Fixed Rate Mortgages

The traditional fixed rate mortgage is the most common type of loan programs, where monthly principal and interest payments never change during the life of the loan. Fixed rate mortgages are available in terms ranging from 10 to 30 years and can be paid off at any time without penalty. This type of mortgage is structured, or "amortized" so that it will be completely paid off by the end of the loan term. There are also "bi-weekly" mortgages, which shorten the loan by calling for half the monthly payment every two weeks. (Since there are 52 weeks in a year, you make 26 payments, or 13 "months" worth, every year.)

Even though you have a fixed rate mortgage, your monthly payment may vary if you have an "impound account". In addition to the monthly loan payment, some lenders collect additional money each month (from folks who put less than 20% cash down when purchasing their home) for the prorated monthly cost of property taxes and homeowners insurance. The extra money is put in an impound account by the lender who uses it to pay the borrowers' property taxes and homeowners insurance premium when they are due. If either the property tax or the insurance happens to change, the borrower's monthly payment will be adjusted accordingly. However, the overall payments in a fixed rate mortgage are very stable and predictable.