



# Homes & Money Quarterly Newsletter

<http://www.AlliedCapitalLoans.com>

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## Mortgage News

### Real Estate Will Continue to Boom Despite Naysayer Claims

In recent years, it's impossible to turn on the television or read the headlines without seeing a warning of impending doom. The media claims that the housing bubble is growing too big, and it's about to burst! This pessimism has sold a lot of news stories, but it has also created many false concerns for first-time and move-up home buyers as well as investors. We keep hearing about this horrible catastrophe, yet the real estate market continues to boom. Why is that? Because the media neglected to consider one very important factor that is driving our current economic recovery: demographics.

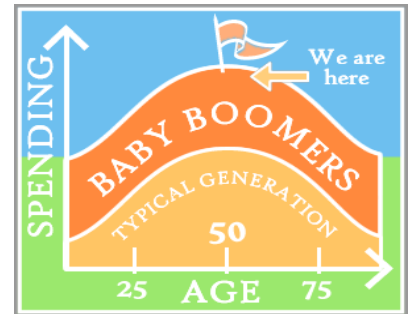


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*"The biggest factor that affects real estate today, and has made it immune to some cyclical changes in the economy, has been demographics."*

The real estate boom began when mortgage interest rates fell into the single digits, making housing much more affordable. While this certainly contributed to home sales, there are additional causes we can isolate. Dr. David Lereah is a best-selling author and the Chief Economist for the National Association of REALTORS® (NAR). In a recent interview, Dr. Lereah revealed, "The biggest factor that affects real estate today, and has made it immune to some cyclical changes in the economy, has been demographics."

The most significant and frequently mentioned demographic is the "Baby Boom" generation, which refers to children born in the years following World War II. Economic forecasting expert and author, Harry Dent, has written extensively about how property buying habits occur in a predictable fashion as a generation ages. From needing an apartment in college, to buying a starter home and eventually trading up to something larger, it is all cyclical. Since the Baby Boom generation is the largest so far, their impact has been far greater than the generations that preceded them.



Now that Boomers have moved into their top earning years, they continue to push the housing market to new levels. They are purchasing larger primary residences as well as vacation homes and investment properties. The statistics for 2004 reflect this trend, with 36% of home sales going toward second homes and 23% of sales going toward investment properties.

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## Rates at a Glance

30-Year Fixed	Mid 5's
15-Year Fixed	Low 5's
7-Year Fixed*	Low 5's
5-Year Fixed*	Low 5's
3-Year Fixed*	High 4's
T-Bill ARM (Index: 3.680)	High 4's
COFI ARM (Index: 2.620)	Low 5's
MTA ARM (Index: 2.737)	High 4's

The interest rates represented here are at one point.

\*Amortized over a 30-Year period. Following its Fixed term, it converts to a 1-Year Treasury Bill Adjustable Rate mortgage for the remaining term of the 30-Year loan.

## Did You Know?



Bruce Springsteen's *Born In The USA* album was the first commercially released CD that was actually made in America.

# Homes & Money

## Mortgage News

(Continued from cover)

Demographic trends don't end there:

- **Immigration** – There has been a large influx of immigrants over the past three decades. According to Lereah, it typically takes at least a generation for immigrants to become fully active in the home buying market.
- **Children of Baby Boomers** – This generation is now in their twenties and looking to purchase their first homes.
- **Retirees** – While the demand for housing is expanding, the supply is decreasing. With advancements in medicine and treatments of disease, retirees are living longer. This means that they are occupying their homes for more years, which decreases the supply of homes available for purchase.

In addition to the demographic factors listed above, real estate has been a rewarding investment. Stocks and bonds have not performed as well as investors were used to, while real estate has exceeded expectations. In an uncertain world, people are more comfortable investing their money in property which will appreciate.

So if the current boom can primarily be explained by the factors we just discussed, how do we know whether it will continue?

Dr. Lereah says, "We are in the Golden Age of Real Estate." Even if the economy should slow and interest rates increase slightly in the coming years, the demand for houses is still strong. The biggest impact that such a change would have is to decrease the rate of price appreciation. While this may sound ominous, it really isn't.

The media likes to refer to the real estate boom in terms of bubbles and balloons. In keeping with that analogy, Lereah indicates that local markets may react to higher interest rates by letting some air out of the balloon. The double digit price appreciation we've been experiencing could decrease over the next year or two to a more typical 4-6% range. This is still a higher rate of return than found in the stock market, all things considered.

So if you are looking to purchase a second home or investment property, where might be a good location to focus your attention? Ideally, where the Baby Boomers are planning to retire. The demand for housing in these areas continues to grow. Over the past year, some of the highest price appreciation took place in the resort areas of Florida.

The next time you turn on the television or read the headlines, be secure in the knowledge that the sky is not falling.

