Newsletter - Vol. 4 Issue 7

July 2007

mortgagestraightTalk.com

Tel: 760-726-4600 Cel: 760-717-8584

Fax: 760-639-0785

Rod@MortgageStraightTalk.com

30 Yr. Fixed Conform. & Jumbo	**6.5 & 6.625%**
5/1 ARM Conform. & Jumbo	**6.125 & 6.625%**
Prime Rate	**8.25%**
MTA Index	**5.029%**
COFI Index	**4.299%**
Home Ownership Accelerator Index	**5.32%**

Morty's Bench Marks - 6/29/07

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

CURRENT EVENTS

As I mentioned last month, stronger than expected economic news along with renewed concerns from the Fed about inflation has driven investor money into Stocks and out of Bonds. Despite what you may have heard or read the Federal Reserve is not about to lower interest rates any time soon. Even though the Core Personal Consumption Expenditure report showed year-over-year inflation at 2%, finally within the Feds target zone of 1 - 2%, it wasn't enough to offset the worrisome news on two other fronts. May's Jobs Report showed the creation of 157,000 new jobs, much stronger than expected, and on June 8th, the European Central Bank raised its benchmark interest rates a quarter point, to 4 percent — the eighth increase since December 2005. What do these seemingly unrelated items have to do with home loan rates, you may ask? Just this: a tight labor market presages wages being bid up which in turn results in more inflation. Bonds become a less-attractive investment as uncertainties about inflation increase. And, when interest rates on U. S. Treasury notes lag behind foreign rates, American bonds become less attractive to foreign investors. The ensuing sell-off in the bond market last month was a reaction to concerns about interest rates both here and abroad. As a result, the yield on the 10-year Treasury note, which moves in the opposite direction from the price, rose to the highest level since last July. Yields on the 2-year, 10-year and 30-year securities all closed above 5% percent on June 9th. The net result was that Bond prices dropped and home loan rates shot up 375 basis points in two weeks or 3/8 of 1 percent. The market has a long way to go to work off the inventory of unsold homes.

As interest rates rise, more homeowners become unable to afford their adjustable rate mortgages, thus adding to the number of homes and pushing down prices.

THIS ISSUE'S TOPIC

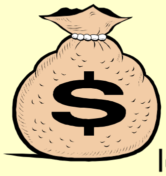
This is the last in my trilogy of "Top Ten Lists".

TOP TEN MISTAKES BORROWERS MAKE IN SECURING A HOME EQUITY LINE OF CREDIT (HELOC)

1. Not checking to see if your credit line has a pre-payment penalty clause.

If you are getting a "NO FEE" credit line, chances are it has a pre-payment penalty clause. This can be very important (and expensive) if you are planning to sell or refinance your home in the next three to five years.

2. Getting too large a credit line.



When you get too large a credit line, you can be turned down for other loans. Some lenders calculate your credit line payments based upon the available credit, even when your credit line has a zero balance. Having a large credit line indicates a large potential payment, which makes it difficult to qualify for loans.

3. Not understanding the difference between an equity loan and a credit line.

An equity loan is closed--i.e., you get all your money up front, then make payments on that fixed loan amount until the loan is paid. An equity credit line is open--i.e., you can get an initial advance against the line, then reuse the line as often as you want during the period the line is open. Most credit lines are accessed through a checkbook or a credit card. Credit line payments are based upon the outstanding balance.

Use an equity loan when you need all the money up front--e.g. home improvements or debt consolidation.Use a credit line if you have an ongoing need for money or need the money for a future event--e.g., you need to pay for your child's college tuition in three years.

4. Not checking the life cap on your equity line.

Many credit lines have life caps of 18%. Be prepared to make high interest payments if rates move upwards.

5. Getting a credit line from your local bank without shopping around.

Many consumers get their credit line from the bank with which they have their checking account. Shop around before deciding to use your bank.

6. Not getting a good-faith estimate of closing costs.

Within three 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.

