

Mortgage News from Carl Harder

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February 2004

Falling Mortgage Rates Still Attractive

Ruth Simon, Associated Press, January 22, 2004

If you thought you missed out on low mortgage rates, think again.

Economic jitters have pushed mortgage rates back down to levels not seen since July. That's good news both for procrastinators who missed out on last year's refinancing boom and for homebuyers looking to keep costs down.

Rates on 30-year fixed rate mortgages currently average 5.82 percent, according to HSH Associates, financial publishers in Pompton Plains, N.J.

As recently as early December, mortgage rates were at 6.18 percent.

With so many borrowers having already refinanced, the lower rates aren't likely to

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Mortgage Applications Jump to Record High as Rates Drop

Reuters, January 21, 2004

NEW YORK — A record number of Americans filed applications for mortgages to buy homes last week, an industry trade group said Wednesday, as borrowing rates fell within sight of the four-and-a-half decade lows reached in June.

The Mortgage Bankers Association said that its purchase index rose 12.5 percent to 501.6, the highest level since the group began its weekly survey in 1990, after the 30-year mortgage rate fell to 5.55 percent, the lowest since July.

The mortgage and housing sectors have been crucial props to the economy for two years, as low borrowing rates have encouraged refinancing and home purchasing.

Strong demand for home loans spurred record business volume for mortgage finance giant Fannie Mae last year, the company said on Wednesday.

Many economists had expected home sales to slow at the beginning of this year, but recent declines in mortgage rates have given new life to the housing boom.

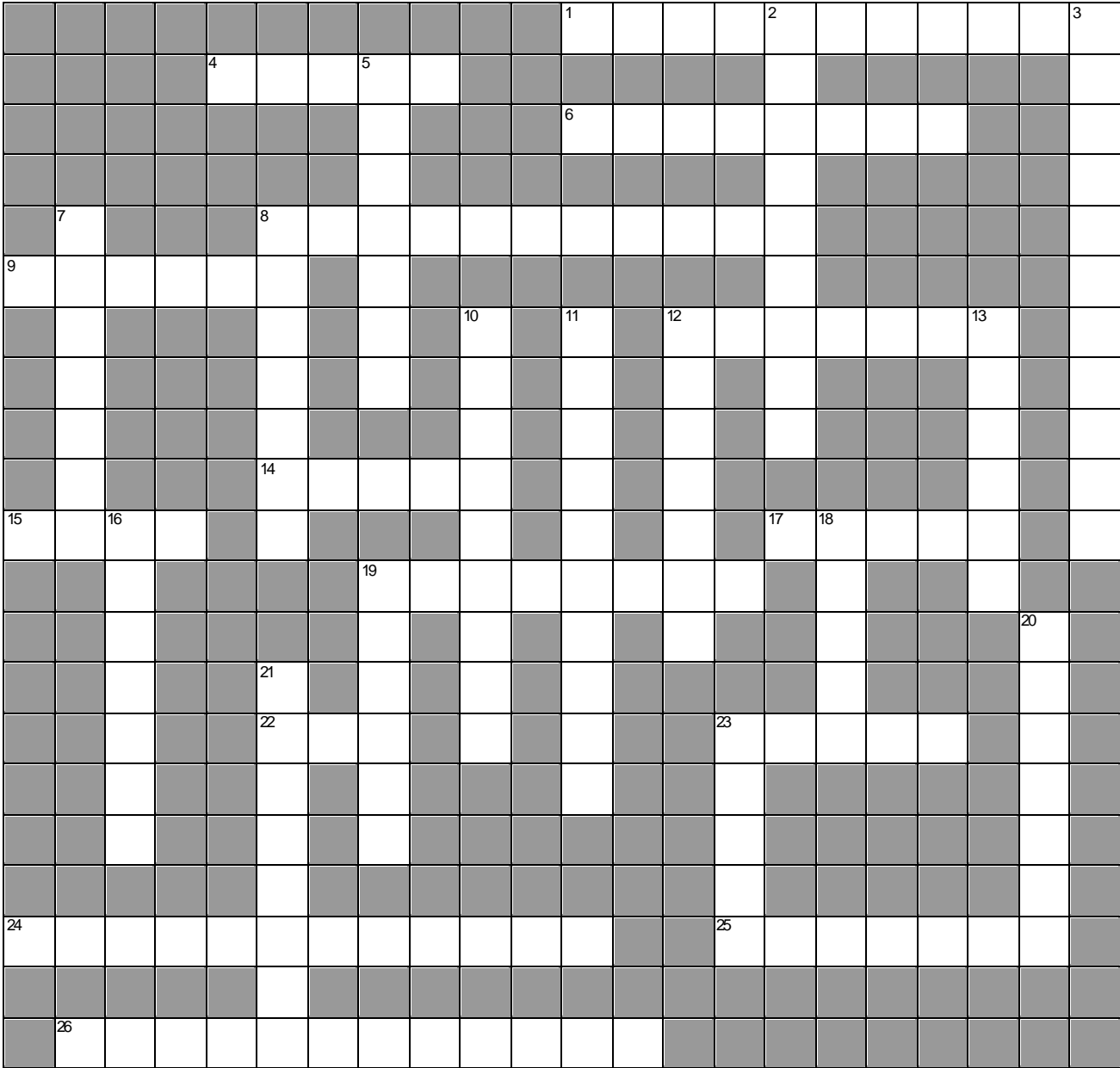
Last month, U.S. builders broke ground on new homes at the quickest pace since February 1984, the Commerce Department said on Wednesday.

