

***Lincoln Trust Mortgage* News - Vol. 1. No. 3**

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I had planned on a Spring-time newsletter and here it is July.....I've been tied up with all 3 states performing compliance examinations of my business over the past 2 months. The good news is they haven't pulled my licenses.....YET!

INTRODUCTION

I have created a News Archive page on the website at www.lincoln-trust.com so you can read previous issues of this newsletter. As a result of some "compliance suggestions" various "wording" has been modified on the website. At least one of the states feels the tone of my site was one more of a lender than a broker so I had to fix that.

I am using this newsletter to stay in touch with my clients and business partners. As always, if you feel I am cluttering up your mailbox, just reply with a "please remove me from your mailing list".

MARKET NEWS

Our new Fed chairman, Ben Bernanke, has continued with his mentor's tightened monetary policy. Short-term rates have continued to be pushed higher with the Prime Rate at 8.25%, with indications looking at maybe one more hike before taking a needed LONG rest?!?

So as the market sits right now, adjustable rate mortgages are at or MORE than 30 and 15 year fixed mortgage rates. So unless a client has credit issues, everyone is getting fixed rate mortgages now. I'm still able to get rates in the 6's with no points where most places are charging points to stay in the 6's. Housing prices have stabilized and in many areas (especially at the high-end) prices are coming down. Realtors say the low-end is still very active.

REVERSE MORTGAGES explained

Why not use your own investment to give yourself a better life in retirement? I hear a lot of concern and "rip-off" mentality concerning this program but it REALLY isn't a bad idea. More of the elderly should be like my parents. They have NO PLANS to leave a dime to the 4 offspring they produced and I can't agree more. Why should they? Too many elderly are of the mindset to leave something to their heirs as a legacy of some sort. I say enjoy yourself; do everything you haven't had a chance to do over the years; forget the legacy crap.

So for folks that want to stay in their home and not want to skimp and put every penny into their living expenses, the reverse mortgage can be a life saver! To begin with, the youngest of the couple has to be at least 62 years old to take advantage of this program. In a nutshell, you are using the equity in your home as additional monthly income or to pay off bills or for travel, etc. No one loses the house; it still stays in the family. The equity that you spend doesn't get paid back until after you die and your heirs either sell the home or refinance it on their own if they want to keep it.

You can take money out virtually anyway you would like; lump sum; monthly payments; line of credit. One of the payout methods is based on an annuity program where you are guaranteed a monthly income no matter how long you live. The payments to you are based on the actuary tables for your specific lifespan and the amount of equity is set to the value you agree to. If you live longer than expected, that is in your favor; the added dollars paid to you do not come out of the house. If you don't live as long as expected the payments stop and the remaining unused portion of the annuity goes back into the house, so you can't lose out.

The program was set up by the government for the healthy elderly that would like to stay in their own homes throughout their life. The money can be used for ANYTHING. Some folks use the funds for assisted-care in the home as opposed to the much higher expense of nursing home living.

Setting up the reverse mortgage isn't cheap. The fees are high. Plan on paying at least 2 points as federally mandated cost to set it up.

For more information I recommend the unbiased website www.reversemortgage.org. Also www.aarp.org has about the same information that I have provided.

BI-MONTHLY PAYMENT SCAM(?) explained

I get this question a lot. "Does the lender offer a bi-monthly payment option to reduce the overall term of the mortgage (and total interest paid)?" My answer is always that the lender may or may not offer it, but if they do, they make you pay for it (typically one-time \$300+ to start it up) and you don't need to pay anything to reap the same reward. Here's how you save the charge by setting up your own program.

There is no doubt that bi-monthly payments will pay off the loan early and save you lots of interest charges. What the lender does is split your mortgage payment in half and bill you every 2 weeks. This means that you make 26 payments

annually which translates to 13 monthly payments or simply 1 extra monthly payment per year. A 30-year, \$200,000 mortgage at 6% interest (paying a total of \$232,000 in interest over those 30 years) will get paid in 24 years 7 months and accrues only \$187,000 in interest (saving \$45,000 in interest).

But you can do the same thing on your own. Simply divide your payment by 12 and add that amount each month. You accomplish that same thing; 13 payments made every year. The payment on the above loan is \$1200 per month. So in this example you would pay \$1300 each month instead. If you can swing another \$100 per month, you would shave off 9 years total.

I will gladly send anyone that would like they're own personal amortization table as an Excel spreadsheet which will allow you to put in any value of extra payment per any month and show you the net savings. Just drop me an email with the loan amount, interest rate, remaining number of payments and I'll send you the spreadsheet that you can manipulate any way you wish, as long as you can work with Microsoft Excel.

IN CLOSING

ALL feedback is welcome! Suggestions for topics in future issues are welcome. Reply with any comments you'd like and remember there are no dumb questions.

warmest regards,

--Craig

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