

7 Mortgage Terms a Borrower Must Know

If you don't know the language, choosing a loan can be sort of like ordering dinner off the menu in a foreign country. Misunderstand a few words, and you could end up with something awful on your plate. And unlike a single meal, a loan could give you indigestion for many years. It's important to know what you're getting, so we've put together this basic translation guide. Here are 7 terms a borrower must know:

1. Balloon mortgage

A loan structured with lower monthly payments and a large lump sum payment due at the end of the term. If the borrower can't pay the loan balance when it comes due, he could lose his house. Considering this type of mortgage should be taken very seriously and professional advice from your lender should be sought.

2. Home equity

Home equity is the market value of a home minus the outstanding balance of the mortgage or any other loans taken out against the value of the home. Protect your home's equity like a restaurant guards its five-star rating. Sure, feel free to use that equity to your advantage, but seek the advice of your lender before doing so.

3. Loan-to-value ratio

Only slightly harder to calculate than the tip, your loan-to-value ratio (LTV) is the total amount of a mortgage divided by the appraised value of the property. For example, if you make a \$40,000 down payment and take out a \$160,000 mortgage to buy a \$200,000 house, your LTV is 80 percent.

4. Rate lock or lock-in

A lender's guarantee that the mortgage rate quoted will be good for a specific amount of time. The home buyer usually wants the lock to stay in effect until the date of the closing.

5. Mortgage insurance

Also known as PMI (private mortgage insurance), mortgage insurance allows lenders to recover some of their losses if a borrower fails to repay a loan. Most lenders require a borrower to pay for mortgage insurance if their LTV is greater than 80 percent. But if you have to pay it, don't be too queasy about it: once your LTV falls below 80 percent, you may be able to cancel PMI. (See your lender to learn more.)

6. Points

Fees that a mortgage lender charges for making a loan. One point is equal to one percent of the mortgage loan amount. Some lenders will offer a lower interest rate to borrowers willing to pay points upfront.

7. Prepayment penalty

A fee charged if a borrower pays off their loan before the end of the loan period. A prepayment penalty could give you heartburn when you want to refinance for a lower interest rate or sell your house before the mortgage term (which can often be 30 years) is up.

If you need more clarification on any of these terms or other terms you've encountered, feel free to contact our office today.

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Protect Yourself From Fraud & Identity Theft!

Follow these tips to help protect yourself from fraud and identity theft.

- Carry only necessary information with you. Leave your social security card and unused credits cards at home in a safe and secure location.

- Make photocopies of vital information you carry regularly and store them in a secure place, such as a safety deposit box.
- Do not provide your Social Security number unless absolutely necessary.
- Replace paper invoices, statements and checks with electronic versions, if offered by your employer, bank, utility provider or merchant.
- If you have free online account access, you can usually reduce paper statements by signing up for Bill Pay and free Online Statements.
- Shred documents containing personal or financial information before discarding. Most fraud and identity theft incidents happen as a result of mail and garbage theft.
- Review your credit report at least once a year, looking for suspicious or unknown transactions. You can get a free credit report once a year from each of the three major credit bureaus at www.annualcreditreport.com. For a small fee you can obtain a copy at any time directly from:
 - Equifax®: 1-800-685-1111 or... www.equifax.com
 - Experian®: 1-888-397-3742 or... www.experian.com
 - TransUnion®: 1-800-916-8800 or... www.transunion.com
- Consider subscribing to a daily credit monitoring service.
- Place outgoing mail in a U.S. Postal Service mailbox to reduce the chance of mail theft.

- Promptly retrieve incoming mail to limit the opportunity for theft.
- Know your billing and statement cycles. Contact the company's customer service department if you stop receiving your regular bill or statement.

For more information about protecting yourself from fraud, contact our office today! If we can't help you we will direct you to someone who can.

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How To Conduct a Do-It-Yourself (DIY) Home Energy Audit

The first step to saving energy and money around the house is to find out how much energy you are actually using.

By knowing what to look for you can conduct your own home energy audit. Here's how to get started.

1. Get to Know Your Energy Bills

BILLS are never fun, but don't forget that they contain valuable information along with the pain. Compare your heating and cooling costs by month for as many years past as you can, and look for trends in usage or obvious changes. Do you see any spikes? Can you remember why? Your utility company usually can make older bills available to you by calling their customer service.

2. Locate Air Leaks

SIMPLE leaks can sap home energy efficiency by 5 to 30% a year, according to the U.S. Department of Energy. So take a close look at places where two different building materials meet, such as corners, around chimneys, where pipes or wires exit and along the foundation. Make sure good seals form around doors and windows, and that no mortar is cracked. Any gaps or holes should be plugged and/or caulked.

