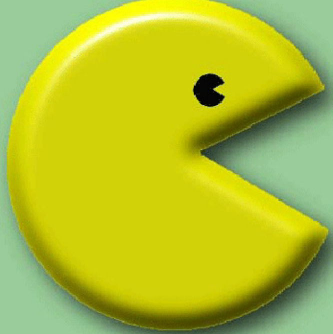

Newsletter - Vol. 4 Issue 4

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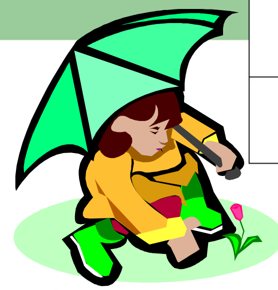
30 Yr. Fixed Conform. & Jumbo	6 & 6.25%
5/1 ARM Conform. & Jumbo	5.75 & 6%
Prime Rate	8.25%
MTA Index	5.014%
COFI Index	4.392%
Home Ownership Accelerator Index	5.321%

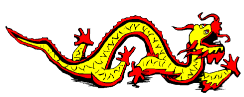
Morty's Bench Marks - 3/30/07

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



CURRENT EVENTS

In January, when I made my interest rate forecast for the year I opined that because there were both recessionary and inflationary pressures at work in the economy that what lay in store for 2007 might mirror Bette Davis' famous line: "Hang on, it's going to be a bumpy ride." On February 27th, too late for inclusion in my March newsletter the first of the bumps arrived in the form of the Shanghai Surprise. The "Surprise" started with the Shanghai stock exchange taking a 10% dive, triggering a wave of selling around the world in everything from European stocks to American corporate bonds. Similar in some respects to 1929, the culprits in China were over-confidence and excess liquidity. There, banks were lending money to people to speculate in the market.



By days end, over 3 trillion dollars had been erased from the global economies. Domestically, a drop of 416 points got a lot people's attention, and the market subsequently recovered most of its lost value and the long overdue correction of 3.3% amounted to little more than a 1-day bounce.

Our tale doesn't end here, though, nor is it by any means the whole picture. The next bump in road occurred two weeks later when the market took another 242 point tumble on March 13th. The mortgage markets have been in turmoil for the past six weeks as more and more sub-prime lenders report high default rates among their risky borrowers. Countrywide's sub-prime division reports that 19% of its mortgage payments are in default. Big names like Accredited, Ameriquest, Expanded Mortgage, and Fremont have been adversely affected and New Century (the second largest sub-prime lender) has been forced to suspend their operations. Mortgage Lenders Network (MLN), Ownit, People Choice, and ResMae Mortgage have all sought bankruptcy protection. As a consequence, shock waves have reverberated throughout the industry and extended into the Alt-A and A paper markets. Guidelines have been tightened and Combined Loan To Values (CLTVs) lowered. Relatively few lenders now offer 100% financing (more familiar to borrowers as 80/20s) below a FICO score of 700; those that do are limiting these programs to only full doc borrowers. Stated income loans can be had but, it will take a FICO score in excess of 700 and the 2nd is apt to have an interest rate in the 12s and 13s. What a difference a month makes.

As expected, when the Fed met on March 21st it left the Fed Funds and Prime Rate unchanged at 5.25% and 8.25% respectively. Combating inflation appears to still be it's primary focus.

A DEARTH OF IDEAS

I've noticed that people who are required to do "series" work, whether it be a news column, episodic show or a TV sit-com all share one thing in common--they run short of new ideas or topics to write about, from time to time. When this occurs writers often dramatize actual events as with Law and Order's slogan "ripped from the headlines", others borrow popular movie plot lines as with the "Simpsons" and still others ape the formats of well-known celebrities. Alas, I too, have fallen victim to this editorial malaise. So, with apologies to David Letterman the next few month's topics are going to be a compendium of Top Ten Lists while I go in search of new ideas for this column. Thus, as they say on TV, "so without further ado", here is this month's topic:

TOP TEN MISTAKES BUYERS MAKE WHEN BUYING A HOME

1. Looking for a home without being pre-approved.

Pre-approval and pre-qualification are two different things. During the pre-qualification process, a loan officer asks you a few questions, then hands you a "pre-qual" letter. The pre-approval process is much more thorough.

During the pre-approval process, the mortgage company does virtually all the work associated with obtaining full-approval. Since there is no property yet identified to purchase, an appraisal and title search aren't conducted.

