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## Current Rates

Program	Conforming
30-Year Fixed .....	Low 6's
15-Year Fixed .....	High 5's
7-Year Fixed* .....	Low 6's
5-Year Fixed* .....	High 5's
3-Year Fixed* .....	Mid 5's
LAMA ARM .....	High 5's
(Index Value: 3.624)	
MTA ARM .....	Low 6's
(Index Value: 3.751)	

The interest rates represented here are at one point.

\*Amortized over a 30-year period. Following its fixed rate term, it converts to a 1-year Treasury Bill or LIBOR adjustable rate mortgage for the remaining term of the 30-year loan.

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# PLANTING

new seeds

Innovative Mortgage and Home Equity Solutions from the Mortgage Equity Team

[WWW.MORTGAGEEQUITYTEAM.COM](http://WWW.MORTGAGEEQUITYTEAM.COM)

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## DID YOU KNOW?

World economic growth is projected to rise +4.3% in 2006, compared to a +3.3% estimated rise for the USA. China's economy is projected to grow +8.2% this year.

(International Monetary Fund)



## Introduction: Using Home Equity Wisely

In the past year the value of homes in America increased an average of 13 percent, and in our area alone over 10 percent. This increase in home equity has made it possible for many of us to qualify for an equity loan or line of credit.

With relatively low interest rates, using home equity can be advantageous, but it must be used wisely. Financing a renovation for your home, strategic debt reduction, helping with your child's college tuition, or prudently investing it are all legitimate uses for home equity. Under no circumstance, however, should you consume your home equity for unnecessary means, or make frivolous purchases (such as a car, or a pair of jet skis for the lake). And by all means remember that if used for debt reduction you should be eliminating debt, not making room for more of it!

Your mortgage planner should also be an experienced advisor, and depending on the purpose for using home equity he or she should be able to provide solid guidance. The exact type of loan or line of credit, specific to your needs, is very important.

A Home Equity Line of Credit (HELOC) allows you to use as much or as little of the limit as you like, giving you the flexibility to pull money out when needed. The interest rate floats at or slightly above the PRIME rate, so it may increase or decrease as the Fed Funds Rate changes. A Home Equity Loan (HELOAN) provides you with the full amount of the loan when closed, and has a fixed rate. Refinancing your existing mortgage and replacing your first lien, while cashing out, is also an attractive option if interest rates are low.

Regardless of the reason for pulling the equity from your home remember this advice: only do what is necessary to achieve your goal, and keep the transaction well within your "zone of comfort." Never put yourself in a position where you may not be able to repay the loan, and never foolishly gamble with home equity dollars.



## Lessons from Katrina: Is Your Home Equity Safe?

by The Mortgage Equity Team

Melanie Thompson, Registered Mortgage Advisor

Barry Doyle, Production Coordinator

Would you rather have \$400,000 in home equity or \$400,000 in a safe conservative investment account? Gulf coast homeowners no longer need to pause to think about it, they can easily answer this question now.

One of the less publicized lessons from hurricane Katrina concerns personal finance and the best way to own your home. Most Americans strive to pay down or pay off their homes. However, those that followed this advice were worst hit when Katrina arrived, including Mississippi Senator Trent Lott.

Senator Lott owned his home outright. He considered it his retirement nest egg as it accounted for half his net worth. But Katrina wiped out his home, and his nest egg with it. He estimates he lost \$400,000 he had built up in home equity, and he's still fighting with the insurance company to pay claims so his loss doesn't grow higher. (Many insurers are balking at paying claims, as they maintain the damages are the result of flood, not hurricane winds).

As Katrina victims found out, home equity is not as safe as they once thought. It can be wiped out completely overnight. Senator Lott would have been better off if he had separated his home's equity and placed it in a safe conservative investment account prior to Katrina. In fact, all homeowners are better suited to keep as little cash in their home as possible, and instead allow their home's equity to build up in a safe side investment account.

Those homeowners that had separated their home's equity prior to Katrina were able to get back on their feet much quicker, as they had cash available to them and were not dependent on an insurance company to decide whether their damage is covered. Another reminder that cash is king, and those who have access to it hold all the cards. If Senator Lott had tucked away his \$400,000 in a side investment account, he would have many more options and more leverage in dealing with the loss of his home. However, now the insurance company controls the situation, as he is dependent on them to replace his cash.

Could a natural disaster hit our area and have a similar effect? Or could any one of us be affected by a disaster in our personal lives of a comparable magnitude. If it did, would you rather have your money tied up in your house or safely tucked away in the bank or a safe investment account?

With mortgage rates around 6% today (about 4.3% after tax savings), it's relatively easy to out earn the 4.3% cost of a mortgage. So in addition to achieving the primary goals of keeping your money safe and liquid, you can also earn a positive spread and allow your money to grow and compound too! Ask for the Mortgage Equity Team's No Cost Mortgage Planning Analysis to see if it makes sense for you to better protect you and your home's equity.



For more information about Senator Lott's plight, visit

[www.sunherald.com/mld/sunherald/news/13428742.htm](http://www.sunherald.com/mld/sunherald/news/13428742.htm)



## Home Improvements Turn Average Homes Into Dreams Come True

by The Mortgage Equity Team

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If you're thinking about taking out a home improvement loan, there are several options to consider. Foremost, your mortgage consultant needs to know why you want a home improvement loan, and he or she may ask numerous questions about your home, your current mortgage, and the intent of the improvements.

### The New Tract Home Blues

Buyers of newly-built homes are often tapped out after the initial down payment and closing costs, including upgrades to amenities and the inevitable need for new furniture. Shortly thereafter, they realize they'd like to make additional improvements to really have the home of their dreams.

Look into a Home Improvement Loan with a fixed interest rate as a *second* Trust Deed. This type of loan doesn't require you to have equity built up in the existing mortgage. The maximum loan amount could go as high as 125% of the current appraised value of the home, and you can make the improvements yourself or go the extra mile and hire a contractor if the job requires architectural design, permits and inspections.



### The Major Overhaul

If you've built up equity in your home and are geared up for some major renovation, the Home Equity Line of Credit (HELOC) is probably your best bet. This adjustable loan allows you to use your equity as a line of credit, so as improvements are made over time you simply write a check when you need to pay a bill.

It's almost like a having a credit card, and in fact the HELOC can be used for any reason—even paying off credit card debt. In this case using the HELOC can turn a revolving debt payment into a tax deductible payment, but with a much lower interest rate. The HELOC is generally a *second* Trust Deed, unless it's used to pay off and replace the *first* Trust Deed.

A construction loan is an alternative to the HELOC for borrowers who don't want to use or don't have equity, and this type of financing *can* be used for construction on an existing dwelling. Construction loans are short-term loans that usually require interest-only payments until completion of construction, but the balance is due when construction is done. Most often, that is managed up front by setting up construction-to-perm financing where the loan is automatically rolled into permanent financing at a fixed rate when construction is complete.

### Just a Facelift, Please!

If you want to sell your home—or have already attempted to sell your home without success—you may simply want to give it a fresh new look and enhance the curb appeal. In this case it makes sense to go with a HELOC. Make sure you are aware of the current market value of homes in your area to make sure you're not going over the limit on the fair market value of your home. You'll want to get a return on your investment!

Regardless of your reason for home improvement, make sure you share your goals with your mortgage consultant. He or she can walk you through the various loan options and confer with your tax advisor to make sure you're getting the best deal possible.