

Sean Pope & Zachary Taylor's

MORTGAGE UPDATE



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Good Credit / Bad Credit: Where Do You Stand?

You don't have to have sterling credit in order to buy a house, but you might have some explaining to do when you meet with a lender. Get ahead of the game now and find out where your weak spots are—the better your credit record, the better home loan you are likely to get.

For many people, opening up their credit records to perfect strangers is one of the most difficult stages of buying a house. You may find yourself losing sleep over that department-store credit card you let lapse with a \$5 balance due. But most people have glitches just like that one on their credit reports. Most of the time they are easy to fix and will not stand in the way of your getting a loan.

Bankruptcy, on the other hand, is another story; it stays on your record for seven years. But you can make the loan process a lot easier if you understand how lenders look at credit and take some steps to clear yours up before you actually apply for a loan.

Credit Scores: The Magic Number

Lenders have been looking over the past several years at different ways to streamline, and even automate, the home loan business. Many lenders—as well as the secondary mortgage market's big players, Fannie Mae and Freddie Mac—now use credit scoring as one way to speed up the loan process. But it can benefit you as

well. Because people with higher credit scores usually are rewarded with lower interest rates.

Your credit score is a number between 400 and 700 that most consumers never see during the process of applying for a loan. But this statistical analysis of the likelihood that you'll pay back a loan on time could be what literally stands between you and a home of your own. A credit score draws from 100 variables in your credit report including delinquent bills, your outstanding debts, the number and amount of balances you owe your creditors, your credit history and what types of credit you have.

And the magic number is... anything over 620. If you score above 680, lenders will consider you a premium borrower and roll out the red carpet. Anything under 620, you are likely to be rejected.

Red Flags

What lenders don't want to see on your credit report

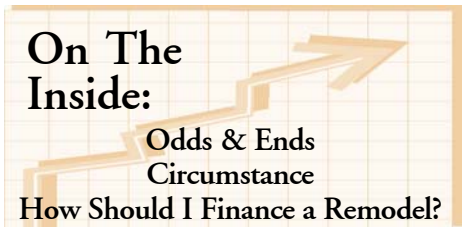
- Too many late payments
- Too many credit inquiries

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**On The
Inside:**

**Odds & Ends
Circumstance
How Should I Finance a Remodel?**



CIRCUMSTANCE

We can know what people are thinking by looking at what they do. Actions mirror thoughts. And by taking a good look at where we are and what we are doing, we can understand what we are thinking. The thoughts we have chosen have brought us where we are today.

Continued from page 1

- Overextended credit
- Liens
- Paycheck garnishments
- Bankruptcy

Reversing Rejection

If you are turned down for a home loan for credit reasons, find out what the lender didn't like and take these steps to remedy the situation:

1. Ask your lender for a copy of your Residential Mortgage Credit Report, a compilation of your personal credit profile for the past seven years issued by a credit bureau.
2. After reviewing your report, ask the credit bureau for a re-investigation of any questionable marks on your record. The bureau should provide a form to make this request.
3. Once you have filled out the form, the credit bureau has 30 days to investigate your claim and change your record. If you are correct, or if the creditor who gave you the bad mark can no longer verify the information, the credit bureau must remove that information from your report. Incidentally, a credit bureau may remove an item summarily if checking the item is more trouble than it is worth.
4. If the information in the report is correct, check the date of the bad mark. With few exceptions (such as bankruptcies) the credit bureau may not keep old credit information on file for more than seven years.

TIP: Be sure to check that all closed credit card accounts are labeled "closed by consumer" on your credit report.

Fast-Track Fix

It may take weeks to clear up a credit problem. But you may be able to devise a counter proposal that increases your lender's comfort level. For example, if you were turned down for an 80 percent loan because of shaky credit, the lender may be willing to loan you 75 percent of the home's purchase price instead of 80 percent. They might even be willing to loan you the extra 5 percent. Also, the lender may reconsider your

application if you are willing to pay a higher interest rate or higher loan origination fees.

ABCs and Bankruptcy

Bankruptcy significantly drops your credit rating and may be reported on your record for up to 10 years! But if you have declared bankruptcy recently, you may still be able to borrow money to buy a house.

