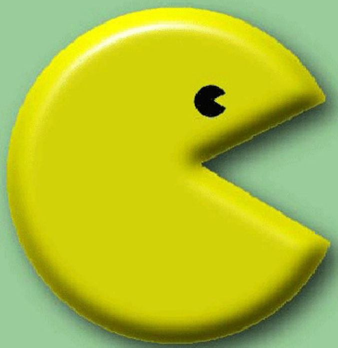

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30 Yr. Fixed Conform. & Jumbo	**6.25 & 6.5%**
5/1 ARM Conform. & Jumbo	**6 & 6.125%**
Prime Rate	**7.75%**
MTA Index	**4%**
COFI Index	**3.6%**
Home Ownership Accelerator Index	**4.8%**

Morty's Bench Marks - 4/10/06

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

APRIL OBSERVATIONS

The first of April is the day we remember what we are the other 364 days of the year.

- Mark Twain

April showers bring May flowers.

- Anonymous

CURRENT EVENTS

Almost as predictable as flowers following showers, was the Fed's, 15th straight hike in the Fed Funds rate in the past 21 months. Regular readers of this newsletter know that this outcome was very much expected. The Prime Rate followed suit and now stands at 7.75%. Another .25% bump is expected in May when the Fed reconvenes. Similarly, Fed Chairman Bernanke's policies very much follow that of his predecessor, Alan Greenspan.

REVERSALS OF FORTUNE

When I told a colleague of the topic for this month's newsletter was reverse mortgages he opined that it would only be of interest to a small segment of my readership. I countered that the two of us weren't all that far away from being seniors and that undoubtedly even younger readers had aging parents and relatives for whom this topic might be relevant. Incidentally, forgive me for the heading pun.

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 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 one's home.

BASIC IDEA OF A REVERSE MORTGAGE

Reverse mortgages are called so because instead of making mortgage payments, the borrower actually receives money from the lender. The source of funds for the money received is the equity you have stored in your home. Unlike the loan balance of a conventional mortgage, which becomes smaller with each monthly payment, the loan balance of a reverse mortgage grows larger over time. The loan principal increases with each payment that you receive, and interest and other charges accrue each month on the total funds advanced to you to date. There is no prepayment penalty, and the available funds can be used for any purpose.

THREE TYPES

There are three types of reverse mortgages—Fannie Mae's Home Keeper Mortgage (HKM) and the Housing and Urban Development–insured Home Equity Conversion Mortgage (or HECM) are government-sponsored and the two most widely known. The third, the Home Ownership Accelerator (HOA), does not have the restrictions or protections of the other two, but it can also be used as a highly beneficial variant to access one's equity. Differences and similarities abound among all three.

RESIDENTIAL QUALIFICATIONS

To qualify for an HECM the borrower must be the owner/occupant of a single family residence (SFR), condo, Planned Urban Development (PUD), 1-4 units and manufactured homes. The HKM & HOA programs will not loan against 3 & 4 unit properties, nor will the HOA loan against manufactured homes, but it will do loans on 2nd homes and the owner does not need to occupy the home, in any case.

AGE QUALIFICATIONS

The HOA has none, but with the HECM & HKM theyoungest owner must be 62 or older.

ELIGIBILITY REQUIREMENTS

All HECM & HKM borrowers must have received reverse mortgage counseling from a HUD-approved housing counseling agency; the HOA requires none.

DETERMINANTS OF LOAN AMOUNTS

Except for the HOA, which has no restrictions with regard to age, the amount of cash available to a borrower with the various "reverses" is determined by the interplay of a number of factors: the value of the property, the amount of the present mortgage (if any), and the age and number of borrower(s). With an HECM, the "maximum claim amount" is also determined by the lesser of the appraised value or the FHA geographic maximum (currently $362,790 in Southern California), while the HKM uses what it calls the Fannie Mae "Adjusted Property Value" ($285,300 as of 4th quarter of 2005) based on the average home price in the United States. All things being equal, the HOA is apt to be the most generous with an 80% Loan To Value (LTV) but it also requires a 680 FICO score to qualify, whereas debt ratio and credit scores do not have any bearing on the HKM or HECM.

WITHDRAWALS

The HOA is unique in that one can use an ATM/Visa P.O.S. card, unlimited checks, and electronic (bill pay) access to your funds, just like a regular bank account. All three have draws on a "line of credit" payment plans. The HKM additionally allows for a "tenure" plan (a monthly payment for as long as you occupy the property) or some combination of the two (also known as a "modified tenure" plan. The HECM expands on the HKM's by offering a "term" plan (monthly payments for a specified time period) and a "modified term" (a term plan combined with a line of credit), as well.

INTEREST RATES

For the HCEM you have a choice of two applied interest rates: an Annually Adjusting Rate or a Monthly Adjusting Rate. With the HECM loan, the Annually Adjusting Rate cannot increase more than 5 percent over the life of the loan. The Monthly Adjusting Rate cannot increase by more than 10 percent over the life of the loan.

The HKM interest rate is based on both the most current weekly average of the one-month secondary market CD as published in the Federal Reserves's H-15 Bulletin (4.80%, currently) and a margin determined by Fannie Mae. The HKM's interest rate cannot increase by more than 12 percent over the life of the loan. HECM and HKM, reverse mortgage software determines the initial rate, and there is no difference from lender to lender on the amount of loans or interest rates; it's all the same. With the HOA, the initial interest rate is the 1 month LIBOR Index (4.82%, currently) + the margin. The HOA's life-time cap is 5% + the initial rate.

COSTS

The HECM & HKM are expensive to originate and loan costs run in the range of $12-15,000 to start this loan. With the HECM the basic charges include 4 types of fees: an origination fee, initial and monthly mortgage insurance premiums, closing costs and a monthly servicing fee. The basic charges on the HKM include three types of fees: a one-time origination fee, closing costs, and monthlyservicing fee. In contrast, the HOA's costs are a far more reasonable $3-5000 comprising only closing costs and possibly an origination fee.

WHEN DOES ONE REPAY THE LOAN?

For the HECM & the HKM, it must be repaid when you sell OR convey title to the property to another OR if you OR the last surviving borrower do not occupy the property as your principal residence for 12 consecutive months OR upon your death OR the death of the last surviving borrower. The HOA would need to be repaid by the time that one's loan balance equaled 80% of the property's original appraised value.

HOW DOES ONE REPAY THE LOAN?

For the HECM, HKM & the HOA must be repaid in one payment—either from the proceeds of the sale of your home or from other assets you may possess or your heirs might use their own funds or funds from your estate to retire the debt rather than selling the home. Partial prepayments are permissible with either under either programs without penalty.

BORROWER PROTECTIONS

Both the HECM & the HKM are non-recourse loans which means that your or your heirs will never owe the lender more than the loan balance or the market value of the property, whichever is less.

While strictly speaking the HOA is not a non-recourse loan, before the loan balance could exceed the market value of the property the loan would be called when the LTV exceeded 80%.

LENGTH OF TIME

The HOA can take 30 days or less whereas the process for an HKM of HECM is longer than for a normal loan: It can take 45 to 60 days to close.

IN CONCLUSION

As you can see there are many similarities among the various programs and many differences. Hopefully, the manifold features of the different programs presented will allow your or your loved ones to winnow your (or their) choices down to the one best suited for you or them.

NEXT ISSUE'S TOPIC:

The different types of loans.

MORTY'S MAILBAG

Alas, there were no letters or emails in the Morty's Mailbag this month. 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.