Student's name

Instructor's name

Course

Date

Financing by Banks and House Loans

The increase in living standards coupled with steady economic growth has led the U.S. society to adopt more and more public and banking services. With the decentralization of the banking system, some financial institutions provide the opportunity for more affordable house loans and mortgages. Even though the government, businesses, and financial institutions encourage citizens to take house loans or mortgages under attractive and affordable interests, the issue with the banks' financing programs is still a concerning point for Americans.

Financing by Banks

Financing offered by banks is a set of programs and financial initiatives which are used and proposed to stimulate citizens to sign an agreement between them and banks to acquire credit for specific consumers or purchasing needs. In the U.S., the system of banks' financing programs is centered on public services, living needs, and business investment. Also, financial institutions develop a wide range of applications which are based on citizens' reputations, income statuses, credit histories, and employment (Hanson et al. 456). The most common type of assessment is credit history, which depicts how valid and stable client is and whether he or she can afford to pay a loan and interest.

While the issue may seem complicated, banks offer several types of one program for citizens with different credit histories and credit scores. For example, house loan programs use a scale that shows that people who have higher credit scores get lower interest rates for their loans ("Current U.S. Bank Mortgage Rates"):

| **Credit Score** | **Interest Rate** |
|---|---|
| 760-850 | 3.552% |
| 700-759 | 3.744% |
| 680-699 | 3.921% |
| 660-679 | 4.135% |
| 640-659 | 4.565% |
| 620-639 | 5.111% |

*Table 1: The difference between credit history scores and mortgage interests*
("Current U.S. Bank Mortgage Rates").

Moreover, banks offer flexible calculations and programs based on citizens' incomes and places of work. Nonetheless, financing by banks is viewed as a burden on citizens' budgets, as the living standards, pricing, and interest rates are growing faster than the workers' salaries and income ratios.

Mortgages or Home Loans

The banking system provides a wide range of loans and financing programs; however, mortgage or house loans are one of the most demanding types of financing, as people encouraged to purchase houses or apartments due to low interest rates and the attractive longitude of the mortgage payments. In this instance, mortgage programs encompass several types and time frames that are offered for citizens by banks.

A mortgage is an exclusive financial program offered by financial institutions to give funds to citizens to purchase real estate. Mostly, people use a mortgage to acquire their living estate. Nonetheless, a mortgage is not limited to real estate for living, as people may sign up for this loan to purchase real estate for business needs or entrepreneurship.

Furthermore, U.S. banks offer mortgages starting from a 5-year time frame and up to 30 years. The interest rates also vary based on the longitude of the loan and the client's credit history score. For example, U.S. banks offer such interest on mortgages:

- 30-year fixed: 4.000% or 4.072% APR
- 20-year fixed: 3.875% or 3.974% APR
- 10-year ARM: 4.875% or 4.852% APR
- 5-year ARM: 4.000% or 4.546% APR ("Current U.S. Bank Mortgage Rates")

As one can see, a bank offers fixed mortgage loans, which are more attractive for borrowers due to the fixed sum and interest to pay ("Current U.S. Bank Mortgage Rates").In addition, the fixed mortgage has more transparent agreements between the bank and the borrower so that clients do not get trapped by hidden payments or changing financial conditions. As a result, a fixed mortgage helps to sustain budgeting and not to overpay for banks' services.

Advantages of Banks' Aid

The advantage of mortgages and overall financial supportive initiatives from banks is that most services and living needs become affordable for citizens with low- or middle-incomes. What is more, the housing question is a concerning issue for the public sector as it directly affects the living standards, public services, and governmental support for less-protected classes. With the affordable network of mortgages and bank loans, citizens may acquire and afford more social goods, which is lowering the pressure on federal and state budgets (Hanson et al. 457). In this instance, it can be admitted that financial and public policies aim to encourage people to sign up for such programs.

Another advantage is that people have tools to manage their budgets accordingly, as with the affordable housing policies and programs, the middle class is not suffering from under housing or devastating rental fees. Also, the business entities participate in the mortgage programs, stimulating workers and their families to improve their living standards and conditions.

In addition, the indirect effect from the bank financing programs is that the country gets a boost in infrastructure development, as more people stand in for the mortgage queue, the more residential areas should be built or renovated. Such an indirect effect allows for increasing overall living conditions and provides new workplaces to those who are seeking for a better living.

## Mortgage and Housing Crisis

The major disadvantage of mortgage and bank financing aid programs is that people should have excellent credit history and a balanced state of income to ensure financial institutions that the loan and interest rates will be paid off. Moreover, some experts indicate that the U.S. housing crisis discourages citizens from acquiring a mortgage, as there is no certainty about the socio-economic situation of the market (Aalbers 54). Furthermore, the tensions around land capital appropriation is a concerning question among different classes, as farmers and existing homeowners are against the construction of new hometowns, believing that land can be used for agriculture or recreational purposes (Allen and Hamnett). Their position is supported by the significant velocity of urbanization when construction companies and state authorities use fertile lands to expand a city's borders.

From this perspective, the primary disadvantage of housing policies and the growth of mortgage programs is that the land is used only for one purpose: diminishing other segments from land appropriation.

## Conclusion

To sum up, financing by banking and house loans have their advantages and disadvantages. On a personal level, support from financial institutions is a significant contribution to citizens' wellbeing and improved housing and living conditions. On a social level, the affordability of loans suppresses interests of different classes, as banks and authorities cannot cover all fields of activities so that disparities between housing the question and land appropriation is raised. As a result, it is evident that investments in citizens' social needs are a priority for the government; however, the diminishing of opportunities for those who depend on land is not an option, as the support of small and medium businesses entities is the driving force for overall economic and living standard growth.

# Works Cited

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