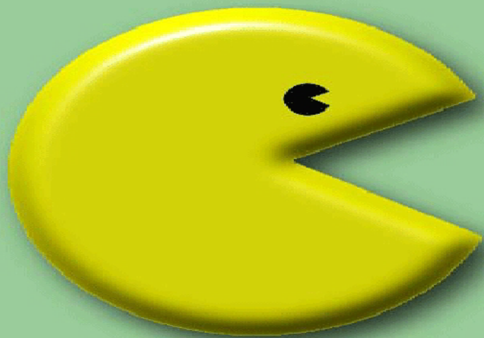

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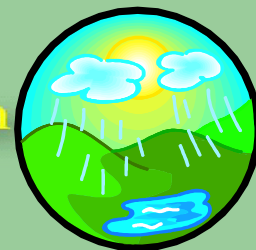

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THE MONTH IN REVIEW

<u>3/1-3/4</u> **With oil topping $100 a barrel, Tuesday, the DJIA plummeted 168-points. Congress passed a spending bill Wednesday that will keep the government open for another two weeks. The stock market had its best day thus far in 2011 with the Dow rallying behind a strong employment report to post a 191-point gain for the session.** Instead of rising as expected, **the unemployment rate fell to 8.9% last month, from 9.0% in January. Oil prices topped $104, Friday,** up 7% this week. In response to the run up in energy prices the Dow fell 88-points.

<u>3/7-3/11</u> **The DJIA sank 80-points** on surging oil prices and **Moody's slashing Greece's debt rating to B1. The price on the benchmark** 10-year U.S. Treasury fell, **with the** yield rising to 3.55%. **U.S. stocks closed broadly higher** Tuesday, with the Dow advancing **124 points**. The Orange County Register reported that **a recent survey of California real estate agents showed that lenders killed 43% of all short sales.** The number of **foreclosure notices filed in February dropped 14%** compared with a month earlier and **27% compared with a year earlier,** according to RealtyTrac. **Economic fears both at home and abroad triggered a nearly vertical drop in equities of 228-points, Thursday. The Thomson Reuters/University of Michigan Index of Consumer Sentiment fell to 68.2 in March** from 77.5 in February.

<u>3/14-3/18</u> U.S. stocks slid after Japan's leading stock index plunged in reaction to last week's massive earthquake and tsunami which in turn caused **the price of the benchmark 10-year U.S. Treasury to rise, thereby pushing the yield down to 3.35%.** Mortgage rates are heavily influenced by Treasury yields on the 10 yr. bond. **The nuclear crisis in Japan sparked a 138-point sell-off in equities, Tuesday.** The government said **new home construction fell 22.5% in February,** more than economists were expecting, **while the number of permits for future housing construction fell 8.2% to all all-time low.** It was another **down day on Wall St.** as fall-out from the earthquake, tsunami and nuclear disaster **pushed the market 242-points lower.** The Labor Department reported the **Producer Price Index rose 1.6% in February alone, the biggest jump in nearly two years.**

<u>3/21-3/25</u> Nationwide, **sales of existing homes fell 9.6% in February** after three straight monthly increases, the National Association of Realtors said Monday. **Stocks** spiked upward from the open Monday, on positive news regarding Japan's nuclear crisis and **finished the session 178 points higher.**

Oil rose to $105/bbl, Tuesday. Americans filing first-time **unemployment claims fell to 382,000, in the week ended March 19,** the Labor Department said Thursday. **New home sales fell 16.9% in February**, to the lowest level since the government began keeping records in 1963.

3/28-3/31 **The Commerce Department reported that spending by individuals increased 0.7% in February,** topping a forecasted 0.5% rise. The National Association of Realtors **said pending home sales rose 2.1% in January.** The Conference Board said **its Consumer Confidence Index for March fell to 63.4 from 72 in February**. That was the lowest reading since December, when the index also registered 63.4. The S&P/Case-Shiller home price index covering 20 major markets fell 3.1% year-over-year, hovering near the market's bottom set in April 2009. **Only Washington, D.C. and San Diego showed any increases—the former up by 3.6% and the latter edging up 0.1**

THIS ISSUE'S TOPIC:
LOAN PROGRAMS THAT MANY REALTORS AND BORROWERS ARE UNAWARE OF

The financial community is remarkably inventive at developing new programs to allow borrowers to qualify for real estate loans. Many of these loan products are apt to be as new to realtors as they are to the public. So, it falls to mortgage brokers to alert and educate both realtors and borrowers as to their features and benefits.

