

An Informational Newsletter produced and designed solely by

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Market and Economic News

Stock Market woes create Interest Rate Lows!!

As you are watching your 401k, IRA, Roth, Pension etc. dwindle, you can take some solace in knowing you may be able to lower your mortgage payments. Recent volatility in the equity markets, has created some opportunities for those looking to refinance or buy real estate. As investors have become leary of stock investments, more and more funds have been going towards the "safe haven" of Bonds. The increased purchasing of Bonds has pushed down market rates and thus Mortgage Rates.

Currently the average 30 year fixed rate loan for Freddie Mac is the lowest it has been going back to 1971. I believe this has mostly been created by dollars looking for a "safe" place and inflation being almost non-existent. Mortgage rates are at or below the low levels they reached in November of last year.

One thing different now from then, is the news coverage. I believe that this is mostly

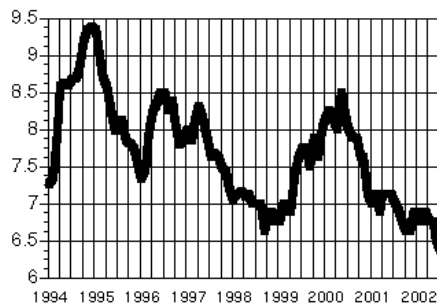
due to the news following what the Federal Reserve (FED) does. They hang on that being the leader on the direction of rates. In actuality the FED's activity does not go hand in hand with what Mortgage Rates do. In 2001, when the FED dropped short-term rates over 3%, mortgage rates maybe dropped overall around 1%. Mortgage rates are based on the bond market which is more sensitive to inflation pressures (i.e. economic growth etc.) and investment priorities (i.e. safe versus risky). As lower short term rates can potentially be inflationary, Mortgage rates popped up more than they went down last year when the FED made a move.

Now we have a situation where the economy is not growing as strongly as it looked in the beginning of the year. The stock market is getting beaten up as the accounting scandals mount. Inflation is in check. This all

creates a terrific interest rate market. How long will this window be? It is hard to say, but it seems that we are not far from a bottom. At some point the low rates will not be enough for the investors, and they will look at other avenues (Pork Bellies??). Right now a one Year Treasury is paying right at 2.00%. A 10 year Treasury is in the 4.50% area!!

Look at page four for where current market rates are. These are about .50% better than the April Newsletter, and about the same as

30 YEAR FIXED MORTGAGE RATE



Rates are based on zero discount points
Source: Interest.com

Below is an article run last July. Rates at that time were almost 1% higher than they are now. I felt it was applicable to run again. Changes have been made applicable to today's market:

Questions about the current Rate Market

Are interest rates going higher or lower?

Yes!

Who should consider looking at refinancing today?

There are several groups of homeowners who should consider refinancing today. These include anyone with an adjustable, especially one tied to the LIBOR, Treasury, or CD rates. Anyone with a fixed rate loan at or over 7.50% may want to look at the possibilities. If you had to do a "subprime" loan a few years back, you may be able to significantly improve your rate scenario. Those needing funds (college, business etc.) may think about looking at the rates to take advantage of the current "cheap" money. People with 30 year loans, wanting to convert to 15 year loans may see an advantage in today's rates. Also anyone with balloon payments due in the next year or so should consider taking advantage of today's rates.

When does it make sense to refinance?

If you currently have one of the loan types mentioned above, then the question arises of whether it makes sense. What I usually look at is the breakeven point in getting your costs of the loan back. If your new loan costs \$2,800 and the monthly savings is \$50, does it make sense? I would say for most people, no. In this case the cost divided by the savings is 4.67 months. I think that if you can "breakeven" in 24-36 months it makes sense (assuming you will be in the property longer than the breakeven period). A "breakeven" of 4 years+ may be questionable, as many people tend to move or refinance about every 5-7 years. A spread of 1% is usually worth looking at. There are other variables that need to be considered (i.e. balloon payment coming up, volatile adjustable loan, wanting to convert to a shorter period loan, etc.). Consolidating significant debt can have a breakeven of just a couple months. These are all factors I look at when discussing whether it makes sense.

If I am buying a home, can I lock in today's low rates?

Most lenders have lock-in periods of 21-45 days. If you have an accepted offer and are ready to close in that period, locking in shouldn't be much of a problem. If you do not have a specific house, want to be pre-approved and locked in, there may be options. Occasionally some lenders will have programs with lock periods of 120 days or more. These loans can be more pricey as the lender is taking risk by locking in that far out. I would say in today's market you are probably doing just as well by not locking that far out. The additional expense does not make sense if the market is fairly stable. Also as this type of program is not offered by many lenders, some of the loan options and rates are limited.

What are the closing costs involved in refinancing?

Generally the non-recurring closing costs (costs other than interest, taxes and insurance) on a loan aside from loan points add

up to between \$2,500 to \$2,800. These costs usually include: Appraisal, credit, processing, title, escrow, underwriting, documentation, and other miscellaneous expenses. Of course, loan points (1 loan point equals 1% of the loan) can add to these costs. There are loan options where we are able to pay some or all of these costs. The "catch" here is that this is at a higher interest rate.