Demand for home loans has remained strong because rates are still low, economists said. With recent reports suggesting the labor market is weaker than expected, investors have been ploughing more money into longer-term bonds, which eventually leads to reduced borrowing rates for consumers.

Last week, lower mortgage rates led to a 51.5

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Mortgage Terminology February '04



Created with EclipseCrossword — www.eclipsecrossword.com

For answers, or to obtain a copy of the solution, please call (888) 274-1497.

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Across

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1. A legal procedure in which real estate is sold by the lender to pay a defaulting borrower's debt .
4. A loan for \$333,700 or more in the continental United States (Alaska and Hawaii limits are higher).
6. Consideration in the form of money paid for the use of money, usually expressed as an annual percentage. Also, a right, share, or title in property.
8. Late- or non-payments of principal, interest, taxes, or insurance.
9. Fee _____ - The best title that one can obtain; unqualified and conveys the highest bundle of rights.
12. The person to whom an interest in real property is conveyed.
14. The London Interbank Offered Rate Index is an average of the interest rates that major international banks charge each other to borrow U.S. dollars in the London money market. Like the U.S. treasury indexes, this index tends to move and adjust quite rapidly to changes in interest rates.
15. A legal document which affects the transfer of ownership of real estate from the seller to the buyer.
17. _____ Mortgage - A mortgage that has priority over other mortgages.
19. The legal removal of real property occupants for unlawful actions carried out by those occupants.
22. A figure that states the total yearly cost of a mortgage as expressed by the actual rate of interest paid. Abbreviation.
23. _____ Rate Mortgage - A mortgage where the interest rate and principle and interest payment does not change for the life of the loan.
24. The clause in a mortgage or trust deed that stipulates the entire debt is due immediately if the mortgagee defaults under the terms of the contract.
25. _____ Ratio - The monthly mortgage payment including tax and insurance plus any home owner's association dues, divided by the gross monthly income. Also called Payment-to-Income Ratio or Front-End Ratio.
26. Literally to "kill off" (root: mort) the outstanding balance of a loan by making equal payments on a regular schedule (usually monthly). The payments are structured so that the borrower pays both interest and principal with each equal payment.