EVERGREENS

Because so many people are already familiar with such evergreen programs like FHAs and VAs,

I mention them here not just to refresh one's understanding of their guidelines, but to provide some perspective as to their relative benefits and features.

Also, some of the loan programs I will introduce, today, are variants of FHAs. To differentiate these programs I have color-coded them.

FHAs owe much of their current popularity to their relatively low **3.5% down payment** requirement and their inclusiveness. **Citizenship is not required, so permanent and non-permanent aliens are also eligible.** Nor is the program limited to first-time homebuyers. Requiring a **FICO score of 620** (though 640 is now more the norm), and liberal guidelines have also contributed to their appeal. FHAs have high and **flexible qualifying ratios with Debt-To-Income (DTI) ratios of 31%/43%, some** as high as 45% - 50% (with a few lenders). In addition, **all borrowers' income and debt are used to qualify, even non-occupants.** Further, there are **no reserve requirements. One-hundred percent of gift funds are allowed and seller concessions up to 6%** are permitted toward closing costs. Owner occupied properties of **1-4 units, PUDs and condos are eligible**. Both **fixed and adjustable** rate mortgages are available with both **15- and 30-year terms.** Rates currently **range from 3% up to 4.75%** at present and **buy downs are available**, too. Loan amounts range as high as **$697.5k in San Diego** and even higher in LA and Orange County ($729,750). Some lenders do not even require tax returns, pay stubs, W-2s, or asset documentation. Still others allow debt/income ratios to be blended. Most have also waived the 90-day flipping regulation.

NO DOWN PAYMENT or an LTV of 100% on loans up to $729,750 is a unique feature of VA loans. Because the Veterans Administration guarantees 25% of the loan up to the county limit there is no minimum down payment per se for loans in excess of $729,750. **FICO scores of 640** are required though a few lenders will entertain scores **as low as 620**. **Debt-to-income ratios** are set at **41%,** with occasional exceptions to 43%. There are **no reserve requirements** for a 1-unit property or a loan below $417k. Since both VAs and FHAs

are government sponsored programs many of the same guidelines apply: **Citizenship is not required**, nor are VAs limited to first time homebuyers, **100% of gift funds** are allowed, **seller concessions up to 6%** are permitted. Owner occupied properties of **1-4 units, PUDs and condos are eligible**, but non-owner occupied purchases are not. **Both fixed and adjustable rate mortgages** are available as are **15 and 30 year terms**. Rates currently **range from 3.25% up to 4.75%,** at present, and 2/1 buy **downs are available**, too. A major benefit of VA loans is that there is **NO MONTHLY MORTGAGE INSURANCE**. **Minimum FICO scores of 620** are necessary (though, again, **640 is now more the norm**). VAs are assumable, a rarity among loans these days. A veteran can use his or her entitlement multiple times. Reservists also qualify for VA benefits. A seller can pay off debt for a borrower. Impounds are required

LOAN PROGRAMS THAT ARE NEW (at least to many of you)

Now that we have dealt with the most common government sponsored programs, let's look at the lesser known as well as some little known conventional ones. There are seven that I will discuss today and two of them are essentially clones of their more famous siblings.

