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NEI's Real Estate Report

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October Roundup: Mortgages Rates and More by Realty Times Staff

Mortgage rates slipped quietly past the 6 percent mark earlier this month. And if the nation's top housing prognosticators are on target, home buyers had better get used to it. Almost every economist worth his or her salt is now predicting that loan costs will rise ever-so gradually until they top out at somewhere between 6.5 and 7 percent sometime late next year.

Ah, but we're not there just yet. According to Freddie Mac's latest survey of lenders, the rate on 30-year fixed loans rested at 6.1 percent for the week ending Oct. 20. That's the highest its been since July 1, 2004, when the rate averaged 6.21 percent.

A year ago at this time, the typical interest rate for a 30-year loan was 5.69 percent. That's almost half-a-percent lower. But in monetary terms, the difference isn't that great. On a \$100,000 balance, the monthly payment is just \$26 higher on a 6.1 percent loan than it is on a 5.69 percent loan. Of course, the difference is greater at higher loan amounts.

The bigger change in Freddie Mac's weekly survey is in the rate for a standard one-year Treasury-indexed adjustable rate mortgage. The current rate, 4.89 percent, hasn't been that high since April 26, 2002, more than three years ago.

But the good news is that lenders are still charging less than 1 point -- a point is 1 percent of the loan amount -- as their fee to make loans.

Big Brother Is Watching -- Part I

Don't think you can sneak a second or third mortgage by your primary lender. Now, mortgage stakeholders have a new tool to root out the existence of subsequent financing that adds a significant element of risk to their investment in your property.

Of course, the existence of secondary financing could mean any number of other things besides the possibility a borrower is in the financial soup. He may be borrowing against his equity in order to add even more value by sprucing up his place, for example. Or perhaps he has a grand opportunity to invest in a new business and wants to use his home as his bank.

Whatever the reason, the existence of secondary financing means borrowers with two or mortgages often have a combined loan-to-value ratio that is too



high for their incomes. What's more, borrowers don't normally inform their lenders about subsequent financing. Yet, as many as half of all first mortgage borrowers add a second mortgage within three years of origination.

TrueSeconds by Loan Performance identifies, evaluates and monitors the status of home equity lines of credit and second mortgages that are attached to first mortgages. And just in case someone thinks they might be able to slip one under the radar, the San Francisco-based LoanPerformance is a subsidiary of First American Real Estate Solutions, which collects property data on 97 percent of all real estate transactions in the United States. Earlier this year, First American launched a companion product, LienWatch, which provides holders of junior liens with an automated method for monitoring a first lien's delinquency status.

TrueSeconds can identify a wide range of second liens, including so-called "silent" seconds, where the seller finances the second; "piggyback" seconds, in which the originator provides a second simultaneous to closing; "up-sell" or "cross-sell" seconds, where the originator markets a second after closing; or "borrower-initiated" seconds, where the borrower acquires a second after closing through another lender.

Big Brother is Watching -- Part II

With another new real estate monitoring system being offered to lenders, your mortgage company very well could be looking over your shoulder trying to find out when you will make your next move.

"Clairvoyance" is a first-alert system that notifies lenders and brokers as soon as anyone on their prospect lists puts his home on the market. So, if your loan officer is a subscriber, you can expect a phone call asking about your next mortgage. Brian King, president of First Movers Advantage, a leader in pre-move marketing based in Wayzata, Minn., calls it "warm" as opposed to cold calling.

Thinking of buying
or selling a home
in the near future,
please call

**ANTHONY
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for a personal interview
and property
assessment with
no obligation.

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NOVEMBER AT A GLANCE...



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"Every loan officer wants a customer for life. The customer doesn't always see it that way, but lenders do. And Clairvoyance gives them the ability to know each time one of their customers is about to buy another home," King says.

The program monitors classified ads in newspapers, houses listed for sale on the Internet and other public sources of information on a weekly basis. And once it finds a match, it alerts subscribers via e-mail that a client is about to make a move.

According to J.D. Power & Cos.' latest home mortgage survey, however, not everyone would like

to hear from their previous lender. Even among those borrowers who rated their lenders a nine or higher on a 10-point scale, just two out five would recommend their lenders to someone else.

What's more, lenders are free to put as many addresses on their "watch list" that they like, not just those of past clients but also those of "anyone else they want to keep track of," says King. That could include a former applicant who decided to go elsewhere for financing, or someone who attended a first-time buyer or investor seminar.



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