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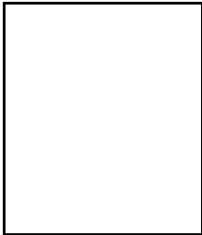
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Market and Economic News

Mortgage Rates go down dramatically

Mortgage rates, for the majority of this year, have not changed much, as the Federal Reserve dropped their rates significantly. Fear of future increased growth in the economy and thus inflation pressure, kept mortgage rates from moving down.

In the last couple months, there have been events that have given long-term rates room to move down. The attacks of September 11th helped to edge the economy into a recession. Also, the Treasury announced that it is no longer issuing new 30 year bonds. This is significant as it has made the existing long term (5, 10 and 30 year) attractive to investors. Prices on the long bonds and notes have gone up, driving rates down.

After spending most of the year in the 6.875-7.25% range (30 year conforming with 0 points), the rates are about .50% lower since September. Mortgage rates are currently at the low levels they were in the 1992/1993 period.

Many homeowners are now finding that it makes sense to refinance their existing loan to take advantage of these rates. Some borrowers are just flat out lowering their

rates and payments. Other borrowers are getting cash out to consolidate all of their debt, while others are converting their long-term loans (i.e. 30 year) to a shorter 15 year or 10 year loan. Savings can be significant



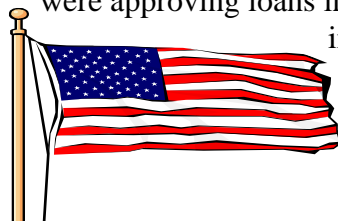
in all of these scenarios.



The Federal Reserves constant pushing down of the Federal Funds Rate has sent the Prime Rate down to 5.0%. This has had a significant effect on rates borrowers are paying on lines of credit, as most lines are tied to Prime. In many cases a fully indexed Line of Credit (Prime plus a margin - generally 0-2.0) can be lower in rate than the first mortgage. Some lines are available with low or no loan costs.

Of course, these lower rates have increased the refinance volume and slowed down the whole process. Appraisals that had been taking 1 week earlier in the year may take up to more than a month now. Lenders who were approving loans in a day or two earlier in the year, are taking

over a week etc, etc...



Should we look at today's rates and consider a refinance?

As a general rule of thumb, I think it makes sense to look at rates if there is a spread of about 1% below your current rate. Of course there are many factors to consider when looking at this. The above rule basically applies if you are just refinancing your existing loan (rate and term refinance). If you are consolidating debt, the spread may not need to be that great. If you have a small loan (\$150,000 and under), you may need a bigger spread for it to make sense. If you have a large loan (\$500,000 +), a smaller spread could make sense.

Another factor to consider is amount of time you plan to spend in the property. If you plan to move in a few years, going through the costs of a refinance may not make sense. If you plan to spend the rest of your life in the property, it could make sense to get a loan and pay some points for the lower rate and long-term savings.

Another general rule is that you would like the savings of your refinance to pay for the costs in 12-24 months. Closing costs on a loan with 0 points will usually run in a range of \$2,500-2,800. Using this idea, you would want to save over \$100 per month to accomplish the breakeven. In many cases when consolidating debt, the breakeven can be a month or two as the monthly savings can be significant.

Another use of today's rates is converting from a 30 year loan to a 15 or even a 10 year loan. Many homeowners have been able to convert from a 30 year to a 15 without much change in their monthly payment. The amount of interest saved over the life of the loan can be amazing.

If you currently have an adjustable rate loan or an intermediate (i.e. 5 or 7 year), it may make sense to lock in to today's long rates, as there is a future upward risk to these loans.

Due to the rarity of interest rates being this low, it makes sense for many people whether refinancing or buying to take advantage of this market. If you want to

run some numbers, please feel free to give me a call or e-mail me.

Intermediates could make sense for some.

“Intermediate” loans are adjustable rate loans that are fixed for an initial period (3, 5, 7, or 10). The interest rate savings can be significant as compared to a straight 30 year fixed. The interest rate difference can be anywhere from .375% to over a full 1% (refer to page 4 of newsletter).

There is some risk with taking one of these loans. If you still have it after the initial period, you are subject to where interest rates are at that time. For comfort sake, you generally want to know that you will be doing



something (refinancing or selling) before the initial period is up. There have been studies done showing that homeowners refinance or sell about every 5-6 years. With this in mind, these loans can make a lot of sense for many people.

