



Mortgage Rate UPDATE

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What is Negative Amortization?

A negative amortization loan is an adjustable rate mortgage that allows the consumer to tap into home "equity" by offering several monthly payment options. Up to an additional 25% of the original loan amount is available to the borrower.

This flexibility works well for consumers who have seasonal income or want more control over their cash flow. However, the borrower must have some degree of financial discipline. Each month, the borrower will choose to make a fully amortized payment, an interest-only payment, or a low introductory rate payment.

A fully amortized payment is larger, and includes payment toward principal + interest. The interest-only payment is lower, but no part of that mortgage payment goes toward the principal. The borrower is simply keeping their head above water.

The third option is where negative amortization comes into play. If the consumer chooses to make the low introductory rate payment, the interest is not sufficiently covered for that month. The balance of interest owed is then tacked back on to the principal, thus increasing the mortgage debt.

Smart consumers can use these payment options to their advantage, but should have a full understanding of how adjustable loans work. They should also know that once the maximum loan amount has been reached, the lender will immediately increase the payment amount to the fully amortized rate.



Mortgage Interest Rates

Rates as of 10/07/2005:

	Conforming	APR	Payment per \$100,000	Jumbo	APR	Payment per \$100,000
30-Yr. fixed	5.375%	5.554%	\$559.97	5.750%	5.933%	\$583.57
15-Yr. fixed	4.875%	5.176%	\$784.29	5.375%	5.680%	\$810.46
7-Yr. fixed ARM	5.125%	5.301%	\$544.48	5.125%	5.301%	\$544.48
5-Yr. fixed ARM	4.625%	4.796%	\$514.13	5.000%	5.175%	\$536.82
3-Yr. fixed ARM	4.500%	4.670%	\$506.68	4.875%	5.048%	\$529.20
5-Yr. Interest Only	4.750%	4.922%	\$395.83	5.000%	5.175%	\$416.66
Annual ARM	4.125%	4.291%	\$484.64	4.125%	4.291%	\$484.64
1moMTA-OptArm	1.000%	5.802%	\$321.63	1.000%	5.802%	\$321.63

*Rates are subject to change due to market fluctuations and borrower's eligibility.

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