



# Mortgage Rate UPDATE

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## How Adjustable Rate Mortgages Work

During the last decade, Adjustable Rate Mortgages (ARMs) have increased in popularity among consumers. These days, few homeowners (especially first-time buyers) remain in their homes for more than seven years. In this case, it often makes sense to get an adjustable rate mortgage with a lower rate, especially one with a 5-year or 7-year fixed portion, since they won't have the loan long enough to be concerned about rate fluctuation.



Adjustable Rate Mortgages have three main features: Margin, Index, and Caps. The Margin is the fixed portion of the adjustable rate. It remains the same for the duration of the loan. The Index is the variable portion. This is what makes an ARM adjustable. Margin + Index = Interest Rate.

It's important to understand that there are many different indices: The 11th District Cost of Funds (COFI), the Monthly Treasury Average (MTA), The One Year Treasury Bill, the Six Month Libor, etc. Each index has its own strengths and weaknesses; some are slow moving, others are more aggressive.

The third and final component of Adjustable Rate Mortgages is Caps. Caps limit how much the rate can fluctuate over time. Annual Caps limit changes to the annual rate, whereas Life Caps provide a worst case scenario over the life of the loan.

## Mortgage Interest Rates

Rates as of 10/02/2005:

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

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

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