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the index plus the margin without periodic caps. When the interest rate resets to a higher rate with a negative amortization Adjustable Rate Mortgage (ARM), the mortgage payment doesn't change. Instead, the additional interest expense is added to the loan balance.

Homeowners are given a choice of which rate to pay, which is why negative amortization loans are also referred to as "payment option" loans and option ARMs. Cost of Funds Index (COFI), Cost of Savings Index (COSI), and Monthly Treasury Average (MTA or MAT) are all examples of Alt

-A negative amortization loans. The Mortgage Bankers Association of America (MBA) says alt-A loans' share rose from 8% to 11%. Why? Because of the flexibility these loans offer, not to mention affordability for a home purchase loan or if you want to cash out on your home equity

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