7. Assuming that the interest on your home credit line/loan is tax deductible.

In some instances, the interest on your home credit line is NOT tax deductible.It is beyond the scope of this document to provide tax advice or quote from the IRS code. Contact an accountant or CPA to determine your particular situation.

8. Assuming a home equity line is always cheaper than a car loan or a credit card.

A credit card at 6.9% can be cheaper than a credit line at 12%, even after the tax deduction. To compare rates, compare the effective rate of your credit line with the rate on a credit card or auto loan. Effective rate = rate x (1 - tax bracket)

Example: If the rate of the home equity credit line is 12% and your tax bracket is 30%, your effective rate is 12%x(1-0.3)=12%x0.7=8.4%

If your credit card is higher than 8.4%, the credit line is cheaper.

Besides the interest rate, you may also want to compare monthly payments and other terms of the loan.

9. Getting a home equity credit line if you plan to refinance your first mortgage in the near future.

Many mortgage companies look at the combined loan amounts (i.e., the first loan plus the equity line/loan) even though they are refinancing only the first mortgage. If you plan on refinancing your first loan, check with your mortgage company to determine if getting a second line/loan will cause your refinance to be turned down.

10. Getting a home equity credit line to pay off your credit cards, if your spending is out of control!

When you pay off your credit cards with your credit line, don't put your home on the line by charging large amounts on your credit cards again! If you can't manage the plastic, get rid of it!

A NEW WRINKLE IN THE SELLING OF AMERICA — DATA MINING

Running one's credit is an important and necessary step in buying or refinancing a home, as well as something that is done for a variety of reasons—increasing your credit limit on a credit card, applying for insurance, or buying a car. Most people don't realize that each time their credit is run, that "inquiry" becomes a credit trigger whereby the credit bureaus (Equifax, TransUnion, & Experian) turn around and sell the inquiry to other lenders and "data mining" operations.

Without your permission, the bureaus are selling your personal, confidential information to competing creditors, not just once, but over Because the lenders and brokers that buy these "inquiry or trigger" leads from lead generators lack the crucial information such as appraisal and documentation of income and assets to extend firm offers of credit they often resort to "bait and switch" strategies. Sundry and questionable tactics are often used to lure clients away from their existing lenders. Some clients who have been scammed by these various "fast buck artists" are told that their previous lender they had "passed on" the information to them, because they knew that they'd be able to offer much better interest rates and terms.

The consumer credit reporting industry has provided a way to "opt out" and remove your name from these lists. You can contact them by phone at 1-888-567-8688 or online at....

www.optoutprescreen.com

You must opt out at least 48 hours prior to having your credit checked to make sure it is processed in time. You can choose a five year or lifetime option, and the lifetime option does require a signed form. If a credit report needs to be run prior to the 48 hour waiting period—at least you are aware and informed, and can be on the lookout for suspicious phone calls or mailers from someone who has purchased your data. Opting out will also protect you from "pre-approved credit offers" arriving via mail...one of the leading causes of identity theft in the U.S. over and over again. And, it's legal. These "inquiry leads" include name, address, phone numbers (including unlisted), credit score, current debt and debt history, property information, age, gender and estimated income.

FOR WHAT IT'S WORTH?

The real estate market is again proving that location is key. Nationwide there are hot areas versus cool areas. For the first quarter of this year, prices rose 10% in Seattle, 7.4% in Charlotte, N.C., and 7% in Portland, OR. Prices dropped 8.4% in Detroit and 6% in San Diego.

According to the Standards & Poor/Case-Shiller index released at the end of May, U.S. home prices dropped on average 1.4% this compared to the previous

MORE FEEDBACK, MORE STRAIGHT TALK

A few months back I solicited advice from nearly all of you as to how to make this newsletter more relevant and useful to the readership. I thank you all for your comments, considered and otherwise. I wanted to immediately report back on your observations but a lack of space in previous issues forced me to delay this until now. One suggestion I've tried to implement, like passing on various forecasts of housing prices (see above paragraph and last month's issue, vol. 4, issue 6) since that's of understandable interest to most, if not all of the readership. One reader truly bowled me over by taking the time to send me an entire page of suggestions. Thank you, Grant.

