

November 18, 2002

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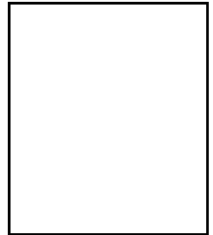
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Market and Economic News

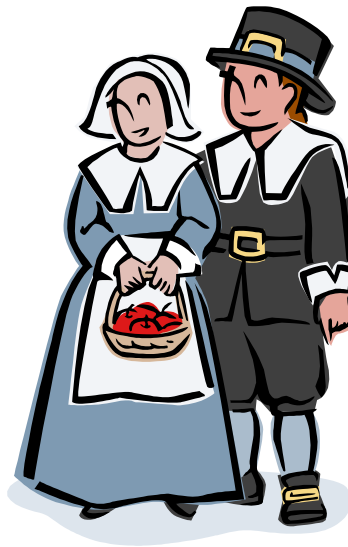
Stock market weakness, low inflation, slowing economy, Fed drops funds rate .50%, yada, yada, yada.....

I used to get up in the morning and check out what economic news was out and how it was going to effect rates. Is inflation up or down? Is the economy growing or slowing? How many people lost their jobs this month?....The answers would tell me where rates were going that day. Low inflation—lower rates. Economy growing—rates are up. More unemployed—Rates down....

It seems these days economic figures take a backseat to what is happening in the stock market. There are limited dollars chasing investments. If it is cool to own stocks, it isn't so cool to own bonds. If it looks like techs are out of favor, bonds look like a good place to put money. When investors buy bonds, they drive bond prices up, and thus rates go down. The reverse is true when

bonds are sold. The weakness in the stock market has helped to continue the record low mortgage rates.

Of course, recently the media has focused on the Federal Reserve and their dropping the the Federal Funds rate another .50%. This is significant to those who have lines of credit, as this decrease directly effects the Prime Rate, which in most institutions has dropped from 4.75% to 4.25%. There is no real direct effect on mortgage rates. It does help to solidify the low rates where they are. Fed Funds is a short-term rate, while mortgage rates are tied to the longer bonds (2 year +). The longer term notes and bonds are more sensitive to inflation pressure, and more recently competition with the stock market as mentioned earlier.



One area in mortgages that may have seen an improvement from the Fed decrease is the Intermediate loans. These are adjustable rate loans that are fixed for the initial period of 3,5,7, or 10 years. The spread can be over 1% between an intermediate loan and a 30 year fixed rate loan. These have been popular loans, as most homeowners either sell or refinance about every 5-7 years.

Mortgage rates are still at their record lows. I think the turn time will be when the consumer starts to have confidence in the stock market again. There have been signs of confidence recently, but it does not hold for long.

The Ongoing Question!

In this ongoing low interest rate market, I continue to hear the question, “So Brian, should I refinance now or wait for lower rates, or do nothing?”. The answer to this question is always a case by case issue. First off my general rule of thumb is that borrowers should have at least a 1% spread in rate to make financial sense to refinance. Of course there are exceptions to this. Someone with an intermediate loan that may be coming up soon, may want to lock into the low rates for the long-term. Borrowers with low adjustables may want to look at locking in the low fixed rate

Another thing much longer stay in the to this may lead answers. “forever” will look at the 30 loans. If the 5-7 year intermediate lot of sense. As previously, the spread on these can be over 1% lower than a straight 30 year fixed rate loan.



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A popular option today that takes advantage of locking low rates, but also is a good cash flow solution is the Interest Only loan. The most popular recently has been a 30 year loan with the first 10 years having an interest only option. On the example of a loan for \$500,000, the monthly payment savings can be as great as \$500 per month.

Even the basic adjustable rate loan can be a good option in today’s market. They offer very low initial payments and rates, and flexibility as well.

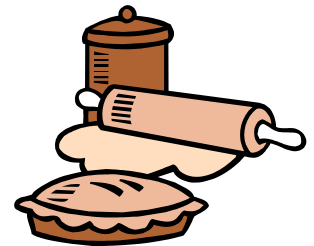
As far as the “...should I wait” part of this question....Personally, I feel we are pretty close to the bottom of the market as far as rates go. If rates are now 6% and 6% makes sense, I would at least get the loan in line. If 6% does not make sense and the

borrower needs 5.50%, I may sit it out a little. For one thing, if you need 5.50% to make sense, you probably already have a good rate now. For another, I am really not sure if rates will get there. So in a nutshell, if current rates make sense get the paperwork going. If not, wait and see.

Stacey’s Corner

Stacey’s Apple Cake

- 4 cups of Sliced Apples
- 2 Cups of Sugar
- 2 Cups of Flour
- 1 1/2 teaspoon of Salt
- 2 teaspoons Cinnamon
- 2 Eggs
- 2 teaspoons Vanilla
- 3/4 cups Vegetable Oil



Place Apples and Sugar in a bowl; Let it stand. Mix dry ingredients; pour over Apples. Mix wet ingredients and add to Apples. If batter is dry, add Milk to moisten. Pour into buttered and Sugared bundt pan. Bake in pre-heated oven at 350 for 45-50 minutes. Invert onto wire rack when pan is cool enough to touch.

