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Morty's Bench Marks - 6/27/05

30 Yr. Fixed Conf.	5.125%
30 Yr. Fixed Jumbo	5.625%
5/1 ARM Conf.	4.625%
5/1 ARM Jumbo	4.625%
Prime Rate	6.25% (est.)
MTA	2.633%

All rates are priced at par, that is, at the wholesale level with no rebate.

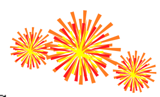
Happy 4th of July!



NEW BUSINESS

This month's issue is going to be more current events oriented than those in the past. Interest rates (as you can see from Morty's Bench Marks have remained relatively stable the past few months. I'm not in the habit of prognostications but I'm willing to venture that they're about to change.

As this is being written on 6/27 the Fed is expected to hike the Prime Rate another ¼ point on 6/30 to 6.25%. The mortgage markets have witnessed something of an anomaly of late in that we have an inverted yield curve wherein short term interest rates (6 month, 1 yr. & 3 yr.) have been higher than long term rates (5 & 7 yrs.). The long term rates have remained low because compared with the anemic growth of other economies the bond yields available in the U.S. are very strong, presently about 2% higher than what can be found in Europe & Japan. This stepped-up demand causes bond prices to rise and home loan rates to decline. The Fed's increase will probably not impact long-term mortgage rates, since there seems to be so much interest from foreign sources in buying US Treasuries (bonds) and foreign liquidity usually flows into fixed-income instruments more than stocks. And speaking of that, last week, stocks had their biggest weekly decline in more than two months: the Dow fell all five days last week, the first time that has happened in almost 3 years. The culprit seems to be the near record-high price for oil of $60 a barrel, raising fears of a negative impact on the economy. And although this news didn't cause a huge market reaction, last week also brought more good tidings for the housing front, as existing home sales posted expected gains and new home sales arrived with a nice fat increase. Next time you read all the hype about **"the housing bubble" remember that the national housing inventory—or the number of homes presently available for sale—is at a 30 year low, according to Frank Nothaft, Chief Economist for Freddie Mac. Although some real estate markets are more vibrant than others, the recent data indicates that demand is still exceeding supply and the national housing market remains very strong overall.**



GOOD NEWS FOR MTA FANS

Borrowers who love the Monthly Treasury Average loans (also known as the 12 MAT or Option ARM) have cause for rejoicing. A number of lenders have instituted programs in which the payment remains fixed for 5 years as opposed to the usual 7.5% annual hikes. The loans have 1.95% amortized start rates and 30 year terms.

THIS ISSUE'S TOPIC: TERMS - 15-year vs. 30-year vs. 20-year.

As promised the topic for discussion today is TERMS. Most of you focus on rate to save money, (if you're a frequent reader of this newsletter you know by now) I believe this is simplistic and misguided. Allow me to prove my point with some real world numbers. Below are three different mortgage scenarios regarding an amortized fixed-rate loan (repayment of principal and interest) for $300,000 at 6%.

Scenario 1

- Total Payments:$647,514
- Total Interest: $347,514

Scenario 2

- Total Payments: $515,830
- Total Interest: $215,830

Scenario 3

- Total Payments: $455,682
- Total Interest: $155,682

Remember, the **interest rates** and **loan amounts** for all three are the **same**. Which one would you rather pay? As no-brainer's go, the obvious choice is scenario 3.

What's the difference? **THE TERMS**: Scenario 1 is 30 years, scenario 2 is a 20 year and scenario 3 is for 15 years. In short, the savings between a 15 year mortgage and a 30 year for a $300,000 loan is $191,832.

DID YOU KNOW THAT ON A STANDARD **30-YEAR FIXED RATE MORTGAGE**...

During the **first 5 years less than 20% of your payment goes to principal. Even in the 10th year of the loan, only 30% of your payment goes to principal.**

AS CONTRASTED WITH A STANDARD **15-YEAR FIXED RATE MORTGAGE**...

During the **first 5 years, 53% of our payment goes to principal.** By **year 10, 75% of your payment is reducing the principal balance.**

IF YOU CAN AFFORD A 15-YEAR PAYMENT, THIS IS THE WAY TO GO!

In conclusion, borrowers can realize considerable savings by restructuring their loan term. If a person doesn't have the cash flow to handle the payments on a 15 year loan, I advocate **20 year loans**, which offer **two thirds the benefit** term-wise, with **only one third the payment increase**.

IF YOU NEED A GOOD REALTOR, CPA, FINANCIAL PLANNER, OR ATTORNEY…. CALL ME!

I deal with these people all the time in my business. I'd be happy to refer you to them; it's good business for me and for them. As we all know one hand helps to wash the other.

NO SUCH THING AS A FREE MEAL—NOT!

We've all heard there's no such thing as a free lunch BUT THERE IS A FREE DINNER—send me a referral and upon the deal closing escrow, I'll send you a **gift certificate for $125 to the restaurant or retailer of your choice.** One couple has received three of these in as many months. They're our favorite "fat cats" and we're happy to oblige. Right, Lorenzo & Delores?

Ask Morty?

Since once again, there were no emails, phone calls, or faxes for Morty this month I can only assume that the readers of this newsletter are either lacksadaisical or among the best informed in matters regarding real estate or its financing. Recipients of the newsletter are invited to Ask Morty any real estate or financing questions. The answer to the question will be answered in the next issue for the benefit of all. Questions may be forwarded via mail phone or fax. (See front of issue for phone and fax numbers). Morty's email address is Morty@MortgageStraightTalk.com

BACK ISSUES

Recipients of the newsletter have called into say they've misplaced or lost past issues or are missing some of the series on Lender Fees, Closing Costs, and Settlement Fees. Reprints are available for $1 each plus postage.

NEXT ISSUE'S TOPIC: BI-MONTHLIES

HAVE A HAPPY 4th!