Down

2. A loan in which a seller agrees to finance a buyer in order to complete a property sale.
3. Any lien against a property or any restriction it its use, such as an easement; a right or interest in a property held by one who is not the legal owner.
5. Behaves like a fixed-rate mortgage for a set number of years (usually five or seven) and then must be paid off in full in a single payment. _____ mortgage.
7. _____ Charge - The total dollar amount your loan will cost you. It includes all interest payments for the life of the loan, any interest paid at closing, your origination fee and any other charges paid to the lender and/or broker. Appraisal, credit report and title search fees are not included in the finance charge calculation.
8. The failure to make payments on a loan.
10. The determination of property value based on recent sales information of similar properties.
11. The date the interest rate changes on an ARM (adjustable rate mortgage).
12. The person conveying an interest in real property.
13. The difference between the current market value of a property and the principal balance of all outstanding loans.
16. _____ Money Deposit - A deposit made by a potential home buyer to show that they are serious about purchasing the property.
18. A published interest rate against which lenders measure the difference between the current interest rate on an adjustable rate mortgage and that earned by other investments (such as one- three-, and five-year U.S. Treasury Security yields, the monthly average interest rate on loans closed by savings and loan institutions, and the monthly average Costs-of-Funds incurred by savings and loans), which is then used to adjust the interest rate on an adjustable mortgage up or down.
19. A third party agent that receives, holds, and/or disburses certain funds or documents upon the performance of certain conditions.
20. Final arrangements to transfer title of property as well as allocate charges and credits.
21. Giving other persons, other than the owner, access to a property.
23. Good _____ Estimate - An estimate of charges which a borrower is likely to incur in connection with a ban closing.

produce the kind of mortgage frenzy seen last summer. Still, at current rates, roughly 45 percent of borrowers can profitably refinance, said Dale Westhoff, head of mortgage research at Bear Stearns.

The drop in rates also should provide a boost to the economy. Already, lenders are reporting a rebound in mortgage refinancings, which should put millions of dollars into consumers' pockets. And the lower rates could spur home sales, which have begun to cool in recent months after hitting record levels.

The decline in mortgage rates comes on the heels of a recent employment report that suggested that just 1,000 new jobs were added to payrolls in December, despite robust growth by the economy in the second half of 2003.

The weak job numbers helped push down rates on 10-year Treasury notes, as bond investors bet that the Federal Reserve will continue to keep interest rates low to stimulate the economy. Rates on 30-year mortgages, which tend to move in line with rates on 10-year Treasury notes, also fell.

Susan Piccolo had planned to refinance last summer but missed the boat because she kept waiting for rates to drop even lower.

"I got a little greedy," said Piccolo, a registered nurse who lives in Avon, Conn.

When her mortgage banker called this month, Piccolo quickly locked in a 30-year jumbo mortgage with a 5.75 percent rate, well below her current rate of 6.375 percent.

But the opportunity for borrowers is likely to be fleeting.

"This is the sweet spot," Doug Duncan, chief economist of the Mortgage Bankers Association, said. Unless the economy slows,

Duncan expects rates to rise again when new employment numbers are released in early February.

With loan volumes still down from their record levels last year, borrowers should have an easier time getting through to their lenders — and may even find their lenders reaching out to them.

"Our loan officers are pretty hungry now," said Robert Couch, president and chief executive officer of New South Federal Savings Bank in Birmingham, Ala. "They will be dusting off files" of would-be borrowers who didn't act last summer.

His bank took 283 loan applications last week, versus just 161 applications the week before Christmas.

Falling mortgage rates in 2002 and in the first half of 2003 allowed millions of homeowners to slice their monthly payments and pull cash out of their homes. That, in turn, helped make consumer spending one of the few bright spots during the recent economic downturn. Americans saved roughly \$27 billion last year through lower monthly mortgage payments, Merrill Lynch senior economist Gerald Cohen said.

Loan applications dwindled in the second half of 2003 as mortgage rates moved upward. Refinancing activity plunged 62 percent in the fourth quarter from the previous quarter, Mortgage Bankers Association said.

Borrowers looking to lock in a low rate now are unlikely to face the kinds of delays that produced headaches and broken rate locks during the peak of the refinancing boom.

At Chase Home Finance, a unit of J.P. Morgan Chase & Co., turnaround times for refinances have shrunk to 30 to 60 days. During the height of the refinancing boom, they were running 60 to 90 days.

TESTIMONIALS

The following are testimonials written by some of my clients and business associates.