Is the 30 year fixed loan the "best" option?

Many borrowers are focused on wanting the 30 year fixed rate loan. Sometimes after speaking with a client, I find that there may

Stacey's Corner

Orange-Cilantro Salmon

- 1 Orange, Juiced
- 1 T Honey
- ¼ cup Melted Butter
- 1 T Soy Sauce
- 2 Salmon Steaks
- Salt & Pepper (to taste)
- 1 T Butter Pieces
- 1 T Fresh Cilantro

Mix orange juice, honey, melted butter & soy sauce in a shallow bowl. Soak salmon in mixture for 5 minutes. Heat fry pan on high. Cook salmon, covered, on medium heat for 4-5 minutes. Flip. Cook 2-3 minutes, covered. Uncover and increase heat to "high". Add orange juice mixture, salt & pepper salmon, top with butter pieces and fresh cilantro. Cook an additional minute "till bubbly".

This can also be grilled in a foil "pouch", but please allow for additional cooking time.

Note: Stacey Mooney is my Loan Processor. She makes sure your loans are taken care of. When not making sure your loan has all it's pieces, she is busy being a "mini Martha Stewart". She always has some new dish being worked on. Thanks Stacey!!

be other options that could be more beneficial. The intermediate loans (fixed for 5-7 years) have been popular options as the rates can be .50%+ lower than the 30 year fixed loan. Adjustables have their place with some borrowers. It is a matter of looking at what the borrowers goals and expectations are.

My current loan is three years old, I should have "no problem" getting a new loan, right?

Things can change over a few years such as jobs, credit, and property value. Lenders still need to see that you qualify for the loan. Most of the things you had to go through before (i.e. appraisal, income verification, credit, etc.) need to be done again. Yes, if you are lowering your payments and have always paid on time that is a major factor. We have seen loans done with debt ratios much higher than the norm when the lender can factor in how your past (credit, job, payments on time, lowering payments)

will effect how you act in the future.

Can a “Quick Qualifier” be done on a refinance?

“Quick Qualifiers” are loans where the borrower does not have to document income. These are mostly geared toward the self-employed, and are available for refinances and purchases.

Generally these loans require that there is very good credit (There are exceptions to this) and that the loan is 80% or lower of the property’s value (lenders are doing these as high as 100%!).

There are exceptions to these. The rates are usually higher for one of these loans by .25-.50%.

How much of the property’s value can be borrowed on a refinance?

It used to be that refinances could only be done up to 80% of the property’s value. Today you see options going as high as 125% of the property’s value. I have done many loans up to 95% where we combine a first and a second. These are usually used to lower the rate on the current loan and to consolidate other debt. The purpose of utilizing a first and second is to avoid mortgage

insurance. Straight 95% loans are available, but usually will come with a hefty mortgage insurance payment. Mortgage insurance only protects the lender and is not deductible. The loans that go up to 100%+ of the property’s value can be very expensive (Some 125% seconds are as high as 14-15%). A homeowner needs to be very careful with these, as you are giving away all of your equity.

Please call me with any other financing questions you may have

<i>Interest Rate Indexes as of July 2, 2002</i>	
11th District Cost of Funds	2.772
Prime	4.750
12 Month MTA	2.542
1 Month LIBOR	1.900
10 Year Treasury	4.620

Treasury, LIBOR, CD, 11th District Cost of Funds etc..) plus a margin on top of that. Rates can start very low, but based on the market can edge up higher than the fixed rate would have been. These loan can be an advantage over the

time period (3, 5,7, or 10 years) then become a “true” adjustable. The “true” adjustables generally start at a low teaser rate, then can adjust periodically (months, every six months or every 12 months).

The Intermediates are good fixed rate alternatives, but are not necessarily a good adjustable rate option. They are a good way of getting the advantage of the fixed rate loan without committing for 30 years. Generally the rates are .50% or more less than a straight 30 year fixed. As most people move or refinance about every 5-7 years, these make sense to look at.

“True” adjustables have initial rates that can start under 3%. The actual rate can change every month, six months or annually. It is determined by an index (i.e.

short term (1-3 years). Also, these loans can be easier to qualify for than a fixed rate loan. As some of these loans come with monthly payment options, borrowers with varying incomes (i.e. self-employed) can take advantage of these.

Not everyone has a comfort level for an adjustable rate loan. For some it may be what is needed to solve a problem or get someone into a home they may nto otherwise be able to do. Call or e-mail with questions.

In today’s Market, is there any reason for me to look at an adjustable loan?

There are two types of adjustables, the intermediates and the “true”. Intermediates are fixed for the initial

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	6.125	\$300,700	6.303
15 yr	5.375	\$300,700	5.545
7/1	5.125	\$300,700	5.292
5/1	4.750	\$300,700	4.914
30 yr	6.250	\$500,000+	6.400
15 yr	5.750	\$500,000+	5.895
10/1	5.875	\$500,000+	6.021
7/1	5.250	\$500,000+	5.390
5/1	4.875	\$500,000+	5.013
3/1	4.375	\$500,000+	4.509

All rates quoted above are at 1 point. Loans are available with higher/lower points. Rates effective July 22, 2002. 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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