

The Mortgage Messenger

Maybe it's because I'm in the business but it sure seems like mortgages are getting a lot of press lately; much of it is not very positive. Below are some thoughts on the mortgage industry and tips that will help you pick your loan program. This quarter we are also sharing the report by the Albuquerque Metropolitan Board of Realtors on annual market appreciation through June 2006. This fall the market has cooled a bit making it more attractive for buyers. Who do you know who is still renting? Have them give us a call.

Sincerely,

Heidi Snow, President

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Client Comment Corner

"Very pleased and impressed with the job done."
Sue M., Albuquerque, NM

"OUTSTANDING! Heidi made the process easy & worry- & hassle-free. Thanks for everything." Keith & Michele H., Placitas, NM

"Buying a house for the first time was a breeze thanks to Perennial!" Amy V., Tijeras, NM

"Great job!" Mike & Kelly R., Albuquerque, NM

Toxic Mortgages

Are risky mortgages stripping homeowners of the American dream? On September 11, 2006, BusinessWeek cover story

entitled **Nightmare Mortgages** declared "They promise the American Dream: A home of your own – with ultra-low rates and payments anyone can afford. Now, the trap has sprung." In the October 2, 2006, issue of The Christian Science Monitor reporter Mark Trumbull's article, **Risky mortgages threaten a squeeze**, stated that default and foreclosure will be "the ultimate impact of all those 'teaser' interest rates, the 'no money down' mortgages, and exotic loans where homeowners' debt can rise over time."

It sounds like lenders have lured the borrower in with fantastic no down payment and low payment programs that are easy to qualify for but have a future down side. And the future is now. Are people in over their heads due to lenient loan programs and underwriting guidelines?

Based on the media reports you might think the industry purposefully devised programs to get people into "risky" mortgages so the borrower will subsequently default. Be assured, mortgage lenders don't want defaults. They don't want to be in the business of foreclosing on homes and selling them on the courthouse steps. Nonetheless, over the past few years some borrowers may have taken on loans that they can't handle; perhaps their loan officers failed to explain the loan terms adequately.

What are the risks associated with alternative mortgage programs? First, we need to recognize that there are risks with even the

most basic 30-year fixed rate mortgage: homeowners may lose their job, get a divorce or have a medical emergency that causes them to default. Downturns in the housing market and a low down payment loan could mean you owe more than your house is worth. Even with all that uncertainty you know your payment won't go up if your rate is fixed.

However, adjustable rate mortgages, pay option ARMs, and interest-only loans provide lower initial payments with potential increases in the future. If you combine those programs with alternative-, low-, or no-documentation requirements and an unethical or uneducated loan officer, it spells trouble.

Since lenders have come up with creative programs that allow you to potentially qualify for more than you might be comfortable with or under terms that might change in the future, how do you protect yourself?

- 1) You are the one making the payments – not your loan officer – ask yourself what payment YOU would feel comfortable with.
- 2) Ask questions about your loan. If you don't get specific answers with terms in writing or if it sounds too good to be true, it probably is and there's likely a downside you're not aware of.
- 3) If you are risk averse, don't get an adjustable rate or other "exotic" loan. You won't be able to sleep at night dreading the potential downside.
- 4) Before you start looking for a home, talk to a Perennial Mortgage loan officer to determine how much you can realistically afford.



Home Values Increase 14%

As reported by the Albuquerque Metropolitan Board of Realtors, the Albuquerque area saw an average home appreciation of 14.051% from June 2005 through June 2006. The table below summarizes appreciation over this time period for areas defined by the Albuquerque Metropolitan Board of Realtors.

Area	% Increase
Sandia Heights	57.23
No. Albuquerque Acres	2.24
Far Northeast Heights	9.27
UNM	22.13
Northeast Heights	26.55
Four Hills Village	29.02
Fairgrounds/SE Heights	7.10
Downtown Area	40.02
Near South Valley	16.25
Northwest Heights	20.84
Paradise West	18.99
Corrales	23.39
Rio Rancho South	39.89
Rio Rancho Mid	24.84
Rio Rancho North	20.83
Bernalillo/Algodones	115.29
Placitas Area	15.73

Want to know the value of your home? Call us for a referral to your area Realtor.



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