

Closing costs normally associated with an Adjustable Rate Mortgage or a Hybrid Adjustable Rate Mortgage

- 🏠 Origination Fee*
- 🏠 Discount Points
- 🏠 Prepaid Taxes and Hazard Insurance
- 🏠 Title Examination Fee
- 🏠 Title Insurance Fee
- 🏠 Flood Zone Determination
- 🏠 Environmental Endorsements
- 🏠 Recording Fees
- 🏠 VA Funding Fee

The loan origination fee is limited to 1% of the loan amount. The lender may charge this flat fee or itemize the following fees not to exceed 1%:

- Application and Processing Fees
- Document Preparation Fee
- Loan Closing or Settlement Fee
- Notary Fees
- Interest Rate Lock-In Fee
- Tax Service Fee
- Reconveyance Fees
- Commitment or Marketing Fees
- Trustee's Fees or Charges

This is not an all exclusive list of fees and charges. If you have any questions concerning fees and charges on a VA Loan, contact the Regional Loan Center.

Department of Veterans Affairs
VA Regional Loan Center
3333 North Central Avenue
Phoenix, AZ 85012

Toll-free number
1-888-869-0194
Monday through Friday
7:30 a.m. to 4:00 p.m. Arizona time

Phoenix RLC Website
<http://www.vba.va.gov/ro/phoenixlgy/index.htm>

National VA Loan Guaranty Website
www.homeloans.va.gov

To find lenders who participate in the VA Home Loan Program log on to
www.homeloans.va.gov/mortlen1.htm

To contact the
VA Eligibility Center
call 1-888-244-6711
or write
VA Eligibility Center
P.O. Box 20729
Winston-Salem, NC 27120

To sign up for our new E-mail Notification Service, log on to
<http://mailman.listserve.com/listmanager/listinfo/phoenixrlc.htm>

For more information on other VA benefits call
1-800-827-1000



ARMS AND HYBRID ARMS

April 2008

ARMS VS Hybrid

ARMS

1. What is an “ARM”?

An ARM is an “adjustable rate mortgage.”

2. What does that mean?

It means the interest rate changes annually, usually in relation to an index, and payments may go up or down.

3. What are the advantages of an “ARM”?

An “ARM” usually starts at a lower interest rate than a fixed mortgage and the initial payments will be less than a fixed mortgage at the same loan amount. You initially pay less at the beginning of your mortgage.

4. What are the disadvantages of an “ARM”?

The interest rate can increase over time and cause your mortgage payment to go up.

5. How does VA regulate “ARMS”?

The interest rate cannot increase more than 1% per year for a maximum increase of 5%.

6. Can you use an example?

Example: If you get an initial rate of 5%, your rate can go up as high as 10% if it increases 1% over the next 5 years. It could also go down during that time frame.

7. What factors determine the rate on an “ARM”?

An “ARM” rate is based on the 1- year Treasury index plus percentage points added by the lender called “margin”. The lender’s margin can differ from lender to lender, but it is usually constant over the life of the loan.

Example:
Lender “A” uses the 1- year Treasury index plus a margin of 2%.

Lender “B” uses the 1-year Treasury index plus a 3% margin.

Lender “A” gives you an ARM of 2.25 for the 1-year Treasury index plus 2% for their margin. Your initial ARM interest rate would be 4.25%.

Lender “B” using the same 1-year Treasury index of 2.25% plus their margin of 3% gives you an ARM interest rate of 5.25%

8. What is a “Hybrid ARM”?

A Hybrid ARM is a Hybrid Adjustable Rate Mortgage. This type of loan remains fixed at the initial interest rate for a minimum of 3 years and then like an ARM could change. See your lender for details.

9. What are the advantages of a “Hybrid ARM”?

The initial interest rate remains fixed for a minimum of 3 years.

10. And the disadvantages?

The interest rate can increase over time and cause your mortgage payment to go up.

11. How is the interest rate determined?

The interest rate is determined using the same method as a traditional ARM.

12. When does the first adjustment take place?

The first adjustment on a Hybrid ARM cannot occur sooner than 36 months from the date of the borrower’s first mortgage payment.