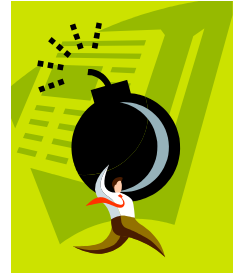


Are you on a Ticking Time-Bomb With Your 3/1, 5/1, 7/1, 10/1 ARM?



Read about THIS Important Decision to Make

I frequently write articles on *Current Economic News* as I get e-mails and calls from people wanting this valuable information. So this month, I have a lot of valuable information to give and it wouldn't fit on our normal size newsletter, so I decided to include it as an insert. I know it is long, but well worth reading.

If rates go up, what do you think is going to happen to home prices, despite what some economists may predict and other market forecasters are saying? In my opinion, there is no way home prices will stay stable with increasing interest rates, but I don't have a

crystal ball either. However, Gary Watts, a leading economist (who has been right 32 of the last 34 years) says **3.5 million more people are moving to Southern California in the next 10 years.** That will cause a high demand for housing.

I have written many articles that I highly recommend you read -- on our website under "Articles/Newsletters" and then under "Top Articles" -- ["3/1, 5/1, 7/1, 10/1 Fixed Rate Adjustable ARM's, Are These the Loans For You?"](#) and ["1% This, 1% That, What is All This I Am Hearing About These 1% Loans?"](#) In a nutshell, these loans are all adjustable loans with the potential for serious problems down the road if interest rates go up. Hence, I will give some examples here. Borrowing an example from the article *"3/1, 5/1, 7/1, 10/1 Fixed Rate Adjustable ARM's, Are These the Loans For You"*, I analyzed what would happen to the payment on a \$350,000 at 5.25% on a 5/1 Interest only ARM & wrote, "Let's say rates do happen to go up 2% after the loan becomes an adjustable 5 years from now (which would still be 25 year historic lows by the way) what would happen to the payment and how would higher rates 5 years from now, affect housing prices in 5 years?" These are two very important questions that people need to take a close look at, especially if rates go up. So

3.5 million more people are moving to Southern California.

let's take a close look at a \$350,000 loan balance at 5.25% on a 5/1 interest only ARM and then, say, 5 years from now the rate goes up to 7.25%, do you realize that the payment would go up \$998 and some change? The reason being is that the 1st five years most people who take those 5/1 ARM's make the interest only payment so the balance does NOT go up

or down -- it stays the same. After the 1st five years, you lose the interest only option and now you have to start paying principal & interest and the loan is now amortized over 25 years instead of 30, hence causing that payment to go up \$998 and some change.

A couple important questions here: Can you afford that extra \$998 today or do you want to for that matter? Could you afford that extra \$998 five years ago? Now, here's a dumb question, **if you can't afford it today or you couldn't afford it 5 years ago**, how the heck do you plan on affording it 5 years from now?

Do you see the potential for some more **foreclosures here in the near future?** Another more important question is: If rates are 2% higher in 5 years, what do you think will happen to home prices 5 years from now? It is more than likely that higher interest rates will cause home prices to drop. But then again, who knows? If that is true, in 5 years, not only will you have a higher monthly payment of \$998 (just double that on a \$700,000 loan -- check this) but your home will be worth less -- not a very good situation to be in, especially if you can't afford the payment. This is where one would say, "I can predict more foreclosures happening."

To anyone who has these types of loans: PLEASE -- PLEASE (this is intentionally typed twice) do something about this now before rates go up! Here's another question to ponder: **When should you lock into a**

fixed rate, before or after rates go up?

You'll kick yourself that you read this article and then didn't do anything about it, possibly, down the road. The problem is that you probably aren't looking to raise your monthly mortgage payment today and I totally understand that, but at what cost -- to potentially have a foreclosure on your credit report? I'm sorry, but that just doesn't make sense to me!

Get help! We have solutions for you. A lot of our clients are refinancing today into a 30 year fixed with a 10 year interest only option in order to keep their payments low for the 1st ten years. This loan has an interest only option for the 1st 10 years, but the loan remains fixed for the entire loan period and best of all, the rate will never change over the 30 year period. We call it the Smart Loan and it's on our site. Click on under [Refinance to see a Menu of all the Different Loan Options.](#)

This loan is a potential lifesaver today based on all these darn loans people are getting themselves into. I am not here to scare you, just inform you, and best of all, you can get into one of these loans at zero cost. You need to address this issue if you have one of those 1% start rate loans, one of those 3/1, 5/1, 7/1, or 10/1 interest only fixed rate ARM loans, because if you don't, the loan will potentially FORCE you to make some choices down the road that you may not be prepared to or want to make at that time, unless you act now! I don't think I can spell it out any more clearer than this. Never put yourself into a loan which forces you to make a tough decision down the road. If you have any questions or comments, as always, please give me or one of our loan consultants a call.

BY Fred Solomon, Jr. Broker/ Real Estate & Financial Coach

For a FREE loan cost analysis, call a Solomon Financial loan consultant at 949.251.8733.