

Interest-Only & Deferred Interest Loans: Are They the Right Choice for You?

Interest-only and deferred-interest mortgages are gaining increasing popularity, as homeowners like the idea of having the freedom to decide how much to pay against their mortgage each month. Interest-only loans offer you the option to pay only the monthly interest, or you can pay the monthly interest and as much of the principal as you'd like.

Deferred-interest mortgages give you even more choices. In addition to the payment options of an interest-only mortgage, a deferred-interest loan also allows you to pay just a portion of the interest payment each month (the unpaid interest would then be added to your principal loan balance).

By opting for an interest-only payment or a deferred-interest payment, your monthly mortgage payment is less—often times, significantly less—than it would be if you made a “conventional” interest plus principal payment. You gain the freedom to do with your available cash as you choose.

To help you decide how much home you can afford, it's smart to think in terms of an interest plus principal payment each month. If you can only afford the minimum payment on your mortgage, you may be overextending yourself. Having a choice to *pay only the minimum* is quite different than only being *able to afford the minimum*.

Is an interest-only or deferred-payment mortgage right for you? If any of the following situations apply to you, these loans may be just what you've been waiting for:

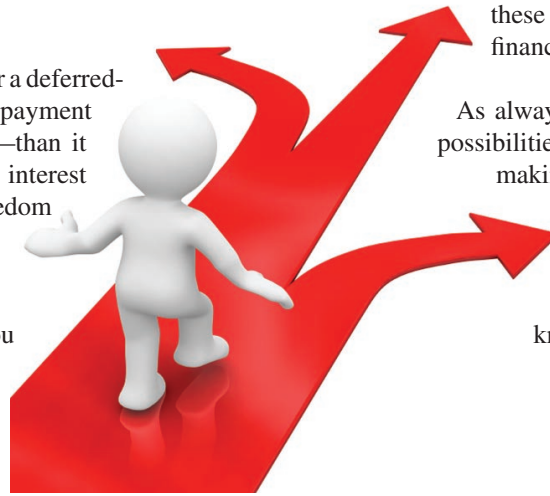
- If you need cash flow and have a low interest rate, paying interest only is the same as borrowing money at a great rate.
- If you're paid on commission or depend on tips, and your income fluctuates month-to-month, interest-only or deferred-interest payments can be great. When commissions are down, make the minimum payment. When you have an excellent month, pay the full payment or perhaps even more.
- If you invest the money you don't put toward your mortgage in something with a higher rate of return. For example, if you pay 6.5 percent on your mortgage but find an opportunity to make an investment that returns 9 percent, you will make 2.5 percent on your money that you wouldn't make if you had paid your full principal plus interest.
- You have higher interest debt to pay off. Again, if you have credit card debt at 15 percent, it makes dollars and sense to pay that before mortgage interest debt at 6.5 percent.
- If you expect to be in your home for less than 10 years.
- If you live in an area with appreciating home values. Regardless of what you have heard or read, most of the country's real estate is still appreciating in value in the long term (although it may

not be appreciating as fast as it once was). In those areas, even if you pay mostly just interest on your home, you're likely gaining equity in your home. In some cases, you can gain equity even with deferred-interest minimum payments.

Interest-only and deferred-interest loans can be great tools for money management. But, be careful not to stretch your budget too thin so that you *have to rely on paying only* the minimum payment each month. This can cause headaches down the road and isn't recommended. If you can afford the full payment *but choose* to have the payment flexibility that these types of loans offer, then these types of loans just might be a fit for your financial goals.

As always, feel free to discuss and evaluate all the possibilities with a mortgage professional before making a final decision. Be sure to ask lots of questions. Your local mortgage professional will fully explain all the payment scenarios. Combined with their excellent advice, you'll be armed with the knowledge to make the best decision.

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Not for Reprint

14 Tips to Keep Your Home Bug-Free!

You've gone to great lengths to get your house ready to show and sell. It's beautiful. Your home's curb appeal is outstanding, your lawn is full of environmentally friendly native plants and grasses and your backyard could be featured in *Home and Garden Magazine*. You've done all the recommended updates to your home.

And your kitchen? Wow! You've spared no expense to make it perfect. From granite counters to professional grade stainless steel appliances to that new porcelain sink, it's fantastic. And when your prospective home buyers check out that brand new sink, they might just notice the two-inch cockroach enjoying it as much as you do...(!) Cockroach? In your brand-new kitchen? Don't panic just yet.

You can bet your bottom dollar on it: Warm weather brings out the creepy crawlies and flying fiends. While bugs may be an extremely important part of the ecosystem, they belong outside, *not in your kitchen sink*. Many are just a nuisance, but some are actually destructive to your home—especially termites and carpenter ants—and can cause very expensive damage.

The good news is that by following a few simple steps, you can start moving in the direction of making your home mostly bug free:

1. Make sure all exterior wood is finished or painted. Several types of bees and ants prefer to nest in unfinished wood. Finishing your wood is best all-around, because unfinished wood deteriorates faster.
2. Termites are attracted to firewood piled against the side of your house or wooden fence, so keep your firewood dry and covered.
3. Repair all water leaks around the home and replace rotted wood right away.



4. Keep your food in sealed containers and keep your kitchen clean. Ants love food that's sitting out (yes, even pet food), especially small traces of crumbs and spills you might not notice. But ants do! Wipe down countertops and rinse sinks to eliminate attractive fruit juices.

5. Insects love animals, so keep your pets clean and use flea and tick repellent, if needed.

6. Seal all cracks and holes that give bugs access to the inside of your house. Be sure to check crawl spaces and along the foundation.

7. Spiders may scare you, spiders are actually your best defense.

8. They love to eat bugs! So think twice about the presence of *all* the spiders.

9. Poor plants may attract bugs, so check them regularly. If you find evidence of bugs, find a spray that targets just those bugs.

10. Get those dirty dishes off the table, out of the sink and washed up (or at least in the dishwasher), right after every meal. Standing water and food particles attract all sorts of pests.

11. Get garbage out of the house as soon as possible. Garbage should be in plastic bags, tied and placed in sealed/covered cans out of the sun as much as possible.

12. Get rid of all accumulated water and puddles in your home. These are choice breeding grounds for mosquitoes.

13. Keep bird feeders near your home. Birds also love insects, so having them around can't hurt the fight. Just don't place the bird feeder on your deck or patio, unless you enjoy hosing off your deck every day to eliminate bird droppings.

14. Termites love damp areas, so make sure all rain water drains away from your home and doesn't seep back into your foundation.

15. Try using motion-sensing outdoor lights. These not only save electricity and money, but they don't serve as a constant attraction for bugs the way normal lights do.

Bugs in your home can be a distraction and even cause serious problems. But you can easily keep them at bay. Keeping your home as bug-free as possible will make it easier to sell and more enjoyable for you until you do sell your home. If you think you may have a serious bug problem, call a professional. They will inspect your home and remove bugs and bug nests. These tips will help, but a serious infestation should always be handled by professionals before expensive damage is caused.

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