



Homes & Money Quarterly Newsletter

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Paul M. J. Suchecki

Writer

Loan Toolbox

Phone: (310) 306-3104

paul@checkmatepictures.com

Mortgage News

It is time to refinance?

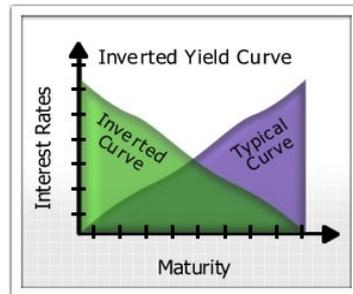
Carpe Diem – seize the day. Or as Tom Ward puts it in *The Empathy Effect*, "Successful people...recognize and seize opportunities."

You may have a chance to save a great deal of money on your mortgage, thanks to two recent developments!



The Inverted Yield Curve

The financial sector usually doesn't behave the way it has been in recent months. Short-term notes, as compared to longer term notes and bonds, typically offer lower yields because an investor's money is subject to less risk. The longer you tie up your money, the more you should be rewarded since it's difficult to know what economic conditions will be several years from now. As a result, the normal yield curve slopes upward with the length of a security's maturity.



However, over the last twenty months, the Federal Reserve has raised the overnight funds rate 13 times; quadrupling it from 1% to 4.25%. This rise has boosted the prime lending rate, which is the basis for everything from credit card rates to some adjustable rate mortgages, particularly Home Equity Lines of Credit. Despite this, long-term yields on bonds, which impact mortgage-backed securities and interest rates, haven't risen. In late December, the interest on 10-year treasury notes temporarily dipped below that of 2-year treasuries.

A major reason for this trend is 2005's sluggish stock market. Last year, the Dow Jones Industrial Average failed to close in the black and was down for the first time in three years. The Dow's lackluster returns have prompted an increased demand for more secure investment vehicles, specifically long-term bonds.

The U.S. trade deficit may also be a contributing factor, according to some analysts. Many trading partners have enormous capital surpluses, especially China, Japan, Taiwan, and Korea. Although these countries could choose to invest in short-term notes, they seem to favor long-term American treasuries, which provide extended certainty over immediate gain. Because the demand for long-term bonds has remained high, the yields they offer have remained steady, since there's been little need to attract additional investors.

When short-term interest rates are high while long-term interest rates remain lower, this leads to a shift in the usual yield-versus-term paradigm, known as an inverted yield curve. So what does this mean to someone who is trying to determine what type of mortgage would be best under these economic conditions? It means that the cost of an Adjustable Rate Mortgage may not be significantly lower than that of a 15- or 30-year fixed mortgage. Depending upon your circumstances, this may be an excellent time to refinance.

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Rates at a Glance

30-Year Fixed	Mid 6's
15-Year Fixed	Mid 5's
7-Year Fixed	High 5's
5-Year Fixed	High 5's
3-Year Fixed	High 5's
T-Bill ARM (Index: 4.410)	Mid 5's
COFI ARM (Index: 3.190)	Low 5's
MTA ARM (Index: 3.618)	Low 5's

The interest rates represented here are at one point.

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Did You Know?

Did you know that Texas was an independent republic for nine years prior to becoming the 28th state in 1845?



Homes & Money

Mortgage News

(Continued from cover)

The opportunity presented by this unusual yield curve probably won't last. In the first few days of 2006, the Dow Jones Average rose above 11,000 for the first time in over four years. Stocks and bonds compete for the same investment capital. If the market stays bullish, the demand for bonds and their value may decrease. When this occurs, interest rates and bond yields rise; and, with other bonds, mortgage-backed securities and their interest rates may also increase. In fact, long-term treasury rates are currently near their highest of the year.

If you would like to review your existing loan plan to see if now would be a good time to refinance, please contact us! We would be happy to meet with you to explore all of the options available.

Conforming Loan Limits Raised

The second recent development that's of special interest to many home owners has to do with conforming loan limits!

The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are rather unusual organizations because they are government-sponsored enterprises which are privately held by shareholders.



These organizations were established in an effort to increase the levels of home ownership and affordable housing. While they do not provide funds to home buyers directly, they purchase loans from mortgage lenders across the country. They then bundle the loans into securities which investors may purchase. Mortgage lenders use the funds they receive from Freddie and Fannie to provide new loans, thereby ensuring a steady supply of lending capital is consistently available.

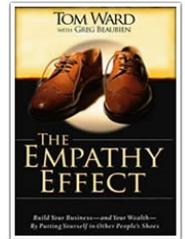
Because of the continual rise in the median cost of housing in the U.S., each year Fannie Mae and Freddie Mac set the ceilings for what they consider to be conforming loans. Fannie and Freddie control the majority of the nation's secondary mortgage market. Because they only buy conforming loans, the demand for larger mortgages is far less. As a result, these jumbo loans carry higher interest rates.

