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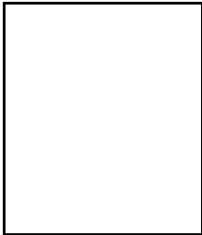
Brian Dixon - Loan Consultant

First Security Loan

A Division of Residential Mortgage Capital

(415) 898-1771X630 Direct: 209-7630 Fax: 897-8268

E-Mail: Bri@Jupe.com Web: HTTP://WWW.FSLC.COM/BrianD



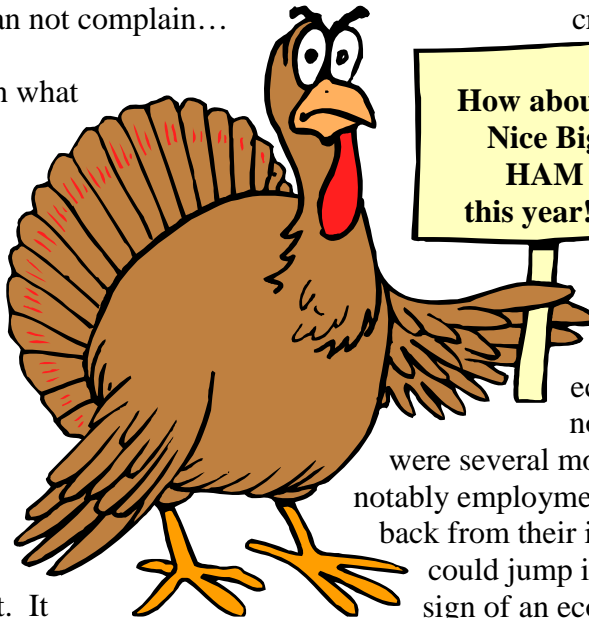
Market and Economic News

Election, FED, Rates, Etc, etc...

Well I did not time the writing of this newsletter all that well. I am writing it one day before the Big election, and you are reading (hopefully) it a few days after the election. Maybe we have an official answer by the time you get this, and maybe we are still hanging (as in chads). Hopefully everyone did make their vote. As they say, if you do not vote you can not complain...

There are mixed ideas on what will happen with the economy and more importantly, interest rates (at least where I am concerned). An economic report from Bank of America says that Kerry being elected could be good for the Bond market (good for rates) as the perception is that a Democratic administration will focus more on the deficit. It could also be said that Bush being re-elected could be good for interest rates, as in a nutshell Republican administrations tend to be less inflationary (inflation drives interest rates up). A delayed decision could be temporarily good for rates, as uncertainty will usually lead to investments in bonds (thus, lower rates)...

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(FED) has increased their Federal Funds rate by .75%. This has lead to the Prime Rate going from 4.0% to 4.75% mostly effecting short-term loans (Lines of credit, credit cards, etc.) and short term investments (CD's, Money Markets etc.). Many people are surprised when I tell them that most mortgage rates have gone down at least .50% since the FED increases. "Why is this, Brian", you might ask...Well, thanks for asking....One reason would be that the FED increases are partly an attempt to keep the economy from growing too fast, thus creating inflationary

pressure. Remember, inflation drives long-term rates up. Another reason mortgage rates have adjusted down is that some economic figures are not as strong as they were several months ago, most notably employment. The FED may step back from their increases for now, but could jump in anytime there is a sign of an economy starting to move aggressively.

No matter how you look at it, rates most likely will not be going much lower than they are now. Not a lot of pressure for rates to go either way at this time, but more likely to go up than down. We will see..

In the last few months, the Federal Reserve

Check rates on page 4 to see where things are right now..

Cash Flow Solutions

In today's market of escalating home prices, many people are looking for loan choices that will keep their payment down as much as possible. It is extremely rare these days that I hear, which used to be common, a need to get a loan so the home can be free and clear someday. I think many people have discarded the concept of Free and Clear. In today's market, most people are just happy to own something no matter what it takes. That is one reason the 100% finance loan option has been so popular.

Basically there are two ways to get your payments as low as possible. Interest only and low starting adjustable rate mortgages are being used a lot lately by individuals purchasing a home.

Interest Only: These loans have been available on a small level for many years, but recently have become available by most lenders and seem to be the most requested loan option. Basically this is a normal loan, that has an option of making interest only (as opposed to Principal and Interest) for a period of 5 or 10 years. This can be done on the 30 year fixed as well as the 10/1, 7/1, 5/1, and 3/1. Depending on the loan size the monthly savings can be significant. Using an example of a \$500,000 30 year fixed loan at 6%. The Principal and Interest payment would be \$2,998, while the interest only payment would be \$2,500. Basically a \$500 difference in payment a month! The most popular interest only loan option has been the 5/1. This is a 30 year adjustable that is fixed for the first 5 years. The interest rate on the 5/1 versus the 30 year fixed can be over 1% lower. As most people tend to sell or refinance approximately every 5-7 years, this has become a very popular option.

