

# The Mortgage Messenger

**F**all is such a beautiful time of year. As friends and family gather together for the holidays, our thoughts turn to what's really important in life. It's especially so during the economic turbulence and uncertainty the world is experiencing. We value the support and happiness our relationships bring. In this season of gratitude, we give special thanks for your friendship and support and hope that you will call on us if we can assist you or your friends and family in the future.

Sincerely,

Heidi Snow, President

[hsnow@perennial-mortgage.com](mailto:hsnow@perennial-mortgage.com)

## Client Comment Corner

*"We are always happy to recommend your services. You have been a great help and I appreciate the honesty, options, and willingness to help, even if it means recommending services other than those you can provide. This kind of service and business practice will keep us coming back in the future and recommending Perennial Mortgage to others without hesitation."*

Greg Coon, Albuquerque, NM

See more at: [www.perennial-mortgage.com/testimonial.htm](http://www.perennial-mortgage.com/testimonial.htm)

## Rehab Home Loans

FHA offers a little-known mortgage called the Streamlined K Limited Repair Program which allows financing of up to \$35,000 for improvements or repairs. Traditional FHA qualifications apply. Therefore, the loan can't be more than \$271,050 in most New Mexico counties, the home must be owner-occupied, and the borrower must meet credit and debt-to-income ratio guidelines.

The Streamlined K loan can be used to obtain cash for the improvements when purchasing a new home or to refinance an existing mortgage. There is no minimum repair allowance and the loan can be combined with other FHA programs like the Energy Efficient Mortgage. Home improvements are limited to those for which plans, consultants, engineers or architects are not needed. Therefore, the program cannot be used to add rooms or move load bearing walls. It can be used for roof repairs, upgrades of HVAC, plumbing or electrical systems, kitchen or bathroom remodeling, new flooring or windows, to purchase new appliances, and for painting and weatherization. Although it can be used for a deck, patio or new porch, it cannot be used for landscaping.

Prior to approval, the borrower must provide cost estimates for the work to be completed. Contractor bids must be reasonable and all contractors must meet licensing and bonding requirements. They must also affirm that they can complete the work within 90 days of closing. The borrowers may perform the work if they can show they have the necessary experience and expertise. At closing the lender will hold the repair funds in escrow. Funds will be disbursed to the homeowner or contractor upon completion of the work. Under certain circumstances, the lender may provide up to one-half of estimated costs prior to construction. The work must be completed within 3 months. Any escrowed funds remaining at that point will be used for principal reduction on the balance of the loan.

The maximum loan amount is based on the lesser of: a) 110% of the post-improvement appraised value or b) the purchase price (or unimproved value for a refinance) plus the cost of repairs. For example, Joe is buying a home for \$150,000 and has estimates of \$25,000 in repairs. Once repairs are completed the appraiser estimates the value will be \$155,000. Therefore, the most Joe can borrow is \$170,500 which will allow for \$20,500 for renovations. If the post-improvement appraised value were \$200,000, the maximum loan would be for \$175,000, allowing for all repairs.

This is a great program for people who are buying a foreclosed property that is in disrepair or an older home that needs updating. Since it can also be used for a refinance, current homeowners may consider it as an alternative to a home equity line of credit. Who do you know who would benefit from this program?



## How to Avoid Foreclosure

The State of New Mexico, and Albuquerque in particular, have been spared the dramatic decline in property values and high foreclosure rates experienced in some other areas of the country. According to RealtyTrac.com, as of October 2008 New Mexico ranked 42 in foreclosure filings with 1 in every 3220 households experiencing a filing; in Bernalillo County, the rate was 1 in 2443. Compare that to Las Vegas, Nevada where 1 in every 62 households received a foreclosure filing in October.

If you are behind on your payment, or you know someone who is, there is help. We encourage distressed homeowners to:

- Call their mortgage service or lender right away. Ask to speak with their Loss Mitigation or Work Out Department.
- Call the Homeownership Preservation Foundation at 1-888-995-HOPE.
- Find a Foreclosure Prevention Workshop at [www.HomeLoanLearningCenter.com](http://www.HomeLoanLearningCenter.com).
- Go to [www.hud.gov/foreclosure](http://www.hud.gov/foreclosure) to get assistance and find other resources.

Also, be aware of Foreclosure Rescue scams. If someone tells you a real estate professional or title company are not needed to help you with the transaction or if you feel pressure to sign papers, it's a red flag. Check to see if the person or organization is HUD-approved at [www.hud.gov/counseling](http://www.hud.gov/counseling).

Most importantly, act NOW. The sooner the problem is addressed, the more options may be available.



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**S**ave a tree! You are on our list to receive **The Mortgage Messenger** and other communications from Perennial Mortgage. If you wish to be removed from our list, please contact our office or email us at [rkennett@perennial-mortgage.com](mailto:rkennett@perennial-mortgage.com)



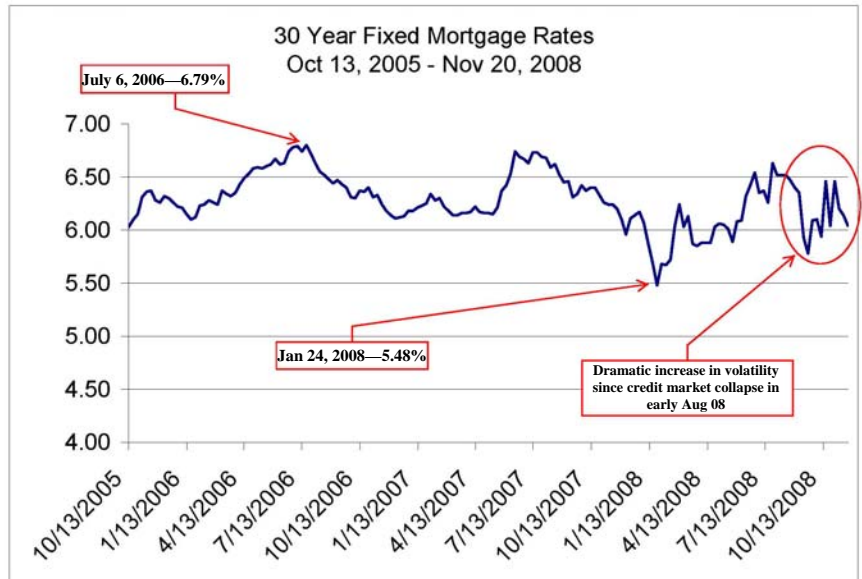
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## RATE UPDATE

Interest rates on 30-year fixed rate mortgages have been kind of crazy lately. As you can see in the graph to the right, over the last few months it's been a roller coaster. On January 24 we had the lowest rates of the past 2 years at 5.48%, 1.31 less than the period peak of 6.79% in July 2006. Volatility set in when the credit market collapsed in late summer. Over a one month period between Sept. 9th and Oct. 16th rates increased 1/2 point to 6.24%.

Despite recent volatility, rates in the past 2 years have averaged 6.3%, well below the long-term average rate of 9.1% since 1971.

Rates as reported by Freddie Mac *Weekly Primary Mortgage Market Survey* based on 1st lien prime conventional loan with 80% loan-to-value. Discount points averaged 0.482% over the two year period graphed.



### You Think You're So Smart!

How many minutes is it before six o'clock if fifty minutes ago it was four times as many minutes past three o'clock?

BONUS QUESTION: She was Mrs. John Rolfe socially. Every school child knows her by her first name. What is it?

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. Whom do you know who needs our services?

505-888-9500

**Perennial**  
 MORTGAGE

*Always there for you*