For 2006, in the contiguous 48 states, the new conforming loan cutoff has been set at \$417,000 for a single unit home. Other limits have been raised as well. This is more than good news for new home buyers and existing home owners. This is a great opportunity to see how much interest you can now save by consolidating previously borrowed "piggy back" or home equity loans. You may be able to convert a jumbo loan as well.

Please call us at (310) 306-3104 to set up an appointment to review your current loan program. We will make sure that you're taking full advantage of these recent economic developments!

Book Review

The Empathy Effect
Build Your Business and Your Wealth By Putting Yourself in Other People's Shoes.
 by Tom Ward with Greg Beaubien



This book is the ultimate win-win manual. Empathy enables you to anticipate and fulfill another person's needs, ensuring greater satisfaction for everyone involved. Author Tom Ward emphasizes listening, identification, and understanding as the key elements needed to spark a chain reaction of positive events that benefit both businesses and their clients.

Empathy also extends to internal management. Team leaders should give employees room to grow and advance by drawing upon their individual strengths and nurturing their sense of self-worth. By drawing upon each employee's unique assets, a business will achieve better overall results.

[The Empathy Effect is available at www.Amazon.com.](http://www.Amazon.com)

Trivia Challenge

This animal typically sleeps standing up, and it's able to survive for weeks without drinking water. It has between 2 and 4 horns, and its prehensile tongue can be as long as 21 inches. What is it?

The first person to call in with the correct answer wins dinner and movie tickets for two! Trivia Challenge Answer line: (310) 306-3104

Quote of the Day

"Every man is the builder of a temple, called his body."



—Henry David Thoreau

Homes & Money

Creative Cuisine: Beggar's Pasta



Beggar's Pasta

- 1 lb. Sweet Italian sausage, casings removed
- 1 lb. Dried pasta, preferably farfalle or penne
- ¼ Cup parsley, chopped
- 3 Tbsp unsalted butter
- 1 Bunch (approx. 1 lb.) broccoli rabe, rough ends trimmed then cut in half crosswise
- 2 to 3 Garlic cloves chopped fine
- 1½ Tbsp extra virgin olive oil
- Kosher salt
- Grated Parmigiano Reggiano

Directions:

Bring a large pot of water to a rapid boil and season liberally with kosher salt. Blanche the broccoli rabe for 2½ minutes, remove with tongs, and allow it to drain in a sieve. Once water returns to a boil, add pasta and cook until al dente. Drain pasta in a colander, reserving 1½ cups of the cooking liquid. Meanwhile, in a skillet heat olive oil and add sausage meat. When sausage is nearly cooked, add garlic and sauté for an additional 2 minutes. Add 1 cup of the reserved pasta water and bring to a simmer. Add pasta, broccoli rabe, parsley, and butter. Mix until butter is incorporated. If pasta is too tight, add remainder of the pasta water and mix again. Serve in bowls, and garnish with grated parmesan. Serves 4.

THE MONEY PIT



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Street Smarts

Cyber Cookies Aren't Sweet



We've all heard the horror stories. Someone complains that pop-ups are interfering with their web browsing, spam is clogging their in box, and to top it off, their PC crashes frequently. Why? Spyware has infected their system.

It's easier to prevent this problem than to cure it. So be cautious about downloading anything, from pictures to software. Don't open suspicious emails or attachments. In addition, be sure that you're installing the latest critical updates for Windows.

Another step you can take is to purchase a current version of anti-virus software, like McAfee or Norton, which also monitors cookies. A cookie is software that facilitates e-commerce. That's how Amazon is able to recommend books based upon your preferences. However, not all cookies are benevolent. Some cookies are spyware which monitors your browsing patterns and sends them surreptitiously to a third party.

Two programs that help to purge spyware are Lavasoft's Ad-Aware and Ewido Security Suite. Google Pack, a free download for Windows XP, includes Ad-Aware and six months of Norton AntiVirus.

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Cyber Cookies Aren't Always Sweet

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Once you have anti-spyware software, run and update it often. You'll be surprised to see how many parasites are lurking in your system. After your computer is cleaned, be sure to reboot. If you have Windows XP, create a fresh system restore point.

The most troublesome malware hijacks your browser. Your favorites file becomes flooded with porn and gambling, and your home page becomes a search engine you've never heard of. You can fight back by downloading and running a program called "Hi Jack This" from a trusted site like www.MajorGeeks.com. It will list every boot process. You can then post the log to a forum like www.CastleCops.com and wait for an expert to get back to you. If you're not an advanced user, you will still gain valuable information from these websites.

While it would be nice if annoyances like spyware didn't exist, at least there are steps you can take to protect your system and keep it running smoothly.



If you know anyone who is looking to buy, sell or refinance a home, please forward their name and telephone number to us. We will happily provide the same high level of service that we have provided to you. The greatest compliment you could possibly give us is the referral of your friends and family.

Thank You!

We wish to thank our clients who have been kind enough to refer business to us. We appreciate the opportunity to provide excellent service to your family, friends, and co-workers.

Paul M. J. Suchecki
Writer
Loan Toolbox
PHONE: (310) 306-3104
FAX: (310) 306-0596