3. Examine Heating and Cooling Equipment

NOT surprisingly, heating and cooling usually account for the biggest home energy loads. To reduce waste, check to see if your furnace filters look dirty. If so, swap them out (usually needed every month or two during the heating season). Or invest in an electrostatic *permanent* filter, which cuts down on waste and does a much better job of cleaning the air. If you have central air conditioning, check the coils both inside and outside. If they have dirt on them, carefully vacuum it off (you may need to first remove the protective grilles).

Make sure all your vents are open in rooms you want conditioned, but close the ones in rooms you hardly use. Ensure vents are clean and unobstructed. Vacuum away any dust.

Examine ductwork for dirt streaks, which mark leaks. You can often fix problems with duct tape or insulation. If your ducts look very dirty or worn, call a professional to get an estimate on a thorough cleaning or replacement.

4. Analyze Your Appliances

APPLIANCES are major energy users, so try to identify models that may be costing you a lot, and to find ways to trim waste. If older units are found to cost you a lot, you have motivation to upgrade to a new high-efficiency model (and make sure it is Energy Star certified).

From the Inside: "What makes a loan a jumbo loan? ...And who determines this amount?"

Jumbo loans are mortgages too big to be bought by the two government-owned companies that provide the great majority of the money for home loans in this country.

Fannie Mae (the Federal National Mortgage Association) and Freddie Mac (the Federal Home Loan Mortgage Corp.) do that by purchasing more than 80% of the loans made by commercial banks and mortgage companies. Some of those mortgages they keep. Some they bundle together and sell to investors.

These loans are sometimes called conventional or conforming loans because they "conform" to Fannie's and Freddie's rules. But Congress limits the size of loans Fannie Mae and Freddie Mac can buy. Right now, they're prohibited from buying loans larger than \$417,000 in most places and no more than \$729,750 in high-cost areas like New York and San Francisco.

If you need to borrow more than that, you must apply for a jumbo loan that banks must fund out of their own money or sell to private investors without any government help. Those loans almost always cost more (charge a higher interest rate) and usually require a larger down payment.

If your fridge and freezer are using too much juice, you may simply need to turn down the temperature dials, or clean or repair the seals. In general, the EPA recommends keeping refrigerators at 37 degrees F. and freezers at 3 degrees F.

5. Look for "Energy Vampires"

EVER heard of an "energy vampire" or "phantom load"? When electronics like TVs, DVD players and cell phone chargers are plugged in but *not on*, they still draw power, resulting in about 8% of our annual electric bills.

It's simple to stop the drain: look around your house, and unplug any unused devices you find. To make it even easier, plug your electronics into a power strip, and switch that off when you are finished channel surfing, jamming or charging up. It will keep the "energy vampires" at bay.

6. See the Light

LIGHTING eats up about 10% of a typical electric bill. Swap out high-wattage bulbs with lower users, ideally CFLs. Start with one or two bulbs in the places where you have lights on the longest; you don't need to rush out and try to replace every bulb all at once. Also be aware that rapid on and off switching decreases the life of CFLs, so it may not be worth it to install the pricier bulbs in places like closets, where you rarely have the lights on. In such areas, try a lower-wattage regular bulb, like a 40W instead of a 60W.

Consider how you use lighting in each room. Instead of always hitting the main overheads, would your lifestyle be better served by installing some low-wattage task lighting? Think desk and reading lamps or even night-lights instead. Get rid of halogen torch-style floor lamps, which use a tremendous amount of energy. Also consider installing motion detectors, which are especially good for halls and exterior lights, since you don't have to worry about people accidentally leaving them on.

7. Gauge the Results

AFTER you have made some improvements, revisit your audit steps in a month or two. Get out your energy bills, and compare. Did your usage drop? Consider going back through the steps above, looking for any appliances or areas you missed before.

It also may be time to bring in the pros for a full-service, high-tech energy audit. Call your utility company to see if it subsidizes the service (some offer it free during part of the year), and ask if it can recommend local providers.

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The national conforming loan limit for mortgages that finance single-family one-unit properties increased from \$33,000 in the early 1970s to \$417,000 for 2006-2008, with limits 50 percent higher for four statutorily-designated high cost areas: Alaska, Hawaii, Guam, and the U.S. Virgin Islands. Since early 2008, a series of legislative acts have temporarily increased the one-unit limit to up to \$729,750 in certain high-cost areas in the contiguous United States. Permanent limits, which apply to the Enterprises' acquisitions of certain mortgages originated prior to July 1, 2007, are set under the terms of the Housing and Economic Recovery Act of 2008 (HERA).

For every county in the country, maximum loan limits for mortgages originated in 2010 are equal to the maximum limits that were in effect for 2009-originated loans (as determined under the American Recovery and Reinvestment Act of 2009).

For more information about jumbo loans, or any other kinds of loans, contact our office today! We're here to serve you!

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