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Inside:

Search for the Holy Grail of Portland Dining!



Mortgage Monkey NEWS

SPRING 2007

**ASK THE
 EXPERT**



What is Mortgage Insurance all about?

This is one of the most common questions I hear. Almost everyone has heard of Mortgage Insurance (MI), but very few understand it. MI is a monthly premium attached to the mortgage payment for borrowers who put down less than 20 percent of the purchase price. It is designed to protect a lender from a borrower defaulting on their loan. The premium insures a percentage of the equity, reducing the risk to lenders. The cost is equal to about .5 percent of the loan amount for a 90 percent loan, and up to one percent or more for 95 or 100 percent financing.

MI is not an entirely bad idea. Financing that includes MI will give some people the best possible loan for their situation. Many homebuyers have used an FHA loan for their first home. This is a great example of financing that includes MI where there is a huge benefit for the borrowers. A lot of people would never have become homeowners without the flexibility that MI can provide.

My goal is to know and understand all the different programs available so that I can help each client find the best financing. Ultimately, my number one goal is providing financing that will set my clients up for success as homeowners.

As an alternative, lenders will allow financing of up to



100 percent without MI if the amount financed is split into two loans. As long as the first mortgage remains at 80 percent or lower, MI is not required. The borrower uses a second mortgage to finance the balance, usually at a slightly higher rate. I have always been a big fan of using first/second combination financing. The bottom line is that in most cases borrowers are better off financing the home with two loans without MI than with an MI-infected loan.

For example:

Based on a \$200,000 purchase price with 5% down for total financing of \$190,000.

Option #1 - 95% - 1st Mortgage w/MI
 Principal & Interest Payment: \$1,124
 Mortgage Insurance: \$123.50
Total: 1,247.42

Option #2 - 80% - 1st Mortgage, 15% - 2nd Mortgage
 Principal & Interest: \$1,154
 Mortgage Insurance: \$0.00
Total: \$1,154

As you can see, the payment difference is just under \$100/month. By using combination financing there is significant savings. Since MI is designed to protect lenders and not borrowers, I try to avoid it if possible! More important to many borrowers is the extra buying power created. The additional buying power would increase the possible purchase price to \$215,000!

When you are ready to explore your options please don't hesitate to email or call me - that's what I'm here for.

**Got a question for Gary?
 Call him at 503.243.2674**



THE WORD FROM GARY



Just under three years ago Mike and I moved from NE to SW Portland. At first, I didn't adjust very well. I kept driving over to NE to get my hair cut and to get the oil changed in my car. Despite my longings for everything I knew so well in NE, I never had any problem exploring SW Portland for the the Holy Grail of Portland dining: A great place for Sunday morning breakfast.

Before the emails and phone calls start, there are many wonderful places to eat in NE Portland. I love the Cadillac Café for example, unfortunately I was not blessed with the gift of patience. Waiting outside for an hour to eat on Sunday morning is not my idea of a great way to start the day.



So, we started exploring places in SW Portland. About a year ago Mike and I stumbled upon our Holy Grail. I believe honesty is the best policy so here I go; it's a **dive**. My gay card and toaster will be taken away if I am ever caught there! You would swear not a thing has changed since 1973. The color scheme is harvest gold and avocado green, the only part missing from the décor is flocked wallpaper. Mike and I are pretty sure most of the pies twirling away in the lobby display have been there since the grand opening.

So, why do we eat there? This is not a roots and shoots kind of breakfast. Good old American fare of eggs, bacon and lots of biscuits and gravy. And the best part is the staff; breakfast even comes complete with sassy waitresses that have been there since the dawn of time. Thankfully we are not alone in our love for this place. We have earned our stripes now as "regulars." Every week when we walk in we see the other "regulars" that frequent this exclusive club. We all tease each other about who slept in a little or who is early. We all have our favorite booths and God help the non-regular who poaches our booth.

Once we sit down, two Diet Cokes are always in front of us without ever having to ask and our order is on the way. I grab the real estate section from the Sunday Oregonian (I can admit to being slightly obsessed.) Mike always reaches for the Opinion section. Usually by the time our food arrives, Mike has a vein popping out of his neck. He insists on reading the right-wing columnist every week just to see what crazy revisionist history he has come up with this time. Thankfully, banter with the waitresses is never in short supply; and soon we are out the door to enjoy our Sunday. Our wonderful little secret dive is cheap, fun, tasty and we never have to wait in line. Sorry, I have taken the greasy spoon oath and that's why I can't divulge it's location!

I hope you enjoy checking out my thoughts on mortgage insurance and what's happening in the market. Your feedback is always appreciated and if there is ever anything I can do for you, your friends or family please let me know - that's what I'm here for.



Gary's Crystal Ball

Despite what you might think from listening to media reports, Portland had its second highest total volume in real estate sales in 2006 with \$10.4 billion compared to \$10.6 in 2005. After two barn storming years, our local housing market has landed on solid ground. It's a refreshing change to see things returning to normal after watching clients lose out on property after property, or bidding 20k over the asking price just to have a chance.

I always find it fascinating how quickly we change our expectations. For years it was typical for a home to be on the market an average of 45-60 days, but now everyone is nervous if the house down the street hasn't sold after a week. Although it pains some people selling their homes, a market in balance is very good for the long-term health of our local economy. One of the strengths of our market has been consistent growth without wild up or down California style swings. I'm seeing many people that simply gave up after trying to buy in the last year, who are now getting motivated again.

Interest rates are still looking great. Right now 30-year fixed rate loans are right under 6.0%. With inflation retreating, the outlook for the next three months is great. If you would like to explore your options for buying or refinancing please give me a call.

