

# Include my mortgage as a New Years Resolution?



**That's right!** Starting off the new year shouldn't only be about losing those extra couple of pounds and making it to the gym more. One critical decision that you can make to start off 2006 on a great note includes your mortgage and financial goals. Ask yourself, "What do I want to achieve this year with investing and debts?" I have included 2 realistic scenarios that clients will face in 2006 that can be changed to make better decisions for the New Year!

## **Scenario 1:**

**You have a lot of credit card debts, and you want to begin eliminating the balances to regain your financial freedom.**

Did you know that you can use your mortgage as a financial tool? That's right! Through the course of time, many have the perception that their mortgage "is what it is" and simply look at the mortgage payments they must make every month to avoid late payments or worse off, default. However, I challenge you to think of your mortgage in a different light. What if you could utilize your mortgage to pay off bad debts and regain your financial freedom! I'm sure the next question is, "Sounds great, but how do I do that?"

## Here is how:

Let's keep things simple and say that you have \$10,000 in credit card debts. Your New Years Resolution is to begin eliminating these debts, because they bear 15-20% interest rates on them. By placing yourself on an "Option Arm" loan, you can begin to eliminate these debts. Option Arm loans are also referred to as "Pick-a-Payment" loans. These loans offer 4 monthly payment options each and every month!

Example: \$300,000 Loan at a 6.5% interest rate on an Option Arm.

Option 1: Minimum Payment = \$964.92  
Option 2: Interest-Only Option = \$1,625  
Option 3: 30 Year Payment = \$1,896.20  
Option 4: 15 Year Payment = \$2,613.32

By looking at this loan product, you begin to realize that you have options! Most minimum payments start in the 1-1.99% range. The difference between this payment and the interest only payment is referred to as "deferred interest" or "negative amortization". The deferred interest gets placed onto the balance of the loan, because you are paying less than the "actual" interest due on the loan. I only suggest that you use this loan if you are using it for the right reasons. Here are the right reasons:

- 1.) You take the difference between what you would have spent on a 30 year payment and the minimum payment and begin to pay off credit cards. By doing this, you are eliminating bad debts. That is great! reducing those high interest rate balances can really make a difference to your current financial picture!
- 2.) Your monthly income fluctuates from month to month, since you work on commission or own a business. What if you have a few great months, and the rest of the months are slow? Rather than having difficult months paying the mortgage, you can make the minimum or interest only payments during the slow months and make larger payments when you have strong months to offset the slow months! This product has helped many clients from avoiding late payments, defaulting on their mortgage, or severely damaging their credit reports during financial crunches!

## Scenario 2:

**You are on an adjustable rate mortgage because the rates were at all time lows a few years ago.**

Yes, that is true. However, if you refinanced within the past 60 months, you may want to check and see when your "fixed period" starts to adjust. With interest rates increasing in 2006, you will begin to see changes in your monthly mortgage payments if this period is over. Many people are on adjustable rate mortgages these days, however, did you know that respected analysts are expecting 4-5 more rate increases in 2006! These increases will dramatically increase mortgage payments by upwards of a couple hundred dollars a month! So the question is, "What can you do to protect yourself in these changing times and start off the year on a good note?" The answer is locking in your mortgage with a fixed rate loan. By locking in your mortgage on a fixed rate loan, you are protecting yourself from future rate increases, which will ultimately affect your monthly payments.



By: Scott Gormley  
Broker/Owner  
Oak Valley Mortgage  
Direct: 530.592.8362  
email: [Scott@OakValleyMortgage.com](mailto:Scott@OakValleyMortgage.com)  
Website: <http://www.OakValleyMortgage.com>