The first of these are the **HomeSteps** and **HomePath** loan programs. Since foreclosures still comprise about 25-35% of all real estate sales, Fannie Mae and Freddie Mac have **devised two specialized loan programs to help sell off their burgeoning foreclosure inventory.** The **HomeSteps** loan program is solely for **Freddie Mac foreclosures** and **HomePath** is perhaps Fannie Mae's more famous equivalent sister program. One of the biggest obstacles to recent real estate sales has been low appraisals. A unique feature of both of these programs is that **NO APPRAISAL** is required. With as little as **3% down for an owner-occupied purchase** and only **10% down for non-owner occupied purchases,** these two programs are considerably more cost-effective than FHAs. To sweeten the deal further, **up to 6% in seller credits are allowed for owner-occupied properties**. There are few restrictions regarding eligible properties—single family residences of **1-4 units, PUDs or condos are AOK.** As with most all loan programs, **fixed and ARM mortgages** are available, as are **15 and 30 year terms**. **Rates currently range from 3.5% to 4.875%** depending on the length of the fixed rate and the loan amount. **FICOs as low as 620** are permitted if the LTV is less than 80% and a 660 is needed when the LTV is above 95%. **Gifts** for down payments and closing costs are also permitted.

Another very desirable feature of both programs is that there is **NO MORTGAGE INSURANCE REQUIRED** with either program.

The list of HomePath eligible properties is located at:
http://www.homepath.com/search/CA_073.html?ps=10

A list of HomeSteps foreclosures is available at:
http://www.homesteps.com/featuresearch.html

Open Access & DU Refi Plus are also programs. Again, Fannie Mae's **Plus** is the better known program Freddie Mac's Open Access is its lesser lesser known equivalent. These programs specifically designed **to benefit borrowers who are upside down on their property,** but who would like to refinance at today's lower rates. It allows borrowers to refinance their 1ST mortgage up to 105% of the property's current appraised value. There is no maximum Combined Loan To Value (CLTV) with a few lenders and a few others limit the CLTV to 125%. Owner occupied homes from 1-4 units, 2nd home, investment properties are all eligible. Again, the maximum loan amount is tied to the county limit—$697.5k in S.D. ($729,750 in L.A. and O.C). For 4 units, the loan amount increases up to $1M. A FICO score of 620 is required.
Both fixed and adjustable rate mortgages are available with 15 and 30 year terms. The rates currently range from 3.5% to 5% depending on fixed versus variable and the loan amount.

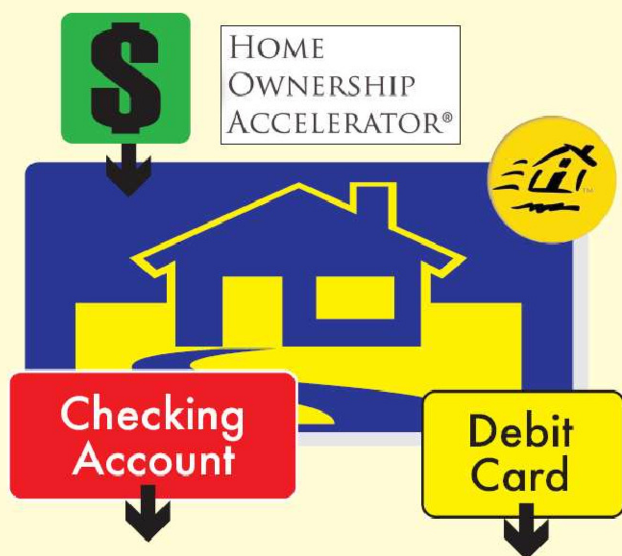
The only stipulation is that the current loan must be owned or guaranteed by Fannie Mae or Freddie Mac. Seventy-five percent of all loans are owned by one or the other entity.

Fannie Mae loans are verifiable at:
http://loanlookup.fanniemae.com/loanlookup/

Freddie Mac loans verifiable at:
https://ww3.freddiemac.com/corporate/

Loans with Mortgage Insurance (MI) are not eligible. If a home owner is upside down on their loan they will still be upside down, but a mortgage with a rate of 4% or 5% is much more affordable than one at 6% or 7%.

The Home Ownership Accelerator HOA. This loan program enables a borrower to pay off a 30-year loan in about half the time (16.4 years) with no change in their spending habits and, no, this is not a bi-weekly program. It is elegantly simple in the way that it functions. Unlike a conventional mortgage wherein one pays one's interest first and whatever is left over is applied toward principal reduction, the HOA reverses the process. **Instead with the HOA, one pays one's principal balance down first and because the principal is dramatically reduced, less interest accrues which helps to negate the effect of compound interest over time.** It sounds simplistic, but it works so well such that one young couple for whom I arranged this loan in 2005 had retired their debt on a $350,000 loan by March of 2010—such that they owned their home free and clear in a scant 5 years!



