

June 6, 2005

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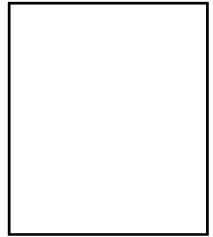
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Market and Economic News

Rates, schmates!

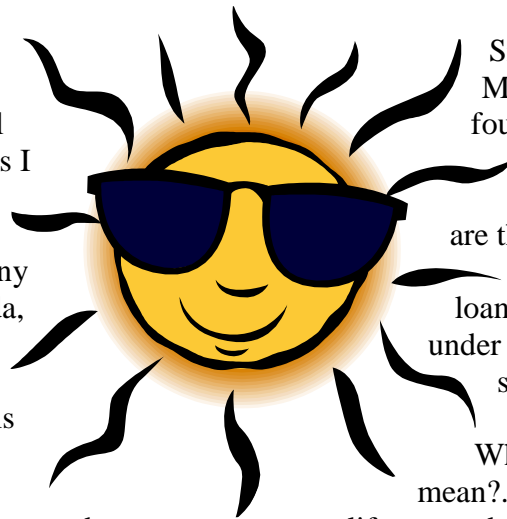
Whether walking down the street, sitting in the barber chair, or hanging out in the locker room, I always get the same questions.... How are rates doing?? (I get some additional questions in the locker room, but I won't get into that!!)

I have various replies to this such as "pretty much the same", "great", or "still low". Of course, sometimes I like the zinger, "well it depends which loan you are looking at and how many points you plan to pay, yada, yada, yada"...I love that one...O.K. it's not exciting stuff, but the fact is interest rates on fixed rate mortgages as well as most adjustables have come down a tad recently. This usually gets a befuddled (and I do not really ever use a word such as "befuddled") look when I say that rates are low etc..All that people hear in the news is the FED (Federal Reserve) raised rates again; rates are rising, etc..

The truth is that the FED has raised rates over the last year. This has had an effect on short-term rates such as lines of credit, car loans and credit cards. The long term rates (30 year and 15 year fixed, as well as the 10/1, 7/1, 5/1, and 3/1) have all come down due to the general ease of inflationary pressures. The FED increases have actually allowed for these long term rates to ease

down a bit...

Currently we have figures including employment numbers which show the economy may not be as strong as it was thought. Inflation numbers such as the CPI (Consumer Price Index) and PPI (Producer Price Index) have come in as expected if not a little lower.



Since the last newsletter in March, the rates on page four are either .125% lower or unchanged. The only loans that are slightly up are the 3/1's. The 10 year note (which most fixed rate loans are tied to) has broken under 4% for the first time in several months.

What does all of this mean?..Well first of all I need to get a life..second of all rates are still at great levels for purchasing and refinancing. Many are taking advantage of the low payments on Interest Only loans along with the lower rates to either drop their payments or to afford a larger home..Many are taking advantage of the combination of low initial rates with long amortizations (see inside) to get payments as low as possible..

I can not see that rates can last at these low levels. Of course I said that a year ago and also two years ago and well three years ago too. This is a different market though and seems that the trend will be slightly up soon. I really do not see any big swings up anytime soon, but ya never know.....

A cash flow solution...

Some borrowers are looking solely at obtaining the lowest payment possible. Seems like fewer and fewer borrowers are looking to own their home free and clear. With the escalation of home prices in the last few years, buyers are looking to get whatever it takes to get into a house, and many homeowners are looking to access their equity without changing payments too much. Many borrowers have been utilizing the Interest Only loans and low starting initial rate adjustables to either increase their purchase range or to get their payments as low as possible...Below is an example of a \$500,000 loan and payments on 4 different loan options. All are based on current (4/26/05) 0 point loan rates....Rates do change everyday, and these are just examples on how the different loan options can effect payments.

*30 Year Fixed - (6% - apr 6.187) - \$2,998/month

*30 Year Fixed with 10 years Interest Only (6.125% - apr 6.299) - \$2,552/month

*5/1 Interest Only (30 year loan fixed for first 5 - 5.50% apr 5.611) - \$2,292/month

* 1% initial rate monthly adjustable 40 year amortization (apr 4.56) - Minimum payment -
yr 1 \$1,264
yr 2 \$1,358, yr 3 \$1,460 etc..
- This loan has monthly payment options

As you can see there is a difference of \$1,700+/month in payments between Option 1 and Option 4. This difference can be used to purchase a larger home without increasing overall payments; lowering payments; lowering payments and utilizing difference for investment purposes etc, etc..

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%).

**Updated Web site due by
end of June
Check out:**

WWW.Jupe.Com

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.

Stacey's Corner

Grilled Lemon Herb Chicken

½ cup Olive Oil
¼ cup Lemon Juice
3 Garlic Cloves
1 Tbs Fresh Rosemary
1 Tbs Fresh Oregano
1 Tbs Fresh Thyme
1 Tbs Salt
1 Tbs Pepper
4 lbs Boneless Chicken Breasts, cleaned & pounded

Place everything (except chicken) in a food processor and blend.

Pound chicken breasts so that they are uniform in thickness. Cut into appropriate serving size (about the size of the palm of your hand).

Marinate chicken in the lemon, herb mixture overnight.

Grill over medium heat about 4 minutes per side.

Garnish with chopped fresh parsley, sprigs of rosemary & lemon halves.

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.

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 \$359,650 for a 1 unit single family home. Jumbo loans are over the \$359,650 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

<i>Interest Rate Indexes as of May 10, 2005</i>	
11th District Cost of Funds	2.400
Prime(current)	6.000
12 Month MTA	2.504
1 Month LIBOR	3.090
10 Year Treasury(current)	3.950

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.

Conforming Loan Sizes

- **1-family loans: \$ 359,650**
- **2-family loans: \$ 460,400**
- **3-family loans: \$ 556,500**
- **4-family loans: \$ 691,600**

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.

Don't forget "Subprime"

Many people feel that due to credit issues that they are not able to get real estate financing...Not so FICO Breath!! There are many "Subprime" lenders who will work with borrowers with poor credit or past challenges (i.e. recent Bankruptcy or Foreclosure). Basically, the worse the situation the higher the rate, but it is a solution..If you have credit issues or know someone who does,

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

I would be happy to discuss possible options.....

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	5.250	\$359,650	5.567
15 yr	4.875	\$359,650	5.189
7/1	4.875	\$359,650	5.189
5/1	4.625	\$359,650	5.007
30 yr	5.625	\$500,000+	5.812
15 yr	5.125	\$500,000+	5.357
10/1	5.250	\$500,000+	5.659
7/1	4.875	\$500,000+	5.178
5/1	4.750	\$500,000+	5.001
3/1	4.500	\$500,000+	4.872

All rates quoted above are at 1 point. Loans are available with higher/lower points. Rates effective May 31, 2005. Please Call.

Adjustable and Other Programs

- ◆ **NO Document Loans (no job/income/asset)**
- ◆ **Interest Only Loans**
- ◆ **Purchases/refinances up to 100%+!!**
- ◆ **Adjustables tied to 11th District Cost of Funds Index with Low initial rates and margins**
- ◆ **Adjustables starting as low as 1%**
- ◆ **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.**

Return Service Requested

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U.S. Postage
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