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30 Yr. Fixed Conform. & Jumbo	6.25 & 6.375%
5/1 ARM Conform. & Jumbo	5.875 & 6.125%
Prime Rate	8.25%
MTA Index	5.029%
COFI Index	4.299%
Home Ownership Accelerator Index	5.32%

Morty's Bench Marks - 5/31/07
Above rates assume 30 day locks priced at par, that is, at wholesale with no rebate.

CURRENT EVENTS

On May 9th, the Fed voted to leave interest rates unchanged, despite a suffering housing market. It acknowledged that while the economy had slowed, inflation remains the central bank's primary concern. Soaring gasoline prices did little to mitigate this view.

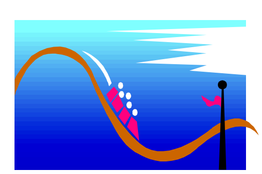
During the latter half of May, the stock market set a number of new highs which caused interest rates to worsen by about .25% across the board. The reason for this is that money generally flows back and forth between Stocks and Bonds. This means that when Stocks are doing well, money is flowing out of Bonds as investors seek a higher (albeit riskier) rate of return in the equities markets. The converse is true when the Stock market takes a turn for the worse, money flows out of Stocks and back over into the more secure haven of Bonds. This happens over and over, and is true on a large and small scale; from individual investors on up to massive institutional investors…the mindset is exactly the same. In the past two weeks the Stock market has rocketed higher and investors desirous of higher returns sold their bonds to get in on the action which led to bond prices worsening and home loan rates moving higher.

REALTOR®

The National Association of Realtors (NAR) lowered their expectations recently for the housing market. They foresee a 17.8% drop in new home sales, a 19% drop in housing starts and a 3% drop in existing home sales. For the nation, they forecast that the median price of existing homes will decline by 1% and the median price for new homes to fall by .4% as compared to last year.

Ucla

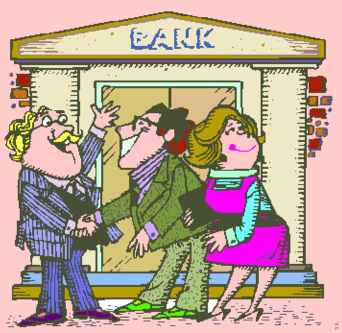
In accordance with the wishes of many of you to know where home values are headed, I herewith pass along the forecast from my alma mater, UCLA's Anderson School of Business. As you may recall it was the Anderson forecasters who took the lead in predicting a housing slowdown nearly 4 years ago. In evaluating the San Diego County housing market, they forecast that home prices will decline another 2% through next summer before they start to rebound. Their assessment sounds about right to me: I don't see home prices going anywhere until the Fed cuts interest rates and provides the needed stimulus to bring buyers back into the market. At present, we have an 8-month inventory of unsold homes on the market. So, even if the Fed cut rates before the end of the year, it would take several months to absorb the excess inventory; plus, the demand has to exceed the supply in order for prices to be bid up. In the meantime, Ryan Ratcliff, one of the authors of the report and a UCLA economist, observed that foreclosure rates in Southern California are rapidly approaching levels only seen during the worst of the 1990s. As I observed twice earlier this year, "Hang on, it's going to be a bumpy ride."



THIS ISSUE'S TOPIC:
THE TOP 10 MISTAKES BORROWERS MAKE WHEN REFINANCING

1. REFINANCING WITH YOUR CURRENT LENDER WITHOUT HAVING YOUR BROKER SHOP AROUND.

Your current lender may not have the best rates and programs. Believing it's easier to work with your current lender is a common misconception. In most cases, they'll require the same documentation as other lenders and mortgage brokers. This is because most loans are sold on the secondary market and have to be approved independently. Even if you've been good at making payments to your existing lender, they'll still have to process the verifications all over again.