The HOA is a 1st position home equity line of credit combined with a checking account. You knowhow your money earns virtually NO interest in your checking and savings accounts? With the Accelerator, your checking is connected to your mortgage, so instead of earning no interest, the money in your checking account is offsetting the 3.5% (base) interest of the HOA. It is ideal for a small-business owner, the self-employed, retirees, or anyone with positive cash flow wishing to pay off their mortgage in half the time because a borrower can save tens of thousands in interest. It is also very flexible. Unlike with a conventional mortgage, when you make your mortgage payment that money is gone forever more. With the HOA, if you need to access your credit line for whatever reason all you need do is write a check.

There are **two notable restrictions** regarding this program: one, the **max LTV is 75%** and two, this program applies to **only primary residences**, no 2nd homes or investment property. The maximum loan amount is up to $2,500,000. Borrowers can qualify at the Interest Only payment. The hallmark of this program is its simplicity: There are no cash out requirements. A Good Faith Estimate (GFE) is not required either because this program is not subject to RESPA. A 700 FICO score, however, is required.

Note: There is **3.5% FLOOR RATE**. This is a variable rate mortgage that is tied to the 1-month LIBOR. The 1-month LIBOR is currently 0.261%. **One has a choice of 3 margins: 2.85%, 3.1% or 3.35%.** Depending on the margin chosen the **FULLY-INDEXED RATE could be as little as 3.111%, 3.361% or 3.611%.**

To learn more about this program go to:
http://www.homeownershipaccelerator.net/ (Direct link to the 5 minute HOA Movie)

My Community Mortgage (MCM) is a Fannie Mae (FNMA) loan program for **first-time homebuyers, buyers with disabilities and public service employees.** The My Community Mortgage program **also expands the eligibility for teachers & educational institution employees, police officers, firefighters, health care workers and persons with disabilities** by allowing the use of part-time income to qualify for the loan.

The program allows homebuyers to qualify for a mortgage at conforming interest rates and lower Private Mortgage Insurance (PMI) premiums. Similar to the government's FHA program, **MCM currently requires**

only a 3% down payment. FNMA is also flexible on the source of **down payment.** It **can be the borrower's cash on hand, gift from a relative, or even from the employer.** No minimum contribution from the buyer's own funds is required. **No reserves are required for 1-2 units** and only 2 months for 3-4 units. MCM allows for **debt-to-income ratios of 43%, gifted reserves, and consideration of part-time and overtime income with 12-month history to qualify for a bigger loan amount**. Underwriting requires at least a **640 FICO score** for 1-2 units. A 680 FICO is needed for 3-4 units with an LTV of 95%. The Combined Loan To Value **(CLTV) may go up to 105%** with community seconds. **Owner occupancy** is required.

To qualify for a My Community mortgage, the borrowers' income may not exceed the program's income limit. However, for homes located in neighborhoods designated as "underserved," there is no income limit. **Up to 30% of qualifying income can come from boarder income or occupying co-borrower**. MCM also provides additional advantages for nurses, paramedics, fire fighters, and police officers as well as anyone who works in an educational institution. The My Community Loan Programs also allow for **reduced PMI premiums in some cases** as well. This reduces your monthly mortgage payment significantly if you qualify.

