



When Is ARM Financing A Good Idea?

When the housing bubble burst in 2008, adjustable rate mortgages (ARMs) got a lot of bad press, and in some instances rightly so. While some ARMs deserve their reputation for being risky and dangerous, most of the questionable ARMs no longer exist. Today's ARMs are referred to as "hybrids" that start out with a fixed interest rate for a period of three, five, seven, or 10 years, then change to an adjustable rate.

Many financial institutions are using ARMs as a viable financing option, and Flat Branch Home Loans in Springfield knows they can be a good idea for the right person. While the company also offers conventional loans, FHA loans, VA loans, USDA loans, and many others, Senior Mortgage Banker Megan Finn knows there is a time and place for ARMs. "ARMs are typically considered for short-term financing for a couple of reasons."

"One, the borrower may intend to occupy this particular home for a short time, for example they are anticipating a job transfer or have other relocation plans in mind," Finn said. "Or we have instances where the borrower is willing to take the rate risk and hope that a fixed-rate product will become attractive enough during the initial rate period on the ARM to make it worth their while to refinance."

Because ARMs have a finite fixed-rate period, the risk of rising interest rates can make the option a concern. However, for the short-term borrower or one who has a higher-risk tolerance, ARM rates can be appealing, especially in the current market that has

seen fixed-rate mortgages increase a full percentage point in the last 12-18 months.

"We typically present all of the options to our borrowers and explain the different choices they can make in detail, ultimately letting them make the final decision," Finn said. "I always want to make sure borrowers that are considering ARM loans are well-qualified and have a risk tolerance that matches well with the inherent risk associated with ARM loans."

Since 2008 more stringent underwriting guidelines have been put in place, and one mortgage does not fit all. That's why Finn feels that borrowers need to work with experienced lenders that are well informed about ARMs and other products, and those who will keep the lines of communication open throughout the process. "We hire experienced people who at the end of the day can offer and guarantee the best experience and on-time closing."

"We have an operations team that is second to none, and they can process, underwrite, and close deals correctly and quickly," Finn concluded. "There are loan programs to fit almost anyone, and if a person has their financial house in order, we can find a program that will work for them."

Flat Branch Home Loans

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Year Founded: 2005

Number of Employees: 95

Product or Service:

Licensed Mortgage Banker with in-house underwriting

