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I am not sure which one would be the best choice.

3 years ago variable loans eg. 3/1 ARMs and 5/1 ARMS had a significantly lower rate than 30 year fixed rates. If you were going to stay in a home for 5 years or less, a 30 year mortgage was very expensive compared to a 5/1 ARM.

We are now in an interesting period where 30 year rates and adjustable rates are about the same, and in some cases, where the adjustable products are more expensive than the 30 year fixed.

The simple answer therefore (not knowing your credit situation and other factors), is go with a 30 year fixed. The rate is no higher than the adjustables and I personally believe mortgage rates are going to hit record highs in the next 4 years.

The only caveat to the above is if your credit score is below 620 and above 580. You will then qualify for a sub-prime loan. The rates on these loans are higher because of the lower credit score. In this case, the 2/28 ARM can be much cheaper than the 30 year fixed. This is a good loan if you don't have great credit, but want to buy a home.

The intent is that you will refinance it sometime in the next two years when your credit is better into a lower cost, 30 year mortgage.

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