortgage loan for yourself.