

The Mortgage Messenger

Spring is in the air but it won't be long before the hot days of summer are upon us. For homebuyers hoping to take advantage of the federal tax credit, the deadline for signing a purchase agreement passed on April 30. There was quite a bit more activity in the greater Albuquerque housing market during first quarter of 2010 than a year ago. Closed sales were up nearly 20%. After such a busy spring, it will be interesting to see how expiration of the tax credit will impact sales.

Heidi Snow, President
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Client Comment Corner

"Karen was outstanding as our loan officer. She went above & beyond our expectations."
The Marcuses, Albuquerque, NM, January 2010

"Matt was great! Have already referred him to a friend."
K. Farrell, Albuquerque, NM, February 2010

"Heidi was fabulous! I never dreamed that buying a home could be so easy."
The Carvers, Edgewood, NM, March 2010

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

Paying Off Your Mortgage Early

Many homeowners long for the day when they have no more mortgage payment and they own their home "free and clear." Often, when starting out on a typical 30-year loan, some homeowners pre-pay towards the balance of the mortgage to accelerate the payoff. While you can reduce the amount of interest you will pay over the life of the loan, this isn't necessarily the wise thing to do.

Think of your home as an investment. When you contribute money towards the principal balance of the loan you are increasing your investment in your home. You are building equity. When you pre-pay the mortgage you are committing more towards your home. This type of investment earns a relatively low rate of return, say about 4% per year. Some areas have experienced negative returns lately. In addition, once you've put that money towards the principal balance of the loan, it is not liquid. If you decide down the line you need that cash you will have to refinance or sell. Refinancing to get cash out is not as easy as it was a few years back. So, although you qualified for a purchase mortgage, you may not qualify for a cashout refinance or the fees and rate may not be as favorable as the purchase loan. Selling involves really high transaction costs.

Before you make extra payments, you should look at the true cost of the mortgage given the tax breaks you receive. If your rate is 5% and you are in the 35% tax bracket, your real interest rate is 3.25%. Even in today's market, there's a good chance you could earn a better rate of return on stocks or mutual funds. The transactional costs to buy and sell these assets is typically much less than real estate.

Consider the other uses of the funds that you are considering putting towards your mortgage. First, most financial advisors recommend that you have a minimum of 3-6 months of expenses saved in case of emergency. If you don't have an emergency fund you shouldn't be putting extra money into your house. Second, do you have credit card or other debts with higher rates of interests? These debts should be paid off first. Finally, do you have a sound investment strategy for retirement and other long-term goals like college for the kids? Paying extra on the mortgage should be done only after you have met these other financial goals.



Bernalillo County Assessor Rolls Back Values

Homeowners in Bernalillo County should have received their 2010 Notice of Value the week of April 19th. They have until May 20th to protest the value but it's unlikely many will. The assessor lost two lawsuits this past year with the courts ruling that the current tax code was unconstitutional because it discriminates among property owners based on when they purchased their homes. The code allows a 3% valuation cap unless the home changed hands.

Based on a cursory review of assessed values for past clients, it looks like County Assessor Karen Montoya has rolled back values to what they were before the "tax lightning" hit. For example, one client who purchased in 2008 saw a 56% increase in the 2009 assessed value but this year it went down 32%. The assessed value was rolled back to what it was prior to the purchase plus 3% per year. It also appears that people who bought in 2009 are not seeing big jumps in assessments – just the 3% increase as if the property didn't change hands.

What does this mean? Those who purchased homes since the law changed in 2001 through 2008 will likely see their tax bill go down this year. For all area homeowners, higher mil rates will likely be applied this fall to make up for reduced assessments.



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Data for Single Family Detached Homes in the Greater Albuquerque Area

	<u>1st Quarter 2009</u>	<u>1st Quarter 2010</u>	<u>% Change</u>
New Listings	4,169	4,483	+7.53%
Closed Sales	1,178	1,413	+19.95%
Days on Market	88	79	-10.23%
Average Sales \$	\$215,295	\$209,283	-2.79%
Sales Volume	\$253.6 million	\$295.7 million	+16.6%
Median Sales \$	\$182,000	\$172,000	-5.49%

SOURCE: Greater Albuquerque Association of REALTORS® - based on data from the Southwest Multiple Listing Service. Data is deemed reliable; not guaranteed.
The SWMLS market areas include: City of Albuquerque, Corrales, Placitas, Rio Rancho, Bernalillo, East Mountains/Estancia Basin and most of Valencia County.

You Think You're So Smart!

If TEN = 20 - 5 - 14; and MEN = 13 - 5 - 14; what do WOMEN equal by the same logic?

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.

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