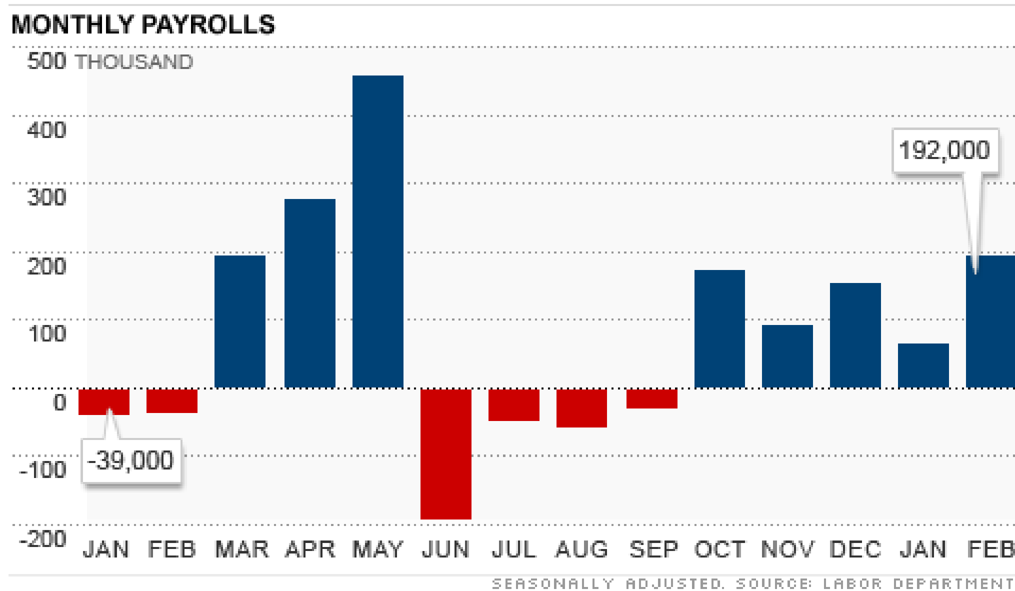
A 30 yr. fixed is currently @ 4.875%

Another program for first-time home buyers that is designed to enhance affordability is the **CalHFA Loan** for borrowers with low or moderate incomes. (A borrower is considered a first-time homebuyer if they have not owned and occupied a home in the past three (3) years). The 1st loan is provided via the California Housing Finance Authority. Because of the extremely **low down payment requirements and low interest rate (**set by CalHFA) **income and sales restrictions apply**. The CalHFA FHA offers financing up to 96.5% of the purchase price or appraised value whichever is less. To make owning your first home more affordable, **down payment and closing cost assistance may be obtained by combining a CalHFA 1st mortgage with a 2nd via the California Housing Downpayment Assistance Program (CHDAP).** The Combined-Loan-To-Value **(CLTV) may go as high as 101.5% when paired with a 2nd.** The **maximum loan amount is $417K.**

Eligible properties include Single Family Residences **(SFRs), PUDs, condos**, but it must be the borrowers' **primary residence**. One-month's cash reserves are required. A borrower must have a **620 FICO**. In order to qualify the borrowers' **DTIs must not exceed 31% for PITI and 43% in addition to consumer debt.** There are minimal fees to borrowers. The seller can pay a buyers non-recurring closing costs including mortgage insurance. The trick with this loan is for the borrower to fit into the rather narrow income and sales niches.

The one lender I have for this program offers only a **30 yr. fixed rate term @ 4.375%.** If, however, a borrower has a 2nd through the California Homebuyer's Downpayment Assistance Program (CHDAP) the **CalHFA FHA 1st drops 0.125% to @ 4.25%.** A **CHDAP 2nd is @ 3.25%**. The **maximum loan amount of a CHDAP is equal to 5% of the sales price**.

FEBRUARY JOBS REPORT: UNEMPLOYMENT FALLS AGAIN



The unemployment rate fell to 8.9% last month, from 9.0% in January, the best reading since April of 2009. The unemployment rate has now fallen nearly a full percentage point in the last three months, the most rapid improvement in nearly 28 years. Economists had expected the unemployment rate to edge up to 9.2%. The economy gained 192,000 jobs during the month, roughly in line with economists' forecast of 190,000 jobs. Businesses added 222,000 jobs—their best hiring month since last April—while state and local governments cut 30,000 jobs.