Among the suggestions I received were a desire for conciseness, more graphs and a slogan or mission statement in the header. As regarding these comments I thought the newsletter's name and Uniform Resource Locator (URL) address namely, www.MortgageStraightTalk.com, bespoke that very concept, i.e., Straight Talk. I try not to be verbose and to this end I edit and re-edit in an effort to condense the newsletter. Often times, however, the nature of the topics do not allow it, if one is to provide any sort of meaningful explanation or coverage. In the past, I've broken lengthy topics up into two or three part installments in an attempt to give an overview but I get the nagging feeling that readers are unsatisfied when it ends with "to be continued" or "next month, Part Two". If readers pick up the middle issue of a three-parter, they are probably less apt to read it because they feel they've come into a topic in the middle of it without knowing or recalling what has come before. I've tried recaps to bring them up to speed, but it has not seemed altogether suitable either.

We've all heard that "one picture is worth a thousand words", but real estate and financial concepts are rarely explicated by a picture. My processor, who does the newsletter graphics, is faced each month with this daunting challenge. Graphs, we found, when we devoted an entire issue to indexes, are probably the most work intensive and they are hard to reproduce because of ink bleed.

As for a header, slogan or "Kiplinger"-esque mission statement like "Making you smarter about real estate", I've never had one. It's an interesting idea and if I (or someone else) comes up with something catchy I may employ it. The implicit theme of the newsletter and the website for that matter is that "knowledge is power". The other idea that I've sought to reinforce, albeit somewhat self-serving, is that "an informed borrower is a better client".

I'll report and/or implement more of your feedback in upcoming issues as I receive it. As always, I welcome your comments and criticisms. I encourage you to visit my website www.mortgagestraightTalk.com if you wish to view back issues of the newsletter and there is also a wonderful mortgage calculator that affords a "GRAPHIC" representation of how bi-weekly payments will shave 20% off the pay-off period and hundreds of thousands of dollars in interest payments.

MORTY'S MAILBAG

Q. I hear mortgage bankers and brokers refer to front end and back end ratios. What are you folks talking about?

A. Front-end ratios refer to a borrower's housing expense (mortgage payment, taxes and insurance) divided by the borrower's gross income. Lenders like to see this number in the range of 28-30%.
A back-end ratio is one's housing expense plus consumer debt divided, again, by gross income. On the low side, some banks won't allow this figure to exceed 38% but, depending on the loan program, "A paper" lenders will go as high as 45%. Sub-prime lenders will allow a Debt To Income ratio (DTI) of 50% or even 55% in some instances.

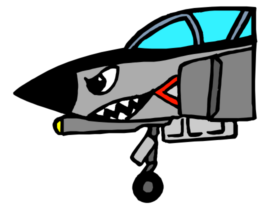
Recipients of the newsletter are invited to Ask Morty any real estate or financing questions. The answer to the question will be answered in the next issue for the benefit of all. Questions may be forwarded via mail phone or fax. (See front of issue for phone and fax numbers). Morty's email address is....
Morty@MortgageStraightTalk.com

NEXT ISSUE'S TOPIC: APPRAISALS

MORTGAGE MIRTH

The teacher gave her fifth grade class an assignment: have their parents tell them a story with the moral at the end of it. The next day the kids came back and one by one began to tell their stories.

"Tony, do you have a story to share?"



"Yes ma'am. My Daddy told a story about my Aunt Karen. She was a pilot in Desert Storm and her plane got hit. She had to bail out over enemy territory and all she had was a flask of whiskey, a pistol, and a survival knife. She shot fifteen of them with the gun until she ran out of bullets, killed four more with a knife till the blade broke, and then she killed the lastone withher bare hands."

"Good heavens," said the horrified teacher. "What kind of moral did your Daddy tell you from this horrible story?"

"Stay away from Aunt Karen when she's been drinking!"

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