

# The Mortgage Messenger

**H**appy New Year! Welcome to **The Mortgage Messenger**, Perennial Mortgage's quarterly newsletter. As we enter a new year we reflect on the past and look to the future. What will 2003 bring in your life? Are you thinking that this is the year to buy a new home, the year to stop renting and buy your own home, or perhaps now is the time to purchase rental property as an investment? If you are thinking about buying, give us a call before you go shopping. We can help you evaluate your financing options and get you pre-approved for a mortgage. Buyers that are pre-approved for financing have a less stressful buying experience and their purchase offers are accepted more readily by sellers.

Thank you, Heidi Snow, President  
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## Homes Can Make a Great Investment!

"I've got one word for you son—plastics." Such was the advice given the young Dustin Hoffman in "The Graduate" in 1967. As a younger person, I too was given simplistic investing advice in the form of 2 words—real estate. "The land will never give up its value." In today's world, of course, that's not entirely true, but the adage still holds for the most part. What about those who point out that the long-term return in the stock market averages 10%, while the homes in Albuquerque have appreciated an averaged of 6% per year. Like the advice, the comparison is not so simple.

Part of the difference is that investing in a home is a leveraged investment — you pay down on part of it and a little over time but the appreciation is on the entire house. For example, if 7 years ago you put down 5% on a \$100,000 home in Albuquerque, today that home, on average, would be worth about \$142,000. Therefore, you made a 8-fold increase on your original investment of \$5,000! Individual home values will vary depending on a variety of factors. But, on average, not a bad return. That same \$5,000 investment in stocks yielding 10%, even with income reinvested annually, will yield a profit of almost \$5,000. You doubled your money in 7 years but it may be subject to income and capital gains taxes.

Those who recommend stocks as a better investment don't acknowledge that the investor does need to live somewhere! And it's often cheaper to own than rent. You might rent a house for \$850. With today's low interest rates, your monthly payment on a \$95,000 mortgage at 6%, even with taxes and insurance, is likely to be less than \$700 per month. Compared to

renting, that frees up \$150 for repairs or other investments. Also remember that your landlord will typically raise your rent every year and your mortgage is going to be fixed for 30 years. And every month, part of your mortgage payment goes toward reducing your principal balance and increasing your equity. After 7 years you will have paid an additional \$10,000 in principal.

Don't forget the tax advantages of investing in a home. You can reduce your taxable income by the amounts you pay each year in mortgage interest and property taxes! And, when you sell a home you've lived in for at least two of the past five years, you pay no capital gains taxes on the first \$250,000 of gain for a single person and \$500,000 for married couples. Unless your investments are in a tax-deferred account, you're going to pay capital gains taxes on the income from stock sales.

What is the downside to home ownership? Well, like any investment, there is no guarantee you will make any money on it. If you only live there for a short time, the transaction costs of buying and selling may offset any profit. And, instead of calling the landlord when there's a leak in the pipes, you call a plumber instead — the homeowner is responsible for maintenance and repairs.

Homeownership isn't for everyone. But it is typically the average person's largest and most successful investment. Do you know someone who is renting? Show them this article and tell them to give Perennial Mortgage a call. We can help them evaluate whether or not buying a home is right for them.

## The Breakfast Club

Breakfast is my favorite meal — that is if I don't have to prepare it or eat it before 8:00 a.m. My husband, Roger, my parents and I have breakfast out together on Saturday mornings. We used to get together that morning and debate where we would eat. Eventually we developed a highly sophisticated system to determine where to go: we take turns choosing the restaurant going in age order (youngest to oldest).

I realize that this topic has nothing to do with mortgages. I just wanted to take some space in the newsletter to share some recommendations for breakfast in the Albuquerque area. I should preface my review that instead of the typical breakfast of bacon and eggs or pancakes, I prefer my breakfast spicy, usually a breakfast burrito or huevos rancheros. Every four weeks when my turn comes around I have a couple of favorites:

**Annie's Soup Kitchen** (3107 Eubank NE in Scottdale Village) has the best omelet with bacon, Swiss cheese, avocado and green chili! Annie's doesn't have a huge breakfast menu but they have all the standard stuff (bacon and eggs, which satisfies my Dad) and several specialties including muffins & crepes. The décor is casual and clean country kitchen.