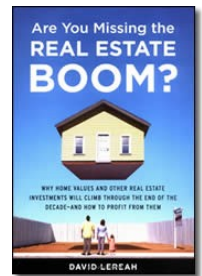
### Additional Resources:

*Are You Missing the Real Estate Boom?: Why Home Values and Other Real Estate Investments Will Climb Through The End of The Decade – And How to Profit From Them* – by Dr. David Lereah

**If you'd like to receive a FREE 26-minute audio interview with David Lereah, call us today at (916) 849-2679!**

## Book Review

***Are You Missing the Real Estate Boom?***  
by David Lereah



In his latest book, economist David Lereah provides insights into the thriving real estate market and advises consumers who wish to take part. Whether you are a first-time buyer or looking to invest in a second home, Lereah offers detailed information about every aspect. From sizing up local housing markets to financial planning and even home improvement, he leaves no stone unturned.

If you are wondering whether now is the time to buy, pick up a copy of this book at [www.amazon.com](http://www.amazon.com) or your nearest bookstore. You'll be very happy you did.

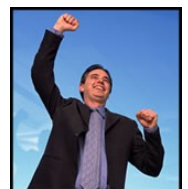
## Trivia Challenge

**"Which multi-billion dollar company, named for its founder, began on \$1000 in 1984 and was run out of a dorm room at the University of Texas, Austin?"**

The first person to call in with the correct answer wins dinner and movie tickets for two! Trivia Challenge Answer line: (916) 932-2410

## Quote of the Day

"Never give up, for that is just the place and time the tide will turn."



–Harriet Beecher Stowe

# Homes & Money

## Creative Cuisine: Fudge

### FUDGE

CREATES 1 LB. OF  
CHOCOLATY DELIGHT!



#### INGREDIENTS:

2 cups sugar  
3 Tbsp. Hershey®'s cocoa  
1 cup milk  
1 Tsp. vanilla  
1 Tbsp. butter  
2 heaping Tbsp. smooth or chunky peanut butter (Optional!)

#### Directions:

Prepare a cereal-sized bowl by greasing it with a small amount of butter. Set aside. In a medium pot, combine sugar, milk, and cocoa. Stir continuously over medium flame until mixture reaches "soft ball stage." (235°–240°F on a candy thermometer.) If you don't have a thermometer, place a small drop of mixture into a cup of cold water. If it forms a soft ball, it's ready for the next stage. Turn burner down to a low flame. Add butter, vanilla, and the peanut butter (if desired). Stir mixture until it begins to harden. Remove from burner, and pour into the greased bowl. Place in fridge to harden and enjoy!

### THE MONEY PIT



by Howard Tayler

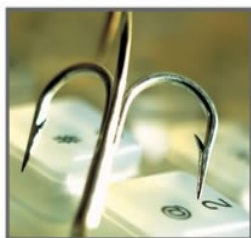


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## Street Smarts

### Spammers are Phishing for You: How to Identify Fake Emails



Spam is the virtual junk mail that clogs your in box each day. Some of these emails are easy to spot, with their promises of discount prescriptions, miracle investments, and "dating" offers that could make Hugh Hefner blush. Others are more dangerous, appearing to come from legitimate banks, credit card companies, or internet service providers. This type of scam is known as

"phishing" and often fools consumers into giving out passwords, credit card numbers, and other sensitive information. How can you protect yourself? Watch out for these warning signs:

**The salutation is generic.** If the message opens with Dear valued member or something similar, rather than your full name, it could be a fake email.

**Typos and misspellings.** If the email has obvious errors, it is not legitimate. By misspelling or leaving out words, these messages are less likely to be caught by spam filters.

**It's urgent that you take action immediately!** By threatening dire consequences if you don't respond right away, spammers are hoping you won't take the time to examine the email and discover that it is fraudulent.

(Continued on Page 4)

## Spammers are Phishing for You

(Continued from Page 3)

**Click this link to update your information.** Links included in spam do not always take you to the site they claim they will. Frequently the address is very close to that of a real site but is missing a letter or has a hyphen inserted. (For example, [www.microsoft.com](http://www.microsoft.com) or [www.verify-microsoft.com](http://www.verify-microsoft.com)) If you are using Outlook, you can place your pointer over the link and a window will pop up, revealing the actual website address that the link will open.

The safest way to protect yourself is to view incoming email as you would a telephone solicitation. Don't believe everything you hear, protect your financial information, and be selective when giving out your email address.



*If you know anyone who is looking to buy, sell or refinance a home, please forward their name and telephone number to us. We will happily provide the same high level of service that we have provided to you. The greatest compliment you could possibly give us is the referral of your friends and family.*

## Thank You!

We wish to thank our clients who have been kind enough to refer business to us. We appreciate the opportunity to provide excellent service to your family, friends, and co-workers.

# \$250 off!

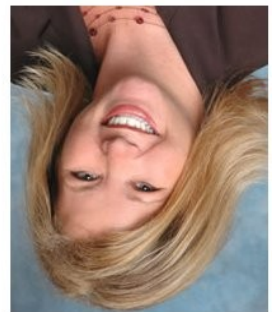
**This coupon entitles you or a friend to \$250 off your closing costs when obtaining home financing (purchase or refinance).**

**Coupon must be presented at time of application.  
Limit one coupon per loan transaction.  
Not valid on loans currently in process or with any other discounts or offers.**

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