New Conforming Loan Size Coming

Some lenders are now starting to adjust the new conforming loan size. Currently the conforming loan size for a single family residence is \$275,000. One lender, has been doing a conforming loan at \$284,500 for a couple months now. Some lenders are now increasing their conforming loan to \$288,000. Some anticipate that the final conforming loan size could end up a little over \$290,000 by the end of the year. Conforming loans are those

that have guidelines by and are potentially purchased by FannieMae (FNMA) and FreddieMac (FHLMC). Loans above the conforming loan size are considered Jumbo. Generally Jumbo rates are about .50% higher than conforming.

Another slightly “deceiving” practice is showing a very low rate in big bold print. This gives the impression that it is a 30 year fixed rate loan. In the fine print, it can say that in actuality, it is an Intermediate (5 or 7yr) loan.

If you see something that is too good to be true, well you know it probably is!

Hey, why does the paper say rates are at _____ and you say they are at _____?

I get many calls asking about ads, direct mail or quotes in local newspapers. As I do our company weekly rate survey of lenders, I have a pretty good feel of where rates are. When someone calls and says that a lender is quoting a very low rate, I can usually tell if there is something out of line.

| <i>Interest Rate Indexes as of November 6, 2001</i> | |
|---|--------------|
| 11th District Cost of Funds | 3.974 |
| Prime | 5.000 |
| 12 Month MTA | 4.089 |
| 1 Month LIBOR | 2.220 |
| 10 Year Treasury | 4.222 |

100% Financing still an option

There are still many options available for 100% financing. Usually this is done with a combination of a first (to 80% of the value) and a

Many lenders/Mortgage Brokers will quote a rate without quoting loan points. They will just give a rate and an APR (Annual Percentage Rate). It can give the impression that the loan has no points and possibly “no cost”, when the loan could have a couple points and full closing costs.

second (up to 100% of the value). Rates and loan sizes available will vary based on credit scores, income documentation etc..

First Time buyers can take advantage of these loans and not have to wait to save the normal 10 or 20%. Seasoned buyers may want to take advantage of this option so that they can leave their investments alone.



Do you know someone looking to: Purchase a home, Refinance their current home for a lower rate, Refinance for money to consolidate debt or do home improvements . . . Please have them call me or I would be happy to call them.

I make my living on referrals and always appreciate your recommendations.



Current sampling of Rates and Loan Programs

Fixed Rate Loan Programs

| Program | Rate | Max Loan | APR |
|---------|-------|------------|-------|
| 30 Yr | 6.000 | \$275,000 | 6.184 |
| 15 yr | 5.625 | \$275,000 | 5.805 |
| 7/1 | 5.375 | \$275,000 | 5.552 |
| 5/1 | 5.125 | \$275,000 | 5.300 |
| 30 yr | 6.375 | \$500,000+ | 6.526 |
| 15 yr | 5.875 | \$500,000+ | 6.021 |
| 10/1 | 6.250 | \$500,000+ | 6.400 |
| 7/1 | 6.000 | \$500,000+ | 6.147 |
| 5/1 | 5.500 | \$500,000+ | 5.643 |
| 3/1 | 4.875 | \$500,000+ | 5.013 |

All rates quoted above are at 1 point. Loans are available with higher/lower points. Rates effective November 6, 2001. Please Call.

Adjustable and Other Programs

- ◆ **NO Document Loans**
- ◆ **Purchases/refinances up to 100%+!!**
- ◆ **Adjustables tied to 11th District Cost of Funds Index with Low initial rates and margins**
- ◆ **Bi-Weekly adjustables - Pay down principal faster**
- ◆ **Rental property loans with low down**
- ◆ **B-C, "Hard Money" loans available (Tough properties, Poor credit, etc.)**
- ◆ **Lines of credit with No Lender Fees**
- ◆ **Many other programs available.**
- ◆ **Call for your specific needs!**

Many options are available. First Security Loan represents various lenders and loan programs. The above is just a sampling of what is available. Please give me a call for your specific case. We can do loans with higher points for a lower interest rate, or loans with a higher rate and lower costs. We can do Excellent credit to Poor credit. We can do loans on your primary residence or your rental. We can do loans on houses, condos, apartments, commercial buildings, etc. Rates do change daily, so please call for the most current

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