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An Adjustable Rate Mortgage (mortgage ARM, for short), also known as the lender's Standard Variable Rate, is the most elementary mortgage type that can be availed by a person willing to purchase a house. The recent years have seen them being increasingly opted for by prospective homeowners in the US to finance their dream house. As against trends of the yesteryears, Adjustable Rate Mortgage has shifted gears from being one of the options in case other mortgage types didn't work out quite as well, to being the first choice of millions. Let's explore the reasons for this.

To begin with, mortgage ARM is a 'no frills attached' mortgage product that has many advantages that are perfect for to-be homeowners, some of them being discounted mortgages, fixed rates and tracker mortgages. The major benefit here is that even if the market fluctuations cause the prevailing interest rates to rise, the homeowner does not have to bear the brunt of the same, as it would not have even the slightest impact on his monthly payments. However, in order to safeguard themselves in case of the aforementioned situation becoming a reality, the lender has quite a few criteria to make sure that not everybody can avail a mortgage ARM. Further, these criteria are generally not prevalent in case of adjustable rate loans.

The flexibility offered in case of an Adjustable Rate Mortgage is what mainly drives the demand for this kind of a financing option. In case of all the offer types of mortgages, there exist lock in periods and penalties, but in case of a person being on the lender's most basic variable rate product, it is not uncommon to enter and exit as per one's discretion. Also, in case one wants to change the mortgage type, or for that matter the lender as well, there is no need to pay any extra fees as well, strengthening the cause for one to go for a mortgage ARM.

Lower monthly payment costs are another one of this type of mortgage's main plus points. Since the lender does not have any kind of discount to offer, in which he can lock in the borrower for a fixed period of time, this also means that he does not have a discount that he might try to recoup. Due to this, an Adjustable Rate Mortgage is much more cheaper at the beginning compared to other offers.

Another fantastic advantage of going for this kind of mortgage is that in case the prevailing interest rates in the market drop, then the borrowers monthly payments also drop in sync with the base rates. But on the flip-side, if the rates are at an all time low, they will obviously increase, and consequently, so will the monthly payments.

In the earlier days, mortgage ARMs were seen as the kind of mortgage one should get rid of as soon as possible, but with base rates constantly fluctuating and lenders following the same to decide their own interest rates, this type of mortgage is suddenly much in demand.

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