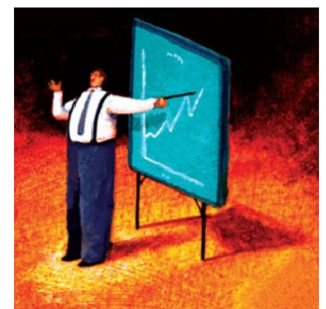
Another good sign: More jobs were added in the previous two months than originally thought. Readings for December and January were revised upward by a combined 58,000 jobs. Still another factor helping unemployment is a sharp decline in job losses. The number of people losing their jobs fell by 1.1 million since November, the biggest three-month decline since the Labor Department began tracking that number in 1967. That improvement has also shown up in readings on jobless claims—the number of people filing for first-time unemployment benefits hit a three-year low last week.

Despite the recent improvement, unemployment remains significantly higher than before the Great Recession hit. Austan Goolsbee, the chairman of the White House Council of Economic Advisors, acknowledge more needs to be done to replace the 8 million jobs lost during the worst of the recession, despite the signs of improvement. Nearly 6 million Americans have been out of work for more than six months and the average duration of unemployment climbed to 37 weeks in February, a post-World War II record. And the unemployment rate is likely to rise as the labor market continues to improve and job seekers sitting on the sidelines return to the work force. The number of jobless people who are no longer counted as unemployed because they're not actively seeking work remained little changed at about 2.7 million.

FHA MORTGAGE INSURANCE PREMIUM IS GOING UP

The Federal Housing Administration has announced that effective 4/18/2011 there will be 0.25% bump in the annual Mortgage Insurance Premium (MIP). Currently, the annual MIP is 0.85% for FHA loans with an LTV < 95%. For homes with LTVs > 95%, it is 0.90%. Incorporating the increase means that loans with 30 year terms that have LTVs less than 95% will see an annual MIP of 1.10% and for those with LTVs above 95% the annual MIP will be 1.15%. For terms of 15 years with an LTV of 90% or less, the MIP will be 0.25% monthly. Fifteen year terms with LTVs greater than 90% will see their MIP increase to 0.50%

MACROECONOMICS FOR THOSE WHO NEVER HAD ECON 101

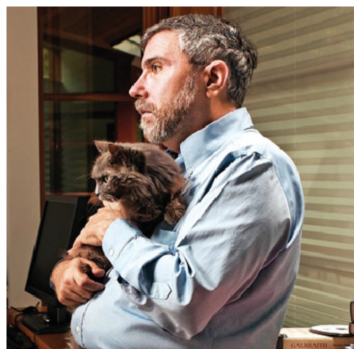


It's been said that intelligence is the ability to take something confusing and make it simple. Here's my academic contribution with respect to the macroeconomic status of America circa 2011. The simple reason that unemployment is high is that there is not enough demand for goods and services in the economy. Until it collapsed beginning in 2007, the bubble that was housing had been driving the economy for a number of years. When it burst, millions of construction jobs along with millions more tied to consumer goods and services disappeared. The plunge in home

prices curtailed the consumption boom. Together, the drop in construction and consumption led to a falloff in annual demand of more than $1.2 trillion, almost 10% of the economy.

The private sector is unable to generate this demand. And that means we need additional government spending to generate jobs, or we are left with very high rates of unemployment. (Note that this fact has nothing to do with whether one likes the government or likes the private sector more). Private businesses are not going to start expanding and hiring people because politicians cut government spending. Just go ask your nearest storeowner how many more people he or she will hire if the government cuts its spending. Businesses will expand and hire people when they see that there is more demand for their products and services. The federal government is the only force with the ability to create enough demand to get the economy back on its feet right now.

The stimulus package that Obama proposed and that Congress enacted was a step in the right direction, but it was nowhere near large enough as Paul Krugman, the Nobel economics laureate, and others have pointed out repeatedly. When you eliminate the hype and the hoopla the actual size of the annual stimulus in 2009 and 2010 was about $300 billion a year. Roughly half of this was offset by cutbacks at the state and local level. Bottom line: We were trying to fill a $1.2 trillion hole with a net stimulus from the government sector of $150 billion. While research shows the stimulus was actually more effective than predicted, we needed much more to get the unemployment rate down to normal levels. Unfortunately, the politicians in Washington are too scared, ignorant or hidebound to utter the simple truth: We need more spending to get the economy back on its feet, not less. America needs to be doing what China is doing—investing in energy, education, and rebuilding our crumbling infrastructure. All of these enterprises would hugely benefit job creation and in turn—the economy and tax revenue streams.



