

## Fixed vs. Variable Interest Rate And What It Means To You!!!

The MI-LOAN Program offers borrowers the option of choosing between a fixed or variable interest rate. A fixed interest rate remains the same for the life of the loan. A variable interest rate is adjusted annually on July 1<sup>st</sup>. You must make your decision at time of application. The following chart details the differences for your convenience.

SUBJECT	FIXED INTEREST RATE	VARIABLE INTEREST RATE
<b>How is the interest rate determined?</b>	The simple interest <b>fixed</b> rate is assigned to the loan at the time of the first disbursement, and remains the same for the life of the loan.	The simple interest variable rate is assigned to the loan at the time of the first disbursement, and may be adjusted annually on July 1 <sup>st</sup> . It is based on the London Interbank Offered Rate (LIBOR) annual average as of the preceding June 1 <sup>st</sup> , plus 1.50%, with a maximum rate not to exceed the rate permitted by Michigan law.
<b>Will the monthly payment always remain the same?</b>	Monthly payments may adjust if forbearance of principal, or principal and interest, is used. Otherwise, monthly payments will remain the same for the life of the loan.	Monthly payments may adjust each year based on each year's interest rate or if forbearance of principal, or principal and interest, is used.
<b>Will the final payment be the same?</b>	Forbearance, capitalization and timeliness of regular monthly payments may affect final payment.	The variable interest rate, forbearance, capitalization and timeliness of regular monthly payments may affect the amount of the final payment.