

The Mortgage Messenger

2004. A new year, new goals, and a new **The Mortgage Messenger**, Perennial Mortgage's quarterly newsletter. This quarter we're introducing a couple of new features including a brain challenge (see "You Think You're So Smart") and a guest column. You'll also find an announcement for our new monthly Home Buyer Seminars — the third Wednesday of every month starting February 18 at 6:00 p.m. Also new this year are higher loan limits for conforming and FHA loans. As you can see there are a lot of new things in 2004. We wish you a peaceful and prosperous new year.

Thank you, Heidi Snow, President

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Guest Article: Insurance — the Mortgage Protector

Gary L. White, Farm Bureau Financial Services

You are the proud owner of a home or other real estate, and you were able to obtain a mortgage because the lender felt comfortable with your income level and financial situation. But what happens if you, as the primary income producer or even as half of a dual-income situation, die?

Besides the emotional trauma, a surviving spouse could experience a significant drop in the household's level of income, a drop that may produce severe financial problems that could lead to foreclosure. That's why many banks and mortgage companies encourage homeowners to purchase mortgage life insurance. *[Don't confuse this with private mortgage insurance which insures the lender against default.]*

Basically, you purchase mortgage life insurance so that, in the event of an untimely death, funds are available to meet any outstanding mortgage balance. But from whom should you purchase such protection? When you purchase insurance from a bank or mortgage company, you generally lose all ownership control. Sometimes the lending institution preprints its name on the beneficiary line of the policy. You pay the premiums and the lender receives the proceeds at the insured's death. Your family receives the deed to the house. While this may seem like an equitable solution, there may be reasons why the surviving spouse may not want to remain in the home.

Rather than insurance offered through a lending institution, consider purchasing personally owned life insurance, which puts you in the driver's seat. As owner, your named beneficiary — not the lender — receives the insurance proceeds at your death. Then the beneficiary can determine what to do with that money: pay the mortgage off in one lump sum or continue paying it down periodically.

There are other advantages to consider. Personally owned life insurance is portable, which means that if you move in a few years you won't have to replace your insurance, which could be costly. Even after the mortgage is paid, personally owned life insurance can provide a valuable insurance benefit.

For more information on how life insurance can provide mortgage protection, please contact **Gary L. White** at 889-8000.

Interest-Only Can Dramatically Reduce Your Payment

There are literally hundreds of mortgage programs out there. One program becoming increasingly popular for both purchases and refinances are Interest-Only loans. Interest-Only is just that. The minimum monthly payment is only interest so your monthly payment is greatly reduced.

Interest-Only programs vary but most are based on a thirty year loan term with the first 5 to 10 years requiring only interest payments. Once discouraged by financial advisors, many now recognize how interest-only loans allow you to take advantage of the benefits of increased property value over lowering the principal balance. However, borrowers must recognize that principal & interest payments will start after the interest-only period and if no additional principal payments have been made you may end up with a big payment after the interest-only period.

Why choose an interest-only loan?

- Purchase a larger house without increasing your monthly housing expense.
- Interest-only payment frees up cash to invest in retirement or other ventures.

- Extra cash each month enables paying off higher cost debts.
- Additional principal payments accelerate payoff faster than with traditional loans.

Here's an example of the payments, principal reduction and what happens when one invests the monthly savings on an interest-only loan of \$250,000.

	Mortgage Interest Rate	Monthly Payment	Monthly Savings / Loan Balance After 5 Years	Value of Invested Savings after 5 Years @ 6%
30 Year Fixed	5.5%	\$1,419 Principal & Interest	\$0 — \$231,151	\$0
5/1 ARM	4.5%	\$1,266 Principal & Interest	\$153/mo — \$227,895	\$10,675
Interest-Only 5/1 ARM	4.5%	\$938 Interest only	\$481/mo — \$250,000	\$33,559
Interest-Only with Extra Principal	4.5%	\$1,419 Principal & Interest	\$0 — \$221,140	\$0

Interest-Only loans aren't for everyone. Perennial Mortgage utilizes Interest-Only loan programs to suit specific goals and risk tolerance. The interest rates can be fixed or adjustable. Our programs do not negatively amortize...you never owe more than you start out borrowing.

Call Perennial Mortgage today to discuss your options and find out if an interest-only loan is right for you.

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NEW LOAN LIMITS

Every year lenders announce the new loan limits for FHA and conforming loans. Loans above the conforming limits are considered Jumbo. Jumbo loans typically have more stringent underwriting criteria and higher interest rates.

The following limits now apply to Albuquerque and other "low cost" areas. Higher limits are allowed in Santa Fe and Los Alamos.

	FHA	Conforming
Single Family	\$160,176	\$333,700
Duplex	\$205,032	\$427,150
Triplex	\$247,824	\$516,300
Four-Plex	\$307,992	\$641,650

PERENNIAL MORTGAGE OFFERS FREE HOMEBUYER SEMINARS

How to buy a home with only \$500.

How to improve your credit.

How much can you borrow?

How to get your adult children out of your home and into their own.

Loan officers will be available to pre-approve your home loan or help you set up a strategy to buy a home in the near future. Insurance and real estate agents will be on hand to answer your questions.

FREE CREDIT REPORT with loan application.

Seminars are scheduled for the 3rd Wednesday of every month in 2004.

Next seminar is at **6:00 p.m. on February 18th** at

Perennial Mortgage, 7611 Indian School Rd NE, Suite 102.

Space is limited. **Call 888-9500** to confirm your seat.

Pass this newsletter on to someone you know who would be interested in attending.

You Think You're So Smart!

We thought we'd use some space to challenge your brain. It wards off old age, you know. And, some people think mortgage stuff is boring!

A. Using all 5 letters, how many common English words can you make from the letters: L G N E A We know of at least three.

Need a Bigger Challenge:

B. In your pocket are fifty coins totaling \$1.00. You lose one while using a payphone. What is the chance that you have lost a quarter?

If you want to see if your answer is correct, or you can't figure it out and want to know the answer, email or call Roger Kennett (our resident "Mensa Dude") at rkennett@perennial-mortgage.com or 888-9500.

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



Always there for you