

HOME SMART BENEFIT PROGRAM

A little knowledge goes a long way!

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For Information
Call (925) 989-5302

Interest Rate Notebook, Look Back, Look Ahead: Back on Track!



Interest rates during the first week in May showed great promise for homeowners waiting for a much-needed break. Rates on the conforming 30 year fixed, conforming adjustable rate mortgage and the conforming-jumbo loan all improved!

Look Back: Ever the since the subprime meltdown midway through last year, mortgage backed securities (pools of loans sold to investors), have been hard to sell thus creating a larger supply than demand and therefore helping to keep interest rates high. At the same time, consumer home loans obtained since last September have seen far stricter guidelines and mainly full-documentation verification. These “cleaner” loans are, not surprisingly, performing better and now investors are ready to buy again. This means lower rates across the board just in time for the peak spring real estate sales.

Look Ahead: Interest rates on conforming loans, both fixed and adjustable improved during the first week in May due to increased buying of mortgage backed securities. And the loan program California consumers have been watching most is the new conforming-jumbo loan (loan balances over \$417,000, up to \$729,750). Introduced as part of the economic stimulus package, these loans were introduced in mid February but were an immediate disappointment as some believe the guidelines were too restrictive and initial interest rates were in the high sixes. As of May 8, interest rates on these loans fell under 6.0%!!

Although jumbo loans have not made a complete recovery yet, one would expect the same process to follow as the loans written since last year continue to perform well. Meanwhile, aggressive lenders are continuing to periodically “buy up the market.” Consumers should look for these opportunities and “lock if you like it,” because rates on a weekly basis continue to see volatility from the economic market.

Credit Crunch Motivates Homeowners To Seek *More* From a Loan

Some call it planning others call it an educated decision, but whatever it’s called, homeowners are requesting information and advance planning for their home loans. The “credit crunch,” has created legitimate concern for consumers in the areas of: qualifying for loan, estimating long term value of a home, finding loan programs that work for a longer term, and determining the best monthly payment plan. From first time homebuyers to long term homeowners, whether the home is valued at millions or under a million, consumers want more information.

The Home Smart Benefit Program has been working overtime to respond to the increased requests for information and resources. Available to consumers since 2004, the program has played an important role for consumers



Cynthia Darnell
Your Home Smart Representative
Email: cdarnell@landscape.com
Direct: 925.989.5302
E-Fax: 925.226-1533
Web: homesmartbenefit.com

looking for truthful information about mortgages. In the near future, Homesmart will be offering Webinars to respond to many requests for information.

In addition, the program regularly offers extremely competitive pricing and loan programs through First Priority Financial, the largest Residential Mortgage Broker in California!

Contact Home Smart Benefit at (925) 989-5302

Home Smart Benefit—The more consumer’s know about the home financing process, the more opportunity they have to safeguard their hard-earned money and achieve financial stability.

Simple Actions Make Life Enjoyable Again!

Life is hard! Our homes should be our Kingdom but it doesn't seem like that when the outside world trespasses. It's amazing how a few simple actions can make a huge difference in our lives!

- 1) Put yourself on the Do Not Call list. Who wants another phone call during the dinner hour? Why not have your name removed from the list? www.donotcall.gov
- 2) Opt out of the credit card solicitation game. Had enough junk mail for one lifetime? Why not take two minutes and go online and take your name out of the system? Within weeks, see your junk mail from credit card companies reduced. www.optoutprescreen.com
- 3) Order your annual free copy of your credit report. Why worry about what's on your credit report? Your score does not go down when YOU order the report. Here's another tip, your report is free, but you will need to pay to receive your scores—well worth it to see where you stand! (either site will work). www.freecreditreport.com
www.myfico.com



Alphabet Soup! How Acronyms Affect our Loans

You see them in advertisements, they are often disclosed to you in loan documents but what do they mean? Acronyms are common in most industries however in the mortgage market, consumers would be wise to learn about them and how they impact us.

LTV—Otherwise known as loan-to-value. Take your loan amount and divide it by the value of your home (be conservative about the value). The result is a percentage of how much loan you have in relation to the value of the home. Lenders use this percentage to determine risk. A low LTV, anything under 70% usually gets the best pricing on loans. An 80% LTV usually means the homeowner will need to pay mortgage insurance.

CLTV—Combined-loan-to-value. If you have more than one loan on your home, add the loans together and divide by the value. Again, lenders use this percentage to determine risk. Many lenders today are only allowing a maximum overall CLTV of 90% financing. Although it should be noted that an FHA loan still allows 97% financing and many lenders still allow 95% financing on loan amounts under \$417,000.

SISA and SIVA— Stated income, stated assets and stated income with verified assets. These loan programs were overused during the early 2000s and at their worst have been referred to as “liar loans.” However, for some situations, especially the self-employed, who tend to have more write-offs on their tax returns, these loans are still available. Obviously, a lender has less risk with a borrower who verifies all information on a loan application and therefore stated loans will have a higher interest rate than verified loans.

APR— Annual Percentage Rate. One of the least understood acronyms although it was developed specifically for consumers as an aid to help compare interest rates on mortgages, credit cards and auto financing. The APR is the yearly cost of a loan including interest, insurance and the origination fee (points), expressed as a percentage. One tip to understanding APR is that the closer the APR is to the actual interest rate, the lower the overall costs are on the loan (makes you want to go back and renegotiate some of the costs on your credit cards!!).

Hard to Find Loans? Look No Further! Find them and more at Home Smart Benefit! (and get a chance to apply what you've learned above about acronyms!)

SISA, Conforming loans to 80% LTV and 85% CLTV, non-owner occupied
SISA, Conforming loans to 70% LTV and 70% CLTV, non-owner occupied
SIVA Conforming loans to 80% LTV and 85% CLTV, owner occupied
SIVA Conforming loans to 80% LTV and 85% CLTV, non-owner occupied
SIVA Jumbo loan to 80% LTV up to 1.5 million—purchase only
SIVA Jumbo loan to 70% LTV up to 1.5 million—refinance
SIVA Jumbo loan to 70% LTV for non-owner purchases

For more information about home loans, contact: Cynthia Darnell at (925) 989-5302

Any loan scenarios discussed in this newsletter are presented as an estimate of a possible mortgage scenario. This is not a loan commitment, nor is it a guarantee of any kind. The scenarios are based solely on estimated figures and information available at the time of preparation. All rates are believed to be accurate but cannot be guaranteed. All programs and guidelines are subject to change without notice. Loans subject to borrower credit review, Qualification and approval. Home Smart Benefit, is a consumer program under First Priority Financial, Inc.



Contact Home Smart Benefit at (925) 989-5302 or cdarnell@lendscape.com