The GOP and the Tea Party ideologues who swept into office last November currently have a majority only in the House, yet they dominate the national political agenda, declaring that they have a mandate from the people to enact spending cuts. They have fostered a specter in the form of the national debt and told everyone that unless we slash spending financial doom is imminent, all the while ignoring that our defense budget, in inflation adjusted terms, is higher than at any time since the end of World War II. Over the past decade, the

U.S. share of global military spending has risen from one third to one half. The United States now spends six times as much as China, the country with the next biggest budget. Defense is the third largest area of the federal budget, consuming 23% of the total. On top of all that, the Obama administration has increased the base budget. It projects spending $6.5 trillion between 2011 and 2020.

But, the fastest growing segments of the budget are Medicare and Medicaid, yet the GOP and the Tea Party are hell-bent on repealing health care reform whose primary focus, ironically, is on curbing costs. Budget experts on the left and right say successful debt reduction can only occur when spending is cut across all areas of the budget. And excluding revenue increases from the mix is the equivalent of one hand clapping: ineffective given the size of the country's debt. Instead, the cuts that ideologues deem paramount are the ones affecting the poor and the powerless.

By forcing an extension of tax cuts for the richest 2% of Americans, and lacking the political will to cut a bloated defense budget or reform Medicare and Medicaid budgets, the House majority has ensured a budget deficit. Therefore, services will be cut. No more fiscal stimulus is going to be provided since there is an ideological perception that government is incompetent. (This, despite the fact that we rely on the government to provide for our defense, ensure that the water we drink is potable, the food we eat is safe and air we breathe is clean). Given the slack in demand and the lack of further fiscal stimulus, unemployment is destined to remain high.

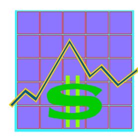
The only significant differences between the two parties will be how high and how slow the economy will grow. So far, the G.O.P. is calling for cuts in the things we need to invest more in — like education and infrastructure—while leaving largely untouched things we need to reduce, like entitlements and defense spending. A country that invests more in its elderly than its youth, more in nursing homes than schools, will neither invent the future nor own it. On the one side we may end up with status quo budgets, which will give us unemployment rates above 6% for the next five years, according to both Obama and the Congressional Budget Office. Or, we get a Republican budget with large cuts that will slow growth further and lead to even higher rates of unemployment. Instead of growing our way out of our problem, the spending cuts will prove doubly deleterious, in both undermining America's future and threatening to abort a nascent economic recovery.

MORTGAGE LENDING HELL 2.0 MOMENTARILY AVERTED

It's been said the road to Hell is paved with good intentions. As a result of the Federal Reserve's latest batch of regulations regarding mortgage lending compensation, it appears that buyers', borrowers', and brokers' patience will be sorely tested during upcoming summer selling season. The purported purpose of the legislation, scheduled to go into effect, today, April 1st, was to protect the consumer from greedy loan originators. But given a housing industry already on the ropes and a 75% thinning in the ranks of mortgage brokers over the past five years, there are very few brokers left, let alone greedy ones. Ironically, because so much of the legislation imposed during the past two years was ill-conceived and poorly drafted, it has made loans and appraisals ever more costly while providing scant protection for consumers. Unfortunately, this latest go round appears just as half-baked, but with the result being a restraint of competition and higher prices.

Last night, in response to a law suit by the National Association of Mortgage Brokers (NAMB) the U.S. Court of Appeals in Washington granted a stay of implementation until a hearing could be convened on April 5th. (I will have more to say about this in my next issue).

RATE SUMMARY:



Rates were mostly unchanged, since last month.
Conventional conformings—NIL CHANGE
Jumbos—IMPROVED SLIGHTLY
Governments (FHA/VA)—SLIGHT IMPROVEMENT

FOR CURRENT INTEREST RATES FOR THE 16 MOST POPULAR PROGRAMS GO TO: www.mortgagestraighttalk.com Then, click on the menu tab labeled "RATES". The rate sheets are updated every Friday.