2. NOT DOING A BREAK-EVEN-ANALYSIS.

Determine the total transaction costs and how much you'll save each month by lowering your monthly mortgage payment. Divide the transaction costs by the monthly savings to determine the number of months you'll have to stay in the property to recoup your refinancing costs.

For example, if the costs of refinancing total $2000, and you save $50 per month, you break-even in 2000/50=40 months. In this case, you should only refinance if you plan to stay in the home for at least 40 months.

Note: The above example is suited to comparing two similar loans when the intent is to lower your monthly payment and recoup transaction costs relatively quickly. Other refinancing transactions require different kinds of analyses which are beyond the scope of this document. Other types of refinancing transactions include exchanging a fixed rate for an ARM, or a 30 year mortgage for a 15 year mortgage.

3. NOT GETTING A WRITTEN GOOD-FAITH ESTIMATE OF CLOSING COSTS. 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 of closing costs.

4. PAYING FOR A HOME APPRAISAL WHEN YOU THINK THE APPRAISED VALUE MAY BE TOO LOW. Request a "value-check" of your property based on recent sales comps. Your mortgage broker can ask an appraiser to do this for you.Do not waste your money on a complete appraisal if you believe the home is unreasonably priced.

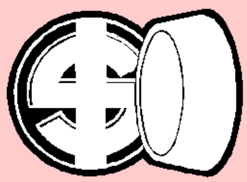
5. USING THE COUNTY TAX ASSESSOR'S VALUE AS THE MARKET VALUE OF YOUR HOME.

Mortgage companies do not use the county tax assessor's value to help determine if they'll originate your loan. They, like real estate agents, usually use the sales comparison approach (formerly known as the market data comparison approach).

6. 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.

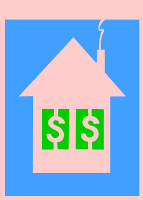
7. NOT PROVIDING YOUR MORTGAGE COMPANY WITH DOCUMENTS IN A TIMELY MANNER. When your mortgage company asks you for additional paperwork--get cracking! They're trying to get you approved! If you don't quickly respond to your broker's requests, you could end up paying higher rates should your rate lock expire.

8. NOT GETTING A RATE LOCK IN WRITING. When a mortgage company tells you they've locked your rate, get a written statement detailing the interest rate, the length of the rate lock, and other particulars about the program.



9. DRAWING AGAINST YOUR HOME EQUITY CREDIT LINE BEFORE YOU REFINANCE YOUR FIRST MORTGAGE. Many lenders have "cash-out" seasoning requirements. If you draw against your credit line for anything other than home improvements, they'll consider your first mortgage refinance transaction a "cash-out" refinance. This creates stricter lending requirements and can, in some cases, break your deal!

10. GETTING A SECOND MORTGAGE BEFORE YOU REFINANCE YOUR FIRST MORTGAGE. Many mortgage companies look at the combined loan amounts (i.e., the sum of the first and second loans) when you are refinancing only your first loan. If you plan on refinancing your first loan, check with your mortgage company to see if having a second loan will cause your refinance to be turned down.



PLAN B, PLAN C, PLAN D, ETC— FOR THOSE OF YOU FACING A MORTGAGE RESET AND WHO CAN'T MAKE THE PAYMENT

In last month's newsletter, I pointed out something that a few of you know all too well — the interest rates on Adjustable Rate Mortgages (ARMs) are resetting higher and on sub-prime adjustables, considerably higher. The monthly mortgage payments that borrowers found so affordable in 2004 or 2005 are no longer the case. So, what is a borrower to do? Don't despair.

Lenders do not want to get stuck with a property. They have to maintain it and then try to sell it on the open market, usually at a loss. Industry analysts say that it costs the lender an average of $40,000+ to foreclose on a loan which gives a borrower negotiating power. Many lenders, however, are already working with clients to modify terms or refinance existing loans to avoid default.

Plan B: Homeowners should seek a **lower rate or switch to an interest-only loan** for a spell. They might even ask for more time to pay, just as long as it does not create "negative amortization" , that is, letting the amount owed increase with each payment.

