

The Mortgage Messenger

As the country faces a critical financial crisis, the mortgage business continues to evolve and change. Lenders issue guideline changes on a regular basis. If you or someone you know is looking to purchase or refinance a home, it's important to work with a mortgage professional who is on top of the latest program rules.

The professionals at Perennial Mortgage are happy to answer your questions and help you find the individual solution that is right for you. Please call us!

Sincerely,

Heidi Snow, President

hsnow@perennial-mortgage.com

Client Comment Corner

"You guys made a complex process easy. I felt I could trust you as my partner in refinancing."

John A., Albuquerque, NM

"Karen made sure we were able to buy a valuable property in a great neighborhood – quickly."

Thank you."

John & Laura W., Albuquerque, NM

See more at: www.perennial-mortgage.com/testimonial.htm

Refinancing: Is it Right for You?

Mortgage interest rates are down again. In early January 2009 the average national rate on conventional loans was reported at 5.01% for a 30-year fixed mortgage. Many homeowners are looking at refinancing to lower their payments or achieve other financial goals.

How can you know whether or not a refinance would be beneficial? Some say that it makes sense if you can reduce your rate by 1 point or more. However, a variety of factors will determine if it is right for your individual situation.

How long do you anticipate owning the home? Closing costs on a conventional loan can run \$2000 or more. It doesn't make sense to incur those fees if you plan on selling in a year or two.


Do you have enough equity? Conventional loan guidelines require a minimum of 5% equity to refinance. If you purchased your home in the last year or two with 100% financing you may not have enough equity to refinance. Also, if you obtained a 2nd mortgage to avoid mortgage insurance, current guidelines may not allow you to get a similarly structured loan.

How big is your loan balance? The bigger the loan the more likely a refinance will make a big difference in your payment. For example, consider two mortgages at 6.5%, one with a \$300,000 balance and another at \$100,000. When the larger loan is refinanced to 5% the payment drops \$285/month. The smaller loan payment is reduced by \$95/month. Because there are fixed costs associated with refinancing, refinancing the larger loan will make more sense.

How long have you had your current loan? If your current loan is more than 5 years old, you are starting to pay more each month towards the principal balance and less towards interest. If you refinance to a new 30-year term, you will start paying mostly interest again. Before you refinance, ask your loan officer to prepare a "Total Cost Analysis" to determine how much you will pay in the long run on a new loan (including refinance fees) versus how much you would pay if you kept the current loan. If you would end up paying more with a new 30-year loan, it still may make sense to refinance and use the monthly savings to pay extra principal on a new loan or to refinance to a 15- or 20-year term.

Do you have an FHA or VA loan? Both VA and FHA offer a "streamlined" refinance that doesn't require you to re-qualify — you just need to have made timely payments.

How is your credit? Lenders have suffered severe losses in the past year and have tightened credit guidelines considerably. You may still be able to refinance but you need to have a great credit score to get the best rates.

These are just a few of the parameters that will determine if a refinance is right for you. Contact your loan officer to find out more. 

Credit Scoring is Changing

Next spring, two of three credit reporting bureaus will use a new model to calculate credit scores. Scores will still be on a 300- to 850-point scale, but the company estimates that 40% to 50% of borrowers' scores could go up or down by more than 20 points because of how the new model fine-tunes the variables it uses to evaluate consumers' credit-use behavior.

As credit tightens because of the financial crisis, credit scores are becoming increasingly important for borrowers looking to qualify for favorable terms. That puts high scorers in an even more advantageous position for better rates and terms.

Credit Scores & Equity Matter More


Lenders have recently issued more restrictive guidelines and rate adjustments based on credit scores, property type and the borrower's equity position. After issuing their first round of adjustments last year, they are tightening these guidelines even more. To get the very best rates available you need to have a 740 credit score and 40% equity.

Mortgage insurance (MI) companies, who insure lenders on properties with less than 20% equity, are also tightening their guidelines. MI is no longer available on investment properties or second homes. You need at least 20% equity to finance these types of homes.

Property Tax Breaks for Seniors

Homeowners aged 65 or older who have incomes less than \$32,000 per year may request their property valuation be frozen. Applications for the freeze must be received within 30 days after the Notice of Value is issued this spring. Contact your county assessor for an application.

Centenarians Exempt from Tax

Since 2002 anyone aged 100 or older is exempt from personal income taxes in New Mexico, as long as that person isn't claimed as a dependent by another taxpayer. Since New Mexico is a community property state, joint filers can deduct 50% of the total income from their return. 

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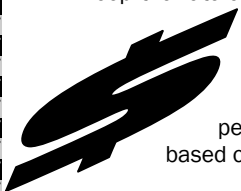
STRAIGHT SCOOP ON PRICING ADJUSTMENTS AND PAYING POINTS

In response to the higher mortgage default rates being experienced by Fannie Mae and Freddie Mac (the largest buyers of 30 year fixed, conforming mortgages), "Risk Based Pricing" was established during 2008.

Before this was announced, a 30 year fixed loan was basically the same price for any borrower with a credit score of 660 or higher and a loan amount up to 95% of the home value. But now, Fannie and Freddie require pricing "add-ons" using a matrix of credit score and loan to value percentages. This risk based pricing is MANDATED by Fannie and Freddie and is required of ALL lenders originating conforming 30 year fixed mortgages.

Sometimes the interest rate can be increased to cover these add-on's without having to pay them out of pocket, but that is becoming increasingly difficult in today's market. Investors have changed the way they create rate sheet options, and they offer very little in the way of what is called "premium pricing", which used to allow options for closing costs or points to be covered in return for a higher interest rate. But in today's environment, sometimes the add-on's must be paid in the form of points - to either keep the rate and corresponding payments as low as possible, or sometimes because there simply is no other way they can be covered.

The bottom line is this: Consumers can't just call a lender and ask "What's your rate and closing costs?" A meaningful answer is dependent on the combination of credit score, loan to value percentages, property type, etc. Any reputable lender should be upfront and be clear that any quote given is based on an assumption of certain parameters.



You Think You're So Smart!

Each of the following groups of letters is actually a scrambled word that has had one letter—the same letter for all six words—removed. The remaining letters were then scrambled. Reconstitute the words.

ENCU RUEC CATU RCHA IOAR ANVI

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



Always there for you