SPECIAL(S) OF THE MONTH:

FHA & VA 15 yr. fixed @ 3.750% & 3.875%

H.B. Conf. 15 yr. fixed @ 4.125%

FHA H.B. 30 yr. fixed @ 4.500%

JUMBO 30 yr. fixed @ 5.450%

JUMBO 5/1 ARM @ 3.850%

MORTY'S MAILBAG

Q. Your rates seemed great until I heard a recent radio ad by some outfit for a 2.875% fixed rate loan. What gives? Are they for real or is this some kind of scam?

A. Because I do a survey every Friday of the mortgage rates among the 20 or so lenders that I represent, I believe I am more cognizant of rates than perhaps 98% of mortgage brokers. So, when I hear some of the rates advertised by various lenders my curiosity is piqued,

especially when they quote rates that I know are not conventionally available. What I have found to be true is the old adage that goes: "Figures don't lie, but liars figure."

In some cases the rates they are offering are "possible", but what they have neglected that to tell you that to get that particular rate you may have to pay 5 discount points to buy the rate down to what they are advertising, something that most borrowers are in no position to do (nor should they, if they were in their right mind).

Another common ploy is that they are quoting rates for terms so short that no one will take them up on their offer. Most mortgages are written with 30 year terms, but there are also those that have 15 or 20 year terms. The terms that some lenders quote rates for are as short as 10 years, with 15 years more often being the case. The key thing to listen for is the disclaimer at the end that identifies whether the loan is for 120 months (a 10 year term) or 180 months (a 15 year term). Most borrowers opt for a 30-year term because (a) it is what they can afford given their budget or income and (b) what they are apt to qualify for.

I have also heard instances where a "fixed" rate loan is being offered at say 3.25% but they are neglecting to mention that loan at that rate is only fixed for the first 5 years, after which point they become adjustable rate loans. This is strictly a no-no because lenders are representing what are basically adjustable rate mortgages (ARMs) as fixed rate products, even if the rates are fixed for a portion of the term of the loan.

So, why would these lenders shade the truth? To get you to call them. Once they have you on the phone they are hoping to up sell you into something else because you're not going to qualify for the loan that you called about or you are not going to want to pay 5 or 6 points to obtain that rate. And, they are able to do this because of their weasel-worded disclaimer at the end of the radio spot that says "Terms and rates are subject to change. Not all borrowers will qualify".

Others offer to cover all of your closing costs. These lenders won't quote you a rate because it is not apt to sound too appetizing because they will have to charge you a rate that is higher than the prevailing rate to offset the closing costs they are paying for as well as factoring in a profit for their services. The bottom line is that "there is still no free lunch".

A couple of former clients that had 5/1 ARMs at 6% took Bank of America up on their offer to convert their loans into 30 yr. fixed rate products at 5.875%. It sounded good to them because they were 4 years into their loan and they feared that rates might go up considerably when the fixed rate period ended and the adjustable period began. To make it sound even better, B of A offered to credit them $5,000 toward their closing costs. What these unsuspecting borrowers didn't realize was that at that time, they could have gotten a rate of 4.25%, if they had called me. Even with the credit, at that rate, B of A pocketed more than $10,000 on their loan. I could have done it for half of that and they would have been able to reduce their loan balances by another $5,000. Banks will rarely offer you something that isn't inherently more beneficial to them. More often than not you can do so much better than what they're offering by calling a mortgage broker.

Recipients of the newsletter are invited to ask Morty any real estate or financing questions. The answer to the question will be answered either by phone or email and posted in the next issue for the benefit of all. Questions may be forwarded via mail, phone or fax. Due to the high incidence of spam, if you email me a question it needs to identified as "real estate question" on the subject line of the email. (See front of issue for phone and fax numbers). Morty's email address is.... **morty@mortgagestraightTalk.com**

MORTGAGE MIRTH

When two egotists meet,

it's an I for an I.

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