Cinnamon Glaze

- 2 cups of Powdered Sugar
- 1 teaspoon Vanilla
- Milk—amount may vary
- 1/4 teaspoon Cinnamon

Mix Sugar, Vanilla and enough Milk to make a thick glaze. Separate into two bowls. Add Cinnamon to one of the bowls. With a fork, drizzle the glazes onto the cake and allow to dry.

Stacey Bruno is my Loan Processor. She is the one that helps to make your loans go through smoothly. In her “spare” time she likes to dabble in making delicious food variations.

Huh???

Have you ever spoken with someone in the real estate business and felt you were in a different country? There is a lot of jargon and slang in the real estate, lending and escrow fields that is just thrown around as if everyone should know what it means. Following are some terms that could stir a little confusion:

LTV - This sounds like a Hispanic Music video station. Actually it stands for Loan to Value. This is the percentage of the property's value that the loan takes up (i.e. If you put down 20%, your LTV is 80%).

APR - This is one of the more confusing things in lending. APR stands for Annual Percentage Rate. This is supposed to represent the "true" cost of money. The APR is always higher than the actual rate. This is supposed to be a way to compare loan costs from one lender to another. One problem with this is that different lenders may have different ways of figuring the APR. What's the point? Actually points will increase the APR.

Points - This does not refer to what everyone does to you when you overpay for your new home. Points are a percentage of the loan amount. They are considered a part of the yield to the lender. The more points the borrower pays, the lower the interest rate. One point is 1% of the loan amount.

Recission - Is this when you make up your mind, then change it? When someone refinances their home, they have a three day recission period after signing loan papers. During this period, the borrower can decide to cancel the loan with no penalty. The loan can fund on the fourth day, and days not included in recission are Sundays and holidays.

Escrow - How many times have you heard that someone is in escrow? Sounds painful! Escrow is basically the neutral party between buyer and seller or borrower and lender. An escrow/title company will hold the funds from the transaction until it is clear to release them to the parties involved.

Ratio - When applying for a loan, the loan agent may say, "well your ratios are too high". This has nothing to do with putting too much oil with your vinegar. This has to do with your debts as a percent of your income. Lenders will generally look at two ratios, your housing and your total debt. Guidelines will vary from lender to lender, but as a rule the total debt ratio usually should not exceed 45%.

Conforming versus Jumbo - This is neither political nor does it have anything to do with Weight Watchers. This has to do with investors who buy mortgages. FannieMae and FreddieMac set the guidelines for Conforming loans. These are loans up to \$300,700

Whatever!

for a 1 unit single family home. Jumbo loans are over the \$300,700 loan size and have various investors who set the guidelines.

FannieMae and FreddieMac - No this is not your favorite aunt and uncle. These are publicly held companies that are federally regulated that provide the secondary market for Conforming loans. Lenders originate conforming loans, and are able to sell them either directly to FannieMae or FreddieMac or to an investor meeting their guidelines. FannieMae = Federal National Mortgage Association ; FreddieMac = Federal Home Loan Corporation.

Cash-out - This is in reference to a refinance. When a borrower pulls money out above the existing balance and closing costs, they are getting cash-out. Lenders will sometimes charge a premium or lend less of the property's value when there is cash-out.

Rate and term - This again refers to a refinance and is the opposite of cash-out. A rate and term refinance is when the loan only covers the existing loan and closing costs.

Quick Qualifier - These loans are not necessarily any Quicker than a normal loan. This usually refers to a loan where the borrower does not have to provide income documentation. The lender goes off what is stated on the loan—application. These are also referred to as: Easy Qualifiers, Stated Income, No Ratio, and Limited Documentation.

11th District Cost of Funds	2.759
Prime	4.250
12 Month MTA	2.123
1 Month LIBOR	1.900
10 Year Treasury	3.980

Hard Money - The money feels just the same on these loans, it's just a little more expensive. These are loans from private investors that are almost solely based on the equity in the property. The rates and points are much higher than on normal loans. These are also called Private Money loans.

Happy Thanksgiving!

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	5.625	\$300,700	5.798
15 yr	5.000	\$300,700	5.166
7/1	4.750	\$300,700	4.914
5/1	4.250	\$300,700	4.409
30 yr	5.750	\$500,000+	5.895
15 yr	5.250	\$500,000+	5.391
10/1	5.250	\$500,000+	5.391
7/1	4.875	\$500,000+	5.013
5/1	4.375	\$500,000+	4.509
3/1	3.875	\$500,000+	4.005

All rates quoted above are at 1 point. Loans are available with higher/lower points. Rates effective November 13, 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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Return Service Requested