Carl was always there when I needed him. He made trips to my home. I always felt that Carl had my best interests at heart. I would recommend Carl to all of my friends, relatives and neighbors for any type of mortgage advice. – *Tom and Lorrie Brotemarkle, Garden Grove, California*

Carl returned my phone calls promptly and kept me well informed throughout the loan process. Next time I need to buy or refinance my home, I will definitely call Carl. – *Dr. Eduardo Prokos, Pelham, Alabama*

Carl delivers outstanding service with the highest level of professionalism. – *Hein Vogelzang, Carlsbad, California*

REFERRALS

As you are probably aware, I operate on a commission only basis and rely heavily on personal referrals. In an effort to build my business I have designed a referral program to benefit my clients. I would love to send you a gift certificate to your favorite restaurant for every referral that you send me that results in a funded loan. If you have not already done so, please provide me with the name, address and phone number of your restaurant of choice. You may provide this information to me by fax, email or by calling my toll free number and extension. As always, your referrals are very much appreciated.

Please send this information to:

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percent jump in refinancing applications, bringing the Mortgage Bankers Association's refinancing index to 3,327.3, its highest level since the week ended Aug. 1.

The surge in refinancing applications last week was the biggest, in percentage terms, since Jan. 12, 2001.

Rising refinancing and purchase applications lifted the industry group's index of overall mortgage market activity, its market index, by 30.4 percent to 916.1, the highest level since the week ended Aug. 1.

Documenting Your Loan

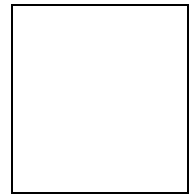
By Carl Harder, Great Choice Mortgage

When I began in this business, I was trained to ask for, "Two, two and two," from all of my borrowers. That means two bank statements, two W-2's and two pay stubs. Two tax returns would work in place of pay stubs and W-2's for self-employed borrowers. At the time, I was working for a direct lender and everything was pretty cut and dried.

Today I have the capability to broker a loan to a wide variety of lenders. The documentation requirements for each loan depend on the lender and the borrower's circumstances. "Two, two and two," still works in many cases, but there are many times when alternative income documentation provides a more attractive loan package. The most significant alternative method of documenting income involves the use of bank statements; from 12 to 24 months of bank statements. While these can be ordered from your bank, it takes time to get them and there is usually a \$5 charge for each month you order. Also, Internet printouts do not work. Underwriters insist on having the original statement or a bank reprint. Furthermore, they are required to have all pages of each statement, even if the statement includes a blank page.

My advice; keep every page of every bank statement for two years. Life happens. The circumstances of our lives change. Standard documentation methods might work just fine for

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ADDRESS CORRECTION REQUESTED

Email Version

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you right now, but will they work for you in the future? Being prepared can save time, money and unnecessary stress.

There are other documents that are sometimes required, or helpful, and should be kept on file.

~Your most recent quarterly asset statements. These include investment accounts with stockbrokers, retirement accounts and 401K's. They show the underwriter your financial backing and minimize the lender's risk.

~Twelve months of cancelled checks (checks that have cleared the bank) for real estate rental payments. If you pay by money order, save the money order receipts. Do not pay cash, even if you get a receipt from the landlord.

~Your Home Owner's Insurance Declaration page. This provides the processing department all the information that they need to order the new insurance binder on your mortgage refinance. If you wish to shop for a new insurance company, provide the contact information of the new company instead.

~Your mortgage coupon or most recent mortgage statement. This provides the processing department all the information that they need to order the payoff on your current mortgage.

~Cancelled checks from property tax payments, if you pay your own taxes separately from your mortgage payment.

Did You Know?

Each time a home is purchased or refinanced, a title search is done. A title search is a check of the title records to make sure that the seller, or borrower, is the actual legal owner of the property, and that there are no liens or other claims outstanding. All issues with title must be resolved before a loan can fund.

Title Insurance policies typically insure a homebuyer against any title-search errors or mistakes, and against loss due to disputes over property ownership. Title Insurance can additionally offer protection to the lender under similar circumstances. The cost of title insurance is usually a set value per thousand of dollars of the total loan amount.

Thank you for your business and thank you for your referrals.

A handwritten signature in cursive script that reads "Carl Harder Jr." in dark ink.