**Las Mananitas Restaurant** (1800 Rio Grande NW) is where I really like to go in the summer when you can sit in their courtyard under large cottonwood trees. It really is one of the best outdoor dining environments I've found in Albuquerque. The building is a historical structure and they serve the same great food inside. My favorite menu item is the Burrito Especial with red. Roger says they have the best carne adovada he's tried. They also serve bacon and eggs for dad.

**Honorable Mentions:** There are several other places I like to go: **Cameron's** (2201 Silver SE, great coffee and New Mexican specialties but a acoustically imperfect); **The Frontier** (106 Cornell SE, cheap and good and very loud); and **Perea's New Mexican Restaurant** (5801 Central NE, diner with giant burritos with fabulous red chili, super hot green chili — not recommended for dieters!).

I'm open to new things and welcome your suggestions. Email your favorite breakfast place and perhaps it will get plugged in the next newsletter!



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President

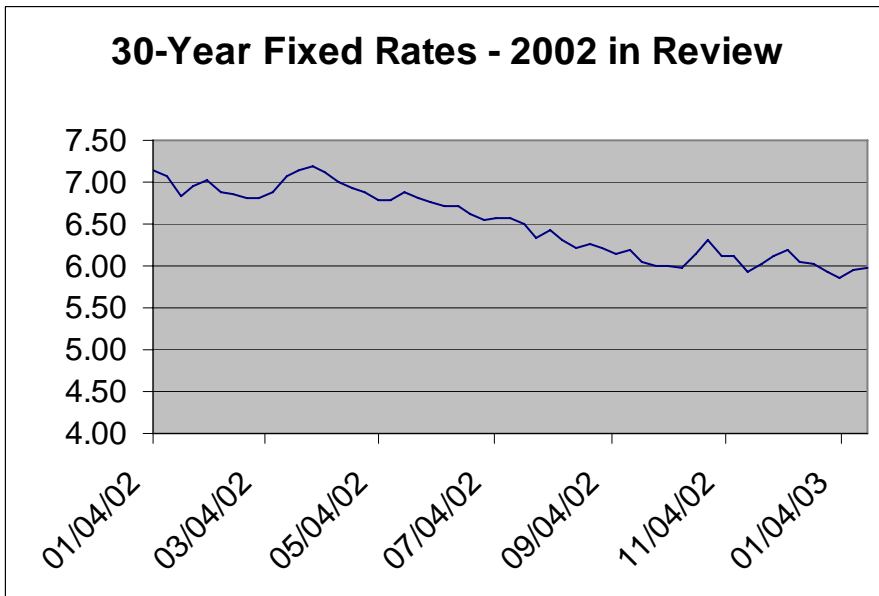
**T**he New Year brings some changes to the mortgage industry. Our friends at Fannie Mae and Freddie Mac have announced the new conforming loan limit for 2003. Loan amounts for single family residences greater than \$322,700 are now considered Jumbo loans. Loans below that amount are "conforming." That's an increase of the conforming loan amount of \$22,000 over the 2002 limit. Jumbo loans often have different underwriting guidelines and interest rates. Do you or someone you know currently have a jumbo mortgage? If so, check the balance – if the balance is below \$322,700 it might make sense to refinance into a conforming loan. Give me a call at 505-888-9500.



**RATE FACTS:** Check out the rate update chart below. The past year has seen record low interest rates. The 30-year fixed rates have dipped below 6% a couple times in the past few months. In the last 32 years the highest 30-year fixed interest rates occurred in the early 1980s: 18.63%. Thirty-year fixed rates have averaged 9.69% since April 1971.



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