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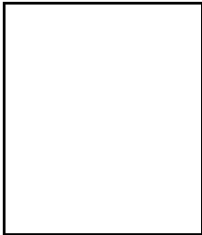
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## Market and Economic News

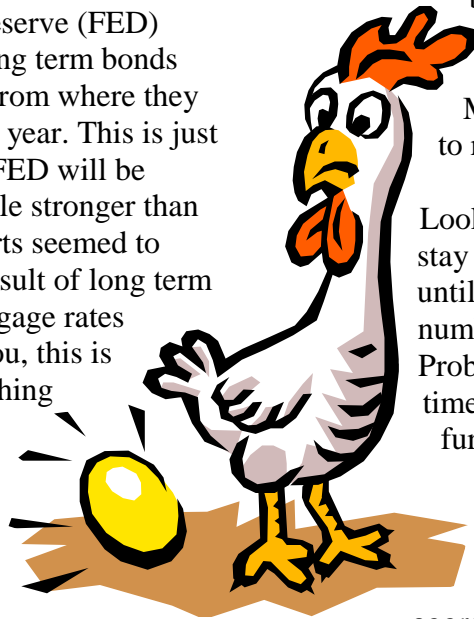
### Chill Out.. Chicken Little....

For the last couple months, there has been a lot of talk about how strong the economy is getting, with inflation being a major concern. Higher inflation equals higher interest rates. The markets started to anticipate future Federal Reserve (FED) increases in it's rate, and long term bonds went up close to a full 1% from where they were in the early part of the year. This is just in anticipation of what the FED will be doing in the future. A couple stronger than expected employment reports seemed to support this. Of course, a result of long term bond rates going up is mortgage rates do the same thing...Mind you, this is all in Anticipation of something that may happen in the future. And this anticipation can be of several events (i.e. several FED increases).

One result of this Anticipation is the media grabs on and starts to report that rates are rising before they have risen. The public then believes that rates are now at much higher levels.

O.K., the reality.....  
After a couple very strong employment figures, we have seen the most recent one come out with not as many new jobs as expected..Also, recent inflation numbers have been showing pretty subdued increases. On top of this, the FED did do a .25% increase as expected. More important was

their statement afterward. The jist of the statement...Inflation calm but Fed ready to move if needed - Measured Pace (something to that effect)... The markets liked this statement showing the FED will most likely be slow in their increases. Long term rates went down about .25% after the FED went up .25%.....Mortgage rates have taken back .5% and are now only .50% higher (on average) than they were in March when they were close to record levels.



Looks like interest rates should stay at low levels for a while until we see the employment numbers pick up significantly. Probably not much room at this time for rates to go down much further.

Popular loan options continue to be the interest only with the most aggressive interest rates being for the 5/1 (adjustable loan fixed for first 5 years). Many 100% finance options are still available.

Well, this is a little delayed, but in the March newsletter I stated the following...  
"My vote for American Idol .... Fantasia...Potential surprise winner....Camille". Way off on Camille, but nuf said on Fantasia! ...Keep an eye out for my next big projection!!!

# Types of Purchase Loans

Many people think of purchase loans as solely for their home. There are a few ways in which purchase loans can be used.....

**Primary Residence:** This is the basic way most people use purchase loans. First time buyers and seasoned homeowners have many options open to them when buying their main residence. Loan scenarios are available up to 100% of the property's value as high as \$700,000+. Loans are available for those with excellent credit as well as very poor..The standard loan will qualify the borrowers on documented income with the goal of the debt ratio (monthly expenses divided by Gross income) not exceeding 45%. For the borrower who it may be tough to document income, there are stated income and No Doc loans available...On a Stated Income loan, the borrower states what they are making, but no documentation to back it up is required..on The No Doc loans, the borrower does not state employment or income...Both of these types of loans come at a higher rate than the standard loan. A Primary residence can be a single family home, condo, townhouse, or PUD. It can also be a 2-4 unit residence if the purchaser occupies one of the units...

**Second Home:** A second home is a residence that is not the primary home, but it is not rented out. Many lenders will want a second home to be located in an area where it is reasonable that people would vacation at, and it should be a distance from the primary. Someone living in Novato, could not do a second home purchase in Novato. For the most part, these loans are treated like a primary residence. Some lenders will do a slight add to the rate, and some will not go as high on the loan amounts. On these loans the borrower has to qualify for their primary and second home without the benefit of any rent. They still have to meet the maximum debt ratios (45%).

**Investment Property:** From a residential standpoint, an investment property is one that has 1-4 units and is fully rented. Generally these loans are at a higher rate than the Primary or Second home loans by as much as .50%. Also these loans will generally require more of a down payment. A few lenders will offer up to 100% finance on these, but for the most part you are looking at 20%+ down. The potential rent on the property is utilized to offset the debt ratio.

Lenders will usually take 75% of the rent, then subtract mortgage, tax and insurance payments to determine if there is a positive or negative cash flow. They will be looking at the same debt ratio caps as on the Primary and Second home.

