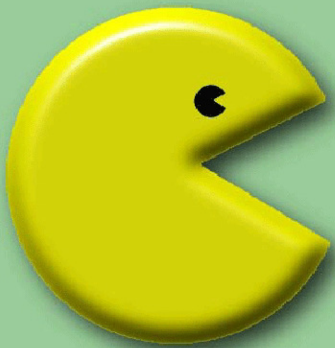

Newsletter - Vol. 3 Issue 2

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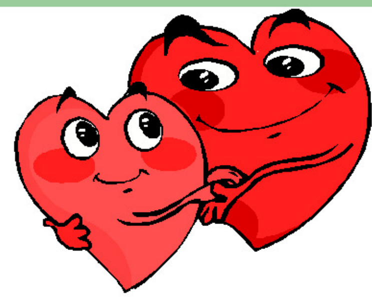
30 Yr. Fixed Conform. & Jumbo	6% & 6.25%
5/1 ARM Conform. & Jumbo	5.75%
Prime Rate	7.5%
MTA	3.751%
COFI	3.296%
Home Ownership Accelerator	4.572%

Morty's Bench Marks - 2/9/06

Above rates assume 30 day locks priced at par, that is, at wholesale with no rebate.

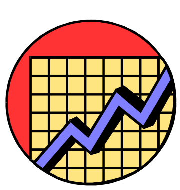
Happy Valentine's Day!



Did you know? According to the Greeting Card Association, it estimates that, world-wide, approximately one billion Valentine cards are sent each year, making the day the second largest card-sending holiday of the year behind Christmas. Correction: Make that 1,000,000,001. The association also estimates that women purchase approximately 85 percent of all Valentines.

CURRENT EVENTS

On January 31st the Fed hiked the Fed Funds rate to 4.5% for the fourteenth straight bump in the past 19 months. The Prime Rate subsequently rose and now stands at 7.5%. Another .25 point bump is a 100% certainty, come March 27th. When the Fed meets, again, in May, the prevailing opinion is that there's a 60% chance of another 25 bps (basis points) rate hike which would bring the prime rate to an even 5.0%. For those of you not familiar with loan lingo, a "basis point" is 1/100th of a percent.



THIS ISSUE'S TOPIC: 1031s OR TAX DEFERRED EXCHANGES

As you can see from the heading, this issue's topic may be of limited appeal to the majority of my readership that own merely their own home, however, I don't plan to make investor oriented topics a habit, furthermore, I promise to be gentle. Anything involving a discussion of the tax code leaves many people dazed and confused or just plain numb, but there are a substantial number of people who own investment property and can benefit from tax deferral.

Basically, a 1031 Exchange allows buyers and sellers of investment property or property used in a trade or business **to defer capital gains taxes from a property sale indefinitely** by rolling the proceeds into another investment or trade or business property of equal or greater value. In other words, **a 1031 exchange equals an interest-free, no term loan from the IRS on the taxes due, both state and federal.**

To fully defer all capital gain taxes, an Exchanger must meet two requirements:

1. Reinvest all exchange proceeds to acquire like-kind property
2. Acquire like-kind property of equal or greater value.

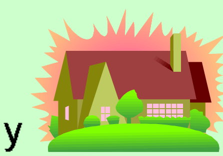
The 1031 Exchange, as it is known, has been part of the Internal Revenue Code, in one form or another since 1921. A series of judicial decisions in the late 1970's and early 80s known collectively as the Starker cases, caused the IRS to create new rules in 1991 that govern 1031 exchanges today. These rules mandated, among other things, the 45-day time period to identify up to three parcels of property to be purchased; the 180-day time period in which to complete the transaction; and the use of a qualified intermediary to handle the details.

Some Reasons for Doing a 1031 Tax Deferred Exchange

Many investors want to consolidate the numerous properties they own into one or two properties, while some investors want to diversify their investments into multiple properties.