Low Starting Adjustable: You probably receive several pieces of mail (or faxes or e-mails) each week talking about adjustables with start rates as low as 1%. These do actually exist, but may not be what you think. Basically, these are monthly adjustable rate mortgages that do have an initial rate as low as 1%. This initial rate establishes your minimum payment for the next 12 months. The Real rate on the loan is determined by an index plus a margin. This is called the fully indexed

rate. The borrower has an option each month whether they pay the minimum payment, the fully indexed payment, or an interest only payment. When choosing the minimum payment, if this is less than the interest only payment, the principal can actually grow. This is referred to as "negative amortization" or "deferred interest". It can make for an even greater cash flow

Stacey's Corner

A little snack idea for those upcoming cold nights....

KETTLE CORN

Ingredients:

4-6 cups of popped Popcorn
1/4 c Sugar
2 TBLs Water
1/2 tsp Salt

Place popcorn in a large bowl. In a small sauce pan over high heat, bring sugar and water to a boil. Cook until sugar becomes just barely brown. Remove from heat, add salt and swirl to combine. Pour over popcorn and mix to coat it. Allow to cool and enjoy....

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.

savings than on an interest only loan. It does come at a slightly higher risk, as the rate can fluctuate. There are various indexes these loans can be tied to. It is preferable to be tied to a averaging index (i.e. Cost of Funds) to keep any changes to a minimum.

Many 100% Financing Options Available

These can be done with low credit scores; stated income; and with Interest Only options. Creates opportunities for many Home Buyers

0%; 0 Payment loan:
O.K...this loan does not

exist just yet. There were lenders a few years ago that deferred payments for 6 months. Of course those deferred payments were added to the loan balance. For

now look at the interest only and Monthly adjustable to keep your payments down. We have many of these loan options available, so please call me with any questions.

advantage of increased home equity, by doing a cash out loan on their primary residence to help in purchasing an investment property or second home.

Is the Refinance market over?

I get the question all the time, "Well I guess no one is refinancing anymore" or "the

refinance market is over". First of all, as mentioned on page one, mortgage rates have actually gone down as the FED has done their increases.

I would say, for the most part the Rate and Term refinance market has pretty much stopped. These are borrowers who have a loan and just want to lower their rate and payment. That said, we are seeing borrowers with 5/1 and 7/1 loans that wish to lock in the 30 year fixed while it is still low. On the other side we see people wanting to lock in the very low 5/1 and 7/1 rates as they realize they may not be in their home much longer than that and want to take advantage of these current rates.

It is still a great market for those needing to get cash out for debt consolidation, home improvements, college expense, etc..Borrowers are also taking

<i>Interest Rate Indexes as of October 6, 2004</i>	
11th District Cost of Funds	1.875
Prime(current)	4.750
12 Month MTA	1.595
1 Month LIBOR	1.987
10 Year Treasury(current)	4.08

Borrowers who were considered "sub-prime" a few years ago, may now be able to fit into the "A" category and take advantage of today's low rates. There can be a significant savings here, as "sub-prime" rates can be at a large premium. Going back to the interest only option, some borrowers are pulling cash out and doing an

interest only loan so their payments do not change or change minimally.

There are also many Line of Credit options available to take advantage of the increased equity over the last few years. These lines can be done at "No Cost". Rates will vary depending on credit scores, income documentation, and Loan to value ratio.

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

There are many loan options available today. Please call or e-mail me with any questions you may have about your specific situation.

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

A sampling of Fixed Rate Loan Programs

Program	Rate	Max Loan	APR
30 Yr	5.125	\$333,700	5.413
15 yr	4.625	\$333,700	4.898
7/1	4.625	\$333,700	4.898
5/1	4.125	\$333,700	4.376
30 yr	5.500	\$500,000+	5.711
15 yr	4.875	\$500,000+	5.112
10/1	4.875	\$500,000+	5.102
7/1	4.625	\$500,000+	4.901
5/1	4.000	\$500,000+	4.122
3/1	3.875	\$500,000+	4.077

All rates quoted above are at 1 point. Loans are available with higher/lower points. Rates effective October 26, 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, call for current rates.**

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Brian Dixon - Loan Consultant

First Security Loan
1500 Grant Ave
Novato, CA 94945
(415) 209-7630