When you're pre-approved, you have much more negotiating clout with the seller. The seller knows you can close the transaction because a lender has carefully reviewed your income, assets, credit and other relevant information. In some cases (multiple offers, for example), being pre-approved can make the difference between buying and not buying a home. Also, you can save thousands of dollars as a result of being in a better negotiating situation.

Most good Realtors® will not show you homes until you are pre-approved. They don't want to waste your, their, or the seller's time.

Many mortgage companies will help you become pre-approved at little or no cost. They'll usually need to check your credit and verify your income and assets.

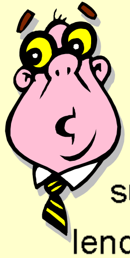
2. Making verbal (oral) agreements!

If an agent tries to make you sign a written document that is contrary to their verbal commitments, don't do it! For example, if the agent says the washer will come with the home, but the contract says it will not--the written contract will override the verbal contract. In fact, written contracts almost always override verbal contracts. When buying or selling real estate, abide by this maxim: Get it in writing!

3. Choosing a lender because they have the lowest rate. Not getting a written good-faith estimate.

While rate is important, you have to consider the overall cost of your loan. Pay close attention to the APR, loan fees, discount and origination points. Some lenders include discount and origination points in their quoted points. Other lenders may only quote discount points, when in fact there is an additional origination point (or fraction of a point).

This difference in the way points are sometimes quoted is important to you. One lender will quote all points, while another lender may disclose an extra point, or fraction thereof, at a later time--an unwelcome surprise.



Within 3 working days after receipt of your completed loan application, your mortgage company is required to provide you with a written good-faith estimate (GFE) of closing costs. You may want to consider requesting a GFE from a few lenders before submitting your application. With a few GFEs to compare, you can get a feel for which lenders are more thorough, and you can educate yourself regarding the costs associated with your transaction. The GFE with the highest costs may not indicate that a particular lender is more expensive than another--in fact, they may be more diligent in itemizing all fees.

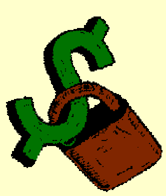
The cost of the mortgage, however, shouldn't be your only criteria. There is no substitute for asking family and friends for referrals and for interviewing prospective mortgage companies. You must also feel comfortable that the loan officer you are dealing with is committed to your best interests and will deliver what they promise.

4. Choosing a lender because they are recommended by your Realtor®.

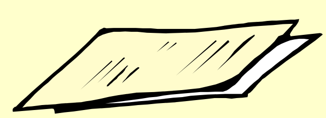
Your Realtor is not a financial expert. He or she may not know which loan is best for you. Your Realtor® gets a commission only when your transaction closes. As a result, the Realtor® may refer you to a lender who will close your loan, but who may not have the best rates or fees. Also, many Realtors® refer you to one of their friends in the loan business--who also may not have the best rates or fees. Although most Realtors® are professional and concerned about your best interests, it pays to be mindful of *caveat emptor—let the buyer beware.*

5. Shopping for a rate, not a mortgage broker— that's their job.

Interview them just as though you were conducting a job interview (which in reality, you are). Don't be afraid to ask them "Why should I do business with you?" Then sit back and listen to what they have to say. This will tell you more about their character and professionalism than "what's your rate" because it's not a question that most of them used to answering. You want a broker who is genuinely concerned about your welfare, not his or her payday. Are you comfortable with him? Does she sound like she knows what she's talking about? Is he willing to take the time to explain things to you so that you understand what you're are buying in terms of a loan program and why? Ask them how they shop for their borrowers and how they price their loans.

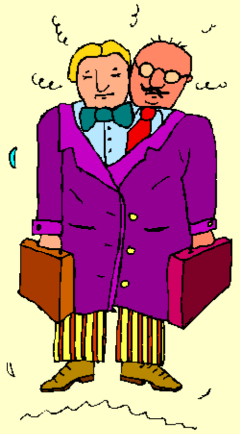


6. Not getting a rate lock in writing.



When a mortgage company tells you they have locked your rate, get a written statement detailing the interest rate, the length of the rate lock, and other particulars about the program.

7. Using a dual agent (an agent who represents the buyer and seller in the same transaction).



Buyers and sellers have opposing interests. Sellers want to receive the highest price, buyers want to pay the lowest price. In most situations, dual agents cannot be fair to both buyer and seller. Since the seller usually pays the commission, the dual agent may negotiate harder for the seller than for the buyer. If you are a buyer, it is usually better to have your own agent represent you.