1031 Exchanges allows the investor to leverage equity in the existing investment and replace it with a more expensive property, thereby potentially gaining a greater appreciation on the new investment.

Exchanging non-income (raw land) or low-income property for higher-income producing property creates greater cash flow for the investor.



Numerous investors are ready for retirement and prefer to have their investment property within close proximity to where they retire, allowing for easier and more efficient property management. Astute investors will exchange out of a low (tax) basis property into a high (tax) basis property, allowing for large tax write-offs.

To diversify one's assets, might be one reason to exchange a commercial property for an apartments or an industrial property.

A 1031 can also aid in estate planning by exchanging one large building for several properties, a different one for each heir.

Delayed, Reverse and Improvement Exchanges

A delayed exchange is the most common exchange format. It provides investors up to 180 days to acquire replacement property through the use of a Qualified Intermediary to complete a valid delayed exchange. The reverse exchange is the purchase of the replacement property prior to closing on the relinquishedproperty structured through the use of an exchange accommodation titleholder. The Improvement (build to suit or construction exchanges allow an investor to use exchange proceeds to either (1) make improvements to a new replacement property or (2) build a new replacement property.

Holding Periods

Some taxpayers wish to convert their former rental house to a principal residence. In these situations legal and tax advisors recommend that a taxpayer hold a 1031 exchange property for a minimum of at least 12 months. The reason for this is that a holding period of 12 or more months results in the taxpayer reflecting the property as an investment property in two tax filing years. In a reverse situation where the taxpayer wishes to convert a residence to a rental, the property owner must have owned and lived in the property for at least 2 out of the last 5 years preceding the sale of the principal residence. Caveat: Before you begin the exchange process, make sure to consult with your tax or financial advisor to insure that a 1031 exchange is right for you.

I'D LIKE TO HEAR YOUR IDEAS

If you're a regular reader, I'd like to hear from you. If you have some ideas or features that you'd like to see incorporated into the newsletter—I'm all ears. Please email, fax or call me at the address or numbers listed on the masthead.

MORTY'S  MAILBAG

Q. Can you explain the difference between a discount point and a rebate point?

A. A discount point (1% of the loan amount) is the amount that a borrower pays a lender to buy the interest rate or margin down below the par or wholesale price on a loan. A rebate point is more or less the opposite. It is the amount above the wholesale price that the lender pays a broker for placing the loan with that lender. Rebate pricing results in a slightly higher interest rates or margins and allows brokers to provide, in many cases, zero point loans. Note: both discount and rebate points do not change the interest rate or margins on a 1:1 basis.

In other words, if one pays a point $4,000 on a $400,000 loan to buy the interest rate or margin down it will not be reduced a full point. Typically, paying a point would reduce the interest rate or margin 1/4 to 1/3 of a percent. Similarly, a rebate of 1 point paid to a broker would result in a 1/4 point upward adjustment to the rate or margin.

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 email, phone or fax. (See front of issue for phone and fax numbers). Morty's email address is Morty@MortgageStraightTalk.com.

NEXT ISSUE'S TOPIC:

THE NEW BANKING REGULATIONS REGARDING CONSUMER DEBT AND MINIMUM PAYMENTS AND DEBT CONSOLIDATION LOANS.

REVERSALS OF FORTUNE

A friend of mine was fond of observing, "It isn't what you got that matters; it's what you do with what you got." This is certainly true for a segment of our population. Due to advances in medical science many seniors now live well past the proverbial three-score and ten that have historically been the upper limits of the average person's life span. Because of the high price of prescription drugs, lack of financial planning, and inflation many retirees find that they are in danger of outliving their income stream or at the very least one that allows for a quality of life to which they've become accustomed. At least for seniors (over 62) who are home owners, the financial community has found a way to address this situation in the form of "reverse mortgages". These products offer a way to borrow against one's home equity to create a regular and tax-free source of income or a significant source of ready cash, all while one continues living in his/her home. **We do Reverse Mortgages** and they will be the featured topic for discussion in a forthcoming issue.