

Employee Benefits Monthly

April 2005

- Intro
- Interest Only
- Valued Merchants

Monthly local offering only given to you; brought to you by Robert and Brian of First Security Loan
- Offered to employees of Miss Sandie's School, WBE Inc., Novato Unified School District and the City of Novato

Welcome to Employee Benefits Monthly....

This is **your** monthly benefits newsletter. Because you are a valued employee, your company is allowing us to offer the below special deals with local merchants. These are discounts not offered to the general public. Below you will find the merchants and their offers as well as your Employee Benefit Card. Please make sure to bring the whole newsletter (or at least page 2) with you when visiting these merchants. The offers will rotate monthly. These offers are being sponsored by Robert Sundberg and Brian Dixon, Real Estate Loan Consultants with First Security Loan of Novato, along with your Employer at NO COST to you. We hope you enjoy and are able to take advantage of this benefit your employer is offering you.

Why Interest Only??

As home values and loan amounts go up, the Interest Only loan option has become more popular. There are different variations on the interest only options. Some are done as a monthly adjustable. The rate starts at a very low initial rate (as low as 1%) that establishes the minimum payment. Interest only payments are based on the adjustable rate (index plus margin). Other interest only options have the initial rate fixed for an initial time period (3, 5, or 7 years), and then the loan becomes an adjustable with full payments. There also are 30 year fixed rate loans with the interest only option for the first ten years.

Depending on the loan size, the monthly payment savings can be significant. An amortized payment on a \$500,000 30 year fixed at 6% would be \$2,998. The interest only payment on this same loan would be \$2,500, A savings of about \$500 per month.

One of the more popular Interest Only options we offer today is fixed for 30 years, with the interest only option for the first 10 years. This loan is available on loan sizes up to \$1,500,000+ with very attractive rates on this loan. For the first 10 years, the borrower has the option of making interest only payments. If principal is paid down, the minimum payment goes down. This works well for borrowers planning to make a significant loan pay down in that 10 year period. After the initial 10 years, the loan is then amortized for the remaining 20 years at the fixed rate and based on the current balance.

The interest only option has a couple of advantages. It does allow a borrower to afford more home. In the scenario above, it is as if the borrower has \$500 per month less debt creating a better qualifying scenario. For the borrower not worrying about qualifying, the interest only option can allow freeing up of cash flow for other uses. Some may use the difference for investing. In the scenario above, if you took \$500 per month and put it away earning an average of 8% per year, in ten years this would be worth over \$90,000..After 15 years over \$170,000...20 years over \$295,000 (if you averaged 10% this would be closer to \$380,000 almost 3/4 of the original loan size)...The balance on this loan after 20 years if it were amortized would be about \$270,000.

The interest only feature is an option. The borrower can still make principal payments anytime if they wish (some loans might have a prepayment penalty, so there could be restrictions on this)...Most will have the minimum payment drop if principal payments are made...It is a great option in today's market..

We have many loans with the interest only option. Please feel free to give us a call or send an e-mail if you have any questions....



Robert Sundberg
Real Estate Loan Consultant

415 209 -7633

Representing many lenders and 100's of loan programs to fit your Real Estate Finance needs....



Brian Dixon
Real Estate Loan Consultant

415 209 -7630
Bri@Jupe.com