**Picking the Best Mortgage for You**

Whether you’re hoping to [buy your first home](https://www.360financialliteracy.org/Topics/Spending-Saving/Goal-Setting/Home-Ownership-Are-You-Ready), move to a bigger house for a growing family or downsize when your kids move out, your mortgage will be a critical factor in achieving your goal. The Massachusetts Society of CPAs recommends you ask several questions to help you evaluate your mortgage options and pick the best one for your situation.

**Fixed or Adjustable?**

Among your first decisions will be whether you want a mortgage with a fixed rate—in which the interest remains the same throughout the life of the loan—or an adjustable rate—in which the rate changes periodically based on a broader measure of interest rates, called an index. You may be able to get a lower initial monthly payment with an adjustable rate loan, but find out how often the rate on your loan will change, how much it can rise with each adjustment and if there is a maximum rate it can reach. Evaluate the answers to see if the mortgage still seems like a good deal. In particular, determine whether you will be able to afford your monthly payments if your interest rate goes up.

**What’s the Interest Rate?**

The interest rate will determine how much your mortgage will cost you, both over time and in monthly payments. You’ll want to find the lowest rate, but your decision may also be affected by factors such as points (more on that below), fees, and other charges. If you know your credit score, you can find out current fair rates for someone with your score at the Consumer Financial Protection Bureau’s website. When you consider rates, be sure to find out the annual percentage rate (APR) as well as the interest rate, because the APR also takes into consideration points, fees and other charges.

**What about Points?**

Points are fees paid to the lender upfront in exchange for a lower interest rate. Each point costs one percent of the mortgage loan amount. The amount your interest rate will be lowered depends on the lender, the type of loan, and the mortgage marketplace. When deciding if points are right for you, consider issues such as how much cash you will have available at closing and how long you plan on owning the home. If you’re looking at an adjustable rate mortgage, ask whether the interest rate reduction for paying points applies for the life of the loan or only for the initial fixed-rate period.

**What’s the Down Payment Amount?**

Many lenders require minimum down payment amounts, usually 20%, but it is possible to get a mortgage with less money down. With a lower down payment, be aware that you will often have to pay for private mortgage insurance (PMI). Find out how much the monthly premium will be and under what circumstances you cancel the PMI to ensure that the loan is still affordable for you. And with any mortgage, ask about other fees and closing costs to determine the total overall cost to you.

**Your Local CPA Can Help**

Your CPA can offer valuable information and insights that can help you make important financial decisions, like choosing a mortgage. Turn to him or her with all your financial questions. Find your local CPA at <mscpaonline.org/findacpa>.