Types of Loans

Loan Types

- Conventional Loans
- Non-Conforming Loans
- Secured Loans
- Unsecured Loans
- Open-ended Loans
- Closed-ended Loans
- Personal - Commercial

Mortgage Loan Types

- A mortgage loan, also referred to as a mortgage, is used by purchasers of real property to raise funds to buy real estate
- The two basic types of amortized loans are the fixed rate mortgage (FRM) and adjustable-rate mortgage (ARM) (also known as a floating rate or variable rate mortgage)

Fixed Rate Mortgage

- In a fixed rate mortgage, the interest rate, remains fixed for the life (or term) of the loan
- In case of an annuity repayment scheme, the periodic payment remains the same amount throughout the loan
- In case of linear payback, the periodic payment will gradually decrease

Adjustable Rate Mortgage

- In an adjustable rate mortgage, the interest rate is generally fixed for a period of time, after which it will periodically (for example, annually or monthly) adjust up or down to some market index
- Adjustable rates transfer part of the interest rate risk from the lender to the borrower, and thus are widely used where fixed rate funding is

Mortgage Insurance

- Mortgage insurance is an insurance policy designed to protect the mortgagee (lender) from any default by the mortgagor (borrower)
- It is used commonly in loans with a loan-to-value ratio over 80%, and employed in the event of foreclosure and repossession


What about down payment?