

Prepayment  
Penalties,  
Balloons &  
Adjustable  
Interest Rates

## The Dangers of Creative Financing

Lenders sometimes entice you with creative financing options to make your dream home affordable, or at least that's what they hope. It doesn't always work that way.

- Prepayment penalties can result in lower interest rates but cost as much as 6% or more of the loan amount. A 6% prepayment penalty on a loan of \$150,000 is \$9,000. Not very affordable!
- Balloons are short-term mortgages of 3 or 5 years and often offer a low fixed interest rate. But then you have to refinance at the end of the balloon. If you can't afford a traditional mortgage now, what makes you think you will in 3 to 5 years?
- Adjustable interest rate mortgages often begin with a short period of lower fixed interest rates. What you don't know is rates will most likely adjust up significantly along with your monthly payment.

If you or I could accurately predict the future, these loan features may be worth having. Unfortunately, we are unable to predict the future, and even in the best case scenario, obtaining a mortgage with any of these features is likely to cause you trouble at some point.

ZACCHAEUS  
FINANCIAL

COACHING  
PLANNING  
COUNSELING



[www.ZacchaeusFinancial.org](http://www.ZacchaeusFinancial.org)

866.862.2220

[contact@ZacchaeusFinancial.org](mailto:contact@ZacchaeusFinancial.org)