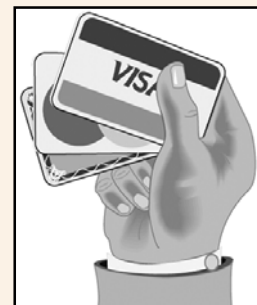
In addition to credit scoring, lenders rate borrowers from A to E, with A-rated borrowers being the best credit risks. If you filed bankruptcy more than a year ago (but less than 10 years), a lender will probably rate you a C. As a C-rated borrower, you can expect a higher down payment requirement (20 to 35 percent) and to pay between 1 to 3 percent more in interest than an A-rated borrower. If your credit rating is less than an A, you may have to bypass commercial banks altogether and head straight for a mortgage broker specializing in difficult loans.



Consolidate Your Credit Card Debt

There are several choices if you are looking to consolidate credit card debt in order to achieve lower weekly or monthly repayments.

It may be possible to combine all your debts into a single debt in the form of a personal loan, mortgage refinancing, or home equity loan. A riskier solution is to switch your debts to a new credit card that has a lower interest rate or which is offering a low introductory rate to induce you to switch. If you are a person who cannot control your spending then do not use the last option.



If you are securely employed and have the capacity to make smaller monthly installments then a personal type loan is a good option. Repayments are reduced by extending the term of the loan and a lower interest rate. The repayment schedule can be tailored to your pay periods.

Home-owners have the options of refinancing their existing mortgage and folding the consumer debt into the new mortgage, or withdrawing some of the equity in their home and using this to pay off the debts.

Whichever method is chosen, you need to be aware that if you don't change your spending habits you will end up with even worse debt problems.



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Q & A

What Are My Options for Financing a Remodeling Job?

Is it “Tool Time” at your house? Do you need to put in a new deck, add a garage, install windows or remodel the kitchen?

Whether you decide to use an outside contractor or go the Bob Vila do-it-yourself route, you’re probably going to need some money to get the job done—and consumers should always inspect their financing options as closely as they would green lumber.

When looking to finance a home improvement, consumers generally need to ask themselves a few questions. And most lenders agree that those basic questions should be:

- How long is it going to take to do the whole job?
- How much is it going to cost altogether?
- Do I need the money for anything beyond this particular set of home improvements?

Your answers will determine whether you should choose from finance options such as a credit card, a home-improvement loan, a home equity loan or a home equity line of credit. Keep in mind that there is no one plan that is right for everybody. If the job is just a couple of hundred dollars, you should probably use cash or maybe a credit card with a low interest rate. While it’s true that the credit card will generally charge higher interest than other options, when you’re borrowing a small amount, it’s generally more cost-effective and relatively hassle-free because the other options can involve a good deal of paperwork and upfront costs such as appraisal and origination fees.

If the job is going to be more than a few hundred dollars, or if it’s going to be conducted in stages—maybe add a garage, do some pool repair, and remodel the bathroom later on—then these kinds of jobs could be financed best by using the equity in your home.

Tapping into the equity of your home is a low-cost credit vehicle well-adapted to financing home improvements. Normally, equity just sits there growing until you sell your house. Home equity loans and home equity lines of credit (known in the lending biz as HELOCs) let you use this asset without selling your home—and, hey, isn’t that why you’re planning a home improvement? ...Because you plan to stay for a while?

Most banks offer home-improvement loans designed for low- to moderate-income families, but typically, home-equity lines and similar loans can usually offer you a much better rate structure. See your local mortgage professional today if you’re thinking about doing some home improvements and need financing.



“You can preach a better sermon with your life than with your lips.”

— Oliver Goldsmith



ODDs & Ends

Why Ask Why?

- Why do you need a driver’s license to buy liquor when it’s against the law to drink and drive?
- Why isn’t the word “phonetic” spelled the way it sounds?
- Why are there interstate highways in Hawaii?
- Why are there flotation devices under plane seats instead of parachutes?
- Why are cigarettes sold in gas stations when smoking is prohibited there?
- Have you ever imagined a world with no hypothetical situations?
- How does the guy who drives the snowplow get to work in the mornings?
- If a 7-11 is open 24 hours a day, 365 days a year, why are there locks on the doors?
- If a cow laughed, would milk come out her nose?
- If nothing ever sticks to TEFLON, how do they make TEFLON stick to the pan?
- If you’re in a vehicle moving forward at the speed of light, what happens when you turn on the headlights?
- Some packages have “Open here” printed on them. What is the protocol if the package says, “Open somewhere else”?
- Why do they put Braille dots on the keypad of the drive-up ATM?
- Why do we drive on parkways and park on driveways?
- Why is it that when you transport something by car it’s called a shipment, but when you transport something by ship it’s called cargo?
- You know that little virtually indestructible black box that’s used on airplanes; why can’t they make the whole plane out of the same substance?



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