Some mortgage companies are reaching out to their borrowers and are allowing some ARM holders to refinance into a different loan at no cost. According to the Wall Street Journal, there has been a rise in so-called short sales, in which a lender allows the property to be sold for less than the amount due and often forgives the remaining balance in order to avoid costlier foreclosures.

The smart thing to do is to take action before the lender does. The homeowner should initiate the contact with the lender. So, first thing: know when

your loan resets are scheduled and by how much and how often. Read those loan documents you got at closing. Then, 90 to 120 days before the loan resets, the borrower needs to start talking to the lender. Lenders usually approach their borrowers 45 days before a reset. That is not enough time for a borrower to act.

The dynamics are slightly different when you have no equity in your home or the value of your home is less than the amount of your loan. As a negotiating ploy, you could suggest to your lender that you are willing to just walk away and rationalize the mortgage payments you made as monthly rent payments: tax-deductible monthly rent payments. You wouldn't want to go through with it because you will seriously damage your credit. It's a black mark that remains for seven years. Of course, by then the real estate cycle could be back to where it was in 2004 and lenders will be once again qualifying anyone with a pulse.

PLAN C: But tell your lender that's what you intend to do. What you are seeking is what's called a **deed in lieu of foreclosure**. Hearing that, the lender may find more motivation to work something out.

PLAN D: Another strategy to suggest to the lender is something that is called **a temporary buy down**. The lender locks you into a rate that is slightly higher than the going rate for a 30-year fixed mortgage. Right now, that would be 6 7/8 percent. In the first year of the loan, the payments are set as if you are paying a loan at 4 7/8 percent. In the second year it jumps to 5 7/8 percent. In the third and successive years it is 6 7/8.

You would want this only in a circumstance where you are buying time and expect something to happen within three years that will bail you out. Not that you hope or pray something will happen in that time, but that you actually know you will get a big bonus, an inheritance, or a transfer so you can sell the house.

PLAN E: If your rate does not reset until 2009 or 2010, just sit tight. A lot can change in two or three years. If you don't believe that, look at how the housing market has changed from 2005. If the Federal Reserve begins lowering interest rates in late 2007 or early 2008, (as I think it surely will), you may want to consider riding that adjustable-rate mortgage down. A fixed rate is viewed as less risky. The spread between the opening rates on ARMs and those on fixed-rate loans is slight. Taking an ARM, is just rolling the dice; if the rates fall, just refinance again. But if you worry that you might not be able to refinance as rates drop because a recession might decrease the equity in the home, the adjustable-rate mortgage will allow you to benefit from the lower rates.

MORTY'S MAILBAG

Q. What is the difference between CLTV & TLTV?
A. CLTV refers to Combined Loan To Value and TLTV to Total Loan to Value. As for the difference, there is none. When people speak of the CLTV they are usually referencing the 1st and 2nd mortgage loan amounts in relation to the property's value. One might be more apt to use TLTV in the case where there was a 3rd lien on the property

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

NEXT ISSUE:
TOP 10 MISTAKES BORROWERS MAKE IN SECURING A HOME EQUITY LINE OF CREDIT (HELOC)

MORTGAGE MIRTH

A 45 year old woman had a heart attack and was taken to the hospital. While on the operating table she had a near death experience. Seeing God she asked "Is my time up?" "No, you have another 43 years, 2 months and 8 days to live," God said.

Upon recovering, she reasoned that since she had so much more time to live, she should make the most of it. So, the woman decided to stay in the hospital and have a face-lift, liposuction, breast implants and a tummy tuck. She even had someone come in and change her hair color and whiten her teeth. After the last of her makeover procedures was complete, she was released from the hospital.

While crossing the street on her way home, she was killed by an ambulance. Arriving in front of God, she demanded, "I thought you said I had another 43 years? Why didn't you pull me from out of the path of the ambulance?" God replied: "I didn't recognize you."

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