



The Mortgage Messenger

Welcome to **The Mortgage Messenger**, Perennial Mortgage's quarterly newsletter. We had a great response to our last newsletter and hope this issue exceeds your expectations. In fact, that's our goal here at Perennial Mortgage — to exceed your expectations in everything we do. We are residential mortgage specialists who know how to make the loan process go smoothly. While there's no guarantee that it will be uneventful, we make sure that any bumps in the road are handled efficiently and effectively. If you have questions about residential financing or if there are issues that you would like us to address in future newsletters, please e-mail them to me.

Thank you, Heidi Snow, President
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You've heard all about how rates are incredibly low right now. Rates reported in the news are an average of rates for residential mortgages secured with Fannie Mae or Freddie Mac, the quasi-governmental entities that back conventional loans. But all loans and loan programs are not the same. Rates will vary depending on a variety of factors. A few of the factors that will determine your interest rate are discussed below.

LOAN AMOUNT — If your loan amount is more than \$300,700, it's a Jumbo. If it's more than \$650,000 it's a Super Jumbo. These loans are riskier and may have a rate premium to compensate for that risk. Also, some smaller loan amounts (e.g., below \$100,000) may mean a slightly higher rate because they won't generate as much income for the lender as a larger loan — yet they often cost the same to service.

LOAN-TO-VALUE — If your down payment (or equity) is less than 5% of the purchase price you may pay a higher rate. If you are putting ZERO down, expect an even higher interest rate. Higher rates also are charged on cash-out refinances when you have less than 25% equity.

MORTGAGE INSURANCE — In general mortgage insurance is required on all first mortgages more than 80% of the value. However, you can buy this out with an interest rate premium of 1% or more. We don't recommend this option if you can qualify for a 2nd mortgage instead.

WAIVED ESCROWS — believe it or not, if you don't allow the lender to collect escrows to pay your taxes and insurance for you, you will pay a higher rate or an up-front fee of 0.25% of the loan amount at closing.

OWNER-OCCUPIED vs. RENTAL — Are you going to live in the house? There's more risk associated with rental property. The lender wants to be compensated and will charge a higher interest rate on investment properties.

CREDIT — If you haven't paid your bills or have had a bankruptcy or foreclosure, you may be considered a higher risk. That doesn't mean you can't buy a home. It just means that, until you have a clean history, you will be charged a higher interest rate for your mortgage. You may also be required to put more money down than those with better credit.

STATED INCOME / NO DOC — We call them stated, NINA, No Doc and Fog-a-Mirror Loans. You don't want to disclose your income or provide your paystubs, tax returns or other documentation? That's okay. But you may be charged a higher interest rate and your credit score and equity will determine how high it will go.

DISCOUNT POINTS — You can almost always pay points to "buy down" your rate by a certain amount. In any of the circumstances above you could pay points instead of having a higher interest rate. There's no set relationship between how much rate reduction you'll get with each point you pay. Generally speaking, 1 discount point (1% of your loan amount) will reduce your interest rate by about ¼%. Points, just like interest, are generally **TAX deductible!**

Do you want to know what the interest rate would be for your individual situation? Give the mortgage specialists at Perennial Mortgage a call!

Taxes & Mortgage Interest
 One of the advantages of homeownership is the tax benefit. Most people are aware that mortgage interest is usually tax deductible. There are limits though. Current law allows you to deduct interest on mortgages up to \$1 million when you build, buy or improve your home. However, when you refinance to get cash out for other purposes (e.g., debt consolidation), the interest on cash-out amounts more than \$100,000 are not deductible. That means you can refinance an existing loan and get an extra \$100,000 cash-out and deduct all the interest.

Points and origination fees paid at closing are a different story. When you buy a home, points and origination fees are considered prepaid interest and are deductible in the year you buy or build. When refinancing, however, any points or origination fees paid at closing are supposed to be deducted over the life of the loan.

A relatively recent change in the tax code allows first-time homebuyers to use retirement funds towards their down payment without paying a tax penalty on the amount withdrawn. If withdrawn from a tax-deferred retirement account, income taxes must be withheld. Fortunately, unlike accessing those funds for most other purposes, no penalty is imposed by the IRS. That can make a big difference to new homebuyers.

If you have questions about your tax situation you should contact your accountant or tax attorney. You also can find out more information from the IRS Publication 936, "Home Mortgage Interest Deduction." It's available online at www.irs.gov.

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As the fall season gets underway, we'd like to take this opportunity to thank you for your support. The first quarter at Perennial Mortgage was phenomenally successful! Fueled by low interest rates and our residential financing expertise, we helped many homeowners buy or refinance their homes during our first 3 months in business.

It didn't take long to get the word out about Perennial Mortgage and our exceptional service. Past clients of **Heidi Snow** referred many new clients our way. Loan officer **Tracey Cashman** has established her own following of satisfied clients. Many realtors and builders have already gotten to know Perennial Mortgage and are sending their clients to us for great loans and fast and efficient financing. They know that a client referred to us will be treated with courtesy and respect and that we will find the best mortgage for their individual situation.

Because we don't advertise and rely almost entirely on referrals to generate business, our early success is particularly sweet. Thanks to all of you for your support and confidence! Keep those referrals coming! Do you know someone who is thinking of buying a new home? Tell them to give us a call.



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HOUSING NEWS

Appreciating New Mexico:
According to the Office of Federal Housing Enterprise Oversight, homes in New Mexico are appreciating, but at a much slower rate than the rest of the nation. Changes in average values over the past five years:

Albuquerque:	+10.87%
Las Cruces:	+12.05%
Santa Fe:	+29.77%
New Mexico:	+15.23%

Mountain States:	+32.7%
National:	+38.71%

Record Sales in Albuquerque!

The Albuquerque Metropolitan Board of Realtors reports that existing homes are selling at a record pace. In August 908 homes sold, exceeding the previous record of 878 in July 2002. Despite a drop to 747 sales in September, year to date sales have exceeded last years numbers by 8%. If this keeps up we should beat last years record of 7,989 homes sold. Record low interest rates have helped move homes in the area. Thinking of selling? Call us for a realtor referral to help you sell your home fast and get a great price!

We Are a Referral-Based Business!
We generate referral business by being extremely knowledgeable about mortgages and providing exceptional personalized service to our clients. Who do you know who needs our services?

505-888-9500

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Always there for you