

Mortgage Minute

Thoughts we have but are afraid to ask

Examples of a few misconceptions regarding mortgage lending.

Often we have questions about things we are unfamiliar with. And just as often we have enough reservations about how not knowing will make us look to hold our tongue. This month I want to answer a few questions about mortgages, questions and topics I've covered with clients recently or associates lately.

1. Is mortgage insurance required on my loan if I have less than 20% to put down?

It depends on the loan program. If you have less than 20% to put down, mortgage insurance, MI, can be avoided in one of two ways. The first is to have the lender pay the mortgage insurance, which depending on the loan-to-value might only be 0.125% added to the interest rate.

The second way to avoid the MI is to do a combo or second loan at the same time. So, you may take out one loan for 75% of the purchase price and have a second loan for 15%, leaving 10% to be put down.

2. If my house appraises for more than I am buying it for, doesn't this mean I can put less money down to get to 80% loan-to-value and avoid MI?

Unfortunately, lenders use the *lesser* of the purchase price or appraised value to determine the loan-to-value. In a construction or refinance situation, the lender will use the appraised value to determine loan-to-value.

3. Do I have to put 20% down when buying a rental?

There are loan programs that allow buyers to get a rental, or investment property with no money down and no mortgage insurance. Of course the condition of the property can have a big impact on how much risk the lender is willing to take.

As always, I hope you found this month's mortgage minute useful. Please, never hesitate to ask me any mortgage questions you may have.

Today's Rates at a Glance

30-year fixed
6.250%
(APR 6.440%)

15-year fixed
6.000%
(APR 6.312%)

40-year fixed
6.375%
(APR 6.593%)

Calculations based on a purchase loan amount of \$150,000 and an 80% loan to value. Rates include a 1% origination fee and are as of 6-1-07 and are subject to change.

Identity Theft Tip of the Month

If you are victim of identity theft, call the credit reporting agencies to place a "fraud alert" on your account forcing someone to contact you before extending credit and report the theft to the FTC at 1-877-438-4338.



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