**Other:** When you are 5+ units, the property is an apartment and different guidelines and loan options apply...Other real estate purchase loans would include

## Stacey's Corner

### Zucchini Bread

3 c	Flour
1 tsp	Baking Soda
½ tsp	Baking Powder
1 tsp	Salt
1tsp	Ground Cloves
1 Tbl	Cinnamon
2	Eggs
1 c	Oil
1 tsp	Vanilla
2 c	Sugar
2 c	Grated Zucchini
1c	Chopped Walnuts (optional)

Preheat oven to 350°. Combine and sift first 6 ingredients in a bowl, set aside. Combine eggs, oil, vanilla & sugar in a large bowl and mix with electric beaters until smooth. Fold in grated zucchini, nuts and dry ingredients. Pour into 2 greased loaf pans. Bake for 1 hour or until an inserted toothpick comes out clean.

**Stacey Bruno is my Loan Processor (An extremely important part of getting your loan done right and in a timely manner!)** She takes a lot of care in making sure your loan is handled correctly from start to finish. In her free time, she enjoys being creative in the Kitchen.

commercial, land, and industrial. As our focus is residential, I will not get into those loan options here, but please feel free to call if you have something in this area.

## Alternatives to the 30 year fixed rate loan

Despite what some people may think, the 30 year fixed rate loan is not the only loan option there is. For some, this option may be the only thing that will fit into their comfort level. The future could be too scary to take the risk of anything else. Education about other products available may alleviate the concerns of doing anything other than a 30 year fixed loan. As most people tend to do something with their loan (i.e. sell or

refinance) about every 5-7 years, other loan options could make more sense.

**The 15 Year Fixed**

With rates at very low levels many homeowners have found they can convert from a 30 year fixed loan to a 15 year with very little change in payment. The amount of interest and payments saved over the life of the loan can be significant..

**Intermediates or FIRMs**

These are adjustable rate loans that are fixed for an initial period (3,5,7,or 10 years). This loan is popular with the borrower who knows

they will be doing something (refinance or sell) before the initial time period is up. The advantage of these loans is that the interest rate can be significantly lower than on a straight 30 year fixed rate loan. Currently the spread between the 30 year fixed and the Intermediates can be significant. The difference is currently over 1% for many of the Intermediates. The risk of this loan is if the borrower has it after the initial period, they will be subject to what rates are at that time. The loans do have caps, and are currently running either 5 or 6 over the initial rate.

**Adjustable Rate Mortgages (ARM's)**

In today's market, the rate spread between many ARM's and fixed rate loans, does not give much incentive to the borrower to go with the ARM. There are some that still make sense. If the borrower has a choice, a good index to go with is the 11th District Cost of Funds (There are some similar indexes that could also be

<i>Interest Rate Indexes as of July 1, 2004</i>	
<b>11th District Cost of Funds</b>	<b>1.802</b>
<b>Prime(current)</b>	<b>4.250</b>
<b>12 Month MTA</b>	<b>1.288</b>
<b>1 Month LIBOR</b>	<b>1.109</b>
<b>10 Year Treasury(current)</b>	<b>4.400</b>

beneficial). This is very slow moving, and less volatile than other indexes. ARM's give the borrower options. They are generally more lenient on qualifying, and the initial payments can be significantly lower (current initial rates are available below 2%). With some education and understanding,

the ARM can be a valuable loan for the borrower.

**Subprime/ "B-C" loans**

These loans are for the borrower and/or property that do not meet normal guidelines. Borrowers with recent credit problems may need a Subprime loan as a solution. Rates are

higher on these loans, but they give the borrower an opportunity that they would not have otherwise. Whether it is too many late payments, collections, a Bankruptcy or a foreclosure, Subprime lenders may have a solution. Generally the worse the credit is, the higher the rate is.

**100% Financing**

More and more lenders are coming out with loans with 0% down payment. These usually combine a first mortgage to 80% of the property's value and a second to 100% of the property's value. The rates on these programs are higher than a standard loan . For the borrower who has little for a down payment , or the borrower who would like to conserve their assets,

these can be great deals. These are available as "stated income" with the right credit score and sellers are allowed to credit for non-recurring closing costs!

<b>Conforming Loan Sizes</b>	
• <b>1-family loans:</b>	<b>\$ 333,700</b>
• <b>2-family loans:</b>	<b>\$ 427,150</b>
• <b>3-family loans:</b>	<b>\$ 516,300</b>
• <b>4-family loans:</b>	<b>\$ 641,650</b>



**My Business is based on referrals and I always appreciate your recommendations.**

**If you know anyone looking to: Purchase a home; Refinance for lower rates; Consolidate debt; Better cash flow; Make home improvements; Fund college; Purchase an Investment Etc...**

*Please have them give me a call or send me an e-mail*



# Current Sampling of Rates and Loan Programs

## Fixed Rate Loan Programs

Program	Rate	Max Loan	APR
30 Yr	5.750	\$333,700	6.001
15 yr	5.125	\$333,700	5.368
7/1	4.875	\$333,700	5.089
5/1	4.500	\$333,700	4.756
30 yr	5.875	\$500,000+	6.077
15 yr	5.375	\$500,000+	5.668
10/1	5.500	\$500,000+	5.716
7/1	5.125	\$500,000+	5.371
5/1	4.750	\$500,000+	5.003
3/1	4.250	\$500,000+	4.504

All rates quoted above are at 1 point. Loans are available with higher/lower points. Rates effective July 13, 2004 Please Call.

## Adjustable and Other Programs

- ◆ **NO Document Loans**
- ◆ **Interest Only 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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