The only time you should consider using a dual agent, is when you can get a price break (usually resulting from the dual agent lowering their commission). In that case, proceed cautiously and do your homework!

8. Buying a home without professional inspections. Taking the seller's word that repairs have been made.

Unless you're buying a new home with warranties on most equipment, it is highly recommended that you get property, roof and termite inspections. These reports will give you a better picture of what you're buying. Inspection reports are great negotiating tools when it comes to asking the seller to make repairs. If a professional home inspector states that certain repairs need to be made, the seller is more likely to agree to making them.

If the seller agrees to make repairs, have your inspector verify the completed work prior to close of escrow. Do not assume that everything will be done as promised.

9. Not shopping for home insurance until you are ready to close.

Start shopping for insurance as soon as you have an accepted offer. Many buyers wait until the last minute to get insurance and find they have no time left to shop around.

10. Signing documents without reading them.

Do not sign documents in a hurry. As soon as possible, review the documents you'll be signing at close of escrow--including a copy of all loan documents. This way, you can review them and get your questions answered in a timely manner. Do not expect to read all the documents during the closing. There is rarely enough time to do that.

MORTY'S MAILBAG

Q. Because we had very good credit (over 700) we were able to purchase a home a few years back and get 100% financing with an interest only loan that was fixed for the first 2 years and adjustable for the balance of the 30 year term. We have paid on it for 2 ½ years and because of the drop in the home prices this past year we owe 11% more than our home is currently worth and can't refinance it because no one's willing to loan more than 100% of its value. We went with an interest only loan because it had the cheapest payments. Now that we're into the adjustment phase, our payments have risen $600 above what we were originally paying and are about to adjust upward, again.

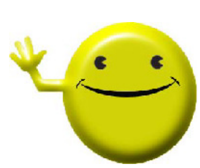
I know it's too late now but, was there anything we could have done to that would have been a better alternative?

A. Since you had good credit it seems that odd that you would opt for a sub-prime loan (2/28s and 3/27s) are the province of sub-prime lenders who have clients with scores in the 500-620 FICO range. If you were a first time buyer, you probably didn't know any better. With a score above 700 you could have obtained financing for the same or lesser price, although the term of your fixed rate would have been much longer, say 5-10 years, which would have obviated your present difficulty.

A half measure would have been to go with an amortizing loan such as a 40 due in 30 or a 50 due in 30. Either of these would have afforded you some reduction in principal (though in the early years it's pretty slight) while keeping your payments lower than the interest only payments you're making now. Even so, this would not have been sufficient to offset the 10% dip in prices that we've seen in the past year or two.

Your best alternative would have been to have waited until you had a down payment of 10% saved up. The 10% down payment would have cushioned you against the temporary decline in prices. Had you done this you probably wouldn't have purchased your property when you did because I surmise you stretched your finances to get into this home. Ironically, if it had taken you another year or two before you were able to buy, you would have bought in near the bottom instead of at the top. As the saying goes, hindsight is 20-20. There are a lot of people in the same predicament as you. Don't despair. The value of your property will come back in time; you just need to weather the drop in value in the meantime, if possible.

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



CORRECTION

In the last issue I related the actual case history of a doctor and his attorney wife who were in a purchase transaction involving myself and a realtor. In the spirit of full disclosure, I need to make a correction. They did not get the rate I quoted nor did they do their loan with me. At the 11th hour, a medical colleague told them of a lender with a loan program exclusively for doctors. Coincidentally, I also represented the same lender but the program was available only through the lender's Retail division that even I, in wholesale, couldn't beat. Until now, I have never had a borrower beat me on pricing. As the saying goes, I guess there's always a first time for everything! Nobody beats me on service, however!

WANT TO IMPROVE YOUR FICO?

You can—and cheaply. My step-by-step manual on Credit Repair written by yours truly is available for the truly nominal sum of $14.95. It covers, in an easy to read style, Understanding, Repair and Maintenance of your FICO score. You may order your copy by phone, fax or email. (See the header on the first page for the numbers and/or addresses.)

MORTGAGE MIRTH

This month's offering is an oldie, but if you've never heard it before it's new to you.

Q. How do tell when a politician is lying?

A. His lips are moving.

If you'd care to share one that you've heard, please email it to me at....
Rod@mortgagestraightTalk.com

NEXT ISSUE'S TOPIC:
TOP TEN MISTAKES BUYERS MAKE WHEN REFINANCING