

Market Trends Edition

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It's Home Buying Season!

Should you choose an adjustable rate over a fixed rate mortgage?

By Bob Kallio, associate vice president, Nationwide Advantage Mortgage

You've probably read advertisements about low adjustable rate mortgages. This type of mortgage boasts extremely low interest rates, which means you can buy more house for your money. But, what's the catch? Are these adjustable rate mortgages really benefiting homeowners, or are homeowners realizing they cause more trouble than what they're worth? It all depends on what type of homebuyer you really are.

Financial experts feel that these types of mortgages are beneficial to:

- * First-time homebuyers who plan to sell their house within 10 years or before their adjustable rate changes.
- * Those who need to re-establish their credit situation.
- * Those who want more house for their money, and believe they'll be able to make higher payments when their rate adjusts.
- * First-time homebuyers
- * First-time homebuyers use adjustable rate mortgages to establish their credit history and get into a house at a low rate.

This type of mortgage is ideal for these first-time buyers as long as they've done their planning and understand the risks.

If you plan on selling your house within five to 10 years, which is the case for many new homebuyers, a fixed-period adjustable rate mortgage may be a smarter way to go.

The reason being is that a fixed-period adjustable rate mortgage comes in different sizes. They can offer a rate adjustment term of one, three, five, seven or 10 years. This means the rate will be "fixed" until the selected term is completed.

So, if you plan to stay in your home for at least five years, you could select a 5/1 ARM, which maintains the same rate until the end of the fifth year. At the end of the five years, the rate will adjust annually based on the index but never by more than two percent in one year. By selecting an adjustable rate, you can enjoy a lower interest rate than what you would receive for a fixed product for that five-year period.

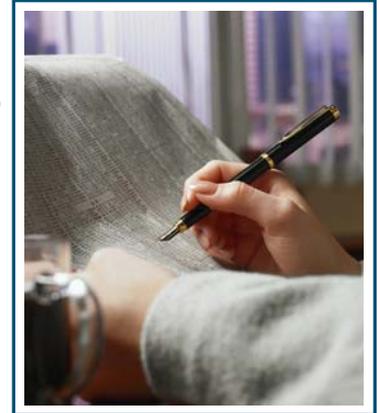
At the end of the five years, you have the options of continuing the mortgage after five years with the interest rate adjusting annually, refinancing to another mortgage product, or leveraging the equity in the house as a down payment to buy another home.

The only disadvantage first-time homebuyers may have with an ARM of less than five years is that they may not build enough equity into their home to use as a substantial down payment when buying a new home. But, this may not be that big of a disadvantage anymore, since lenders now offer no down payment and low down payment options.

Poor credit history

Another group of people who may choose an adjustable rate mortgage are those who have had a poor credit history and would like to re-build their credit.

An ARM with a lower interest rate fixed for a period of time may be more affordable than a fixed rate mortgage product for someone who has had problems with credit in the past. Their payments are lower, which may make it easier to qualify for the loan. The homeowner can re-establish their credit history over the course of the loan, possibly build up equity in the home, and hopefully qualify for a lower fixed interest rate by the time the ARM is scheduled to adjust.



More house for the money

As Americans, we always want more for our money and tend to aim for bigger and better things. The adjustable rate mortgage allows us to do just that when buying a new home. Since the initial monthly payment is lower with an adjustable rate mortgage, lenders will often qualify people for a higher loan amount – which allows them to buy a bigger house than they initially could afford through a fixed rate mortgage.

People often jump at the opportunity to buy more house for the money, but they can run into trouble if they don't play their cards right. For example, if you're still living in the house by the time your ARM is scheduled to adjust, your interest rate could increase by the annual cap amount, depending on the current market situation. So, you have to plan ahead and be aware of your options, which include:

- Continue the mortgage after the term with the interest rate adjusting annually.
 - Refinance to another mortgage product.
 - Leverage the equity in the house as a down payment to buy another home.
- When a fixed rate mortgage is a better choice
- Adjustable rate mortgages do have their advantages and disadvantages, but if you don't fit the profile for an adjustable rate mortgage, then a fixed rate mortgage may be a better option.

Fixed rate mortgages have been the most popular type of mortgage throughout the years. They're the safer way to go, and many people tend to stick to what is safe.

A fixed rate mortgage rate is considered safe because it never changes during the term of the loan. That's why you'll see a trend towards fixed mortgages when interest rates reach historical lows.

Before you decide whether to go the fixed or adjustable route, it's important to understand your current and future situation, the current rate climate, and, of course, your preference. With a little bit of luck, planning and patience, your home-buying experience can be positive. Keep in mind, there's a lending option for every need.

Make Sure to Build Your Home With Some R & R -- Reusable and Recyclable Materials

By Elaine VonCannon, ABR, SRES, REALTOR



In the modern world of 2006, cultures across the globe feel the strain of a rapidly growing population. With the head count on planet Earth reaching six billion, five hundred and forty-two million, four hundred and ninety three thousand, two hundred and fifty people (6, 542, 493, 250) our need for renewable resources becomes more serious by the day. It has become apparent that recycled and salvaged materials are essential for reducing waste and creating savings, especially with building and construction. Your home can be everything you dream of and more with affordable green building strategies.

The Definition of Recycled?

Recycled means many things to different people. Some homeowners prefer to build with items newly created from recycled materials, while others prefer to salvage what they can from junk yards and construction dumpsters. Recycling gives homeowners and builders many options, but the end result is an efficient, beautiful and Earth-friendly place to live.

Recycling to Create a Green Interior

There are many products on the market created with environmentally safe practices in mind.

- Use ceramic tile created from recycled glass
- Recycled materials such as slag wool (a waste product of steel production) and cellulose fiber (made from newsprint) can be used to make recycled mineral and wood fiber ceiling tile.
- Aluminum can be reused forever. Aluminum produced from scrap and recycled bottles, rather than bauxite ore found naturally, curbs energy consumption.
- Pre-consumer recycled wood fiberboard is partially made from wood scrap and recycled paper fiberboard is formaldehyde and asbestos free.
- Environmentalhomecenter.com recommends countertops made from waste paper and fly ash and you still get the look of natural soapstone or concrete.

Just Say No to Landfills!

In an article about recycled materials, Kelly Hart of GreenHomeBuilding.com writes, "The virtue of recycling used building materials lies in diminishing the need for industry to recreate it," he continues, "All of the energy that is spent in manufacturing and transporting something can be saved. The raw materials that would be drawn from the earth can be saved. The need to cover the item in the local landfill can be saved." Hart also claims, "The cost is likely to be a fraction of the same thing in the new category. The savings can be substantial." Many communities have salvage yards selling recycled building materials. You can find wood, windows, flooring, doors, electrical supplies, plumbing, fencing, insulation, cabinets, and landscaping. Also, browse classified ads, second hand stores, salvage yards, the dump, or your neighbor's garage sale.

Recycle A House?

Kelly Hart of GreenHomeBuilding.com also believes in recycling a whole house. In the past people have chosen to move an existing house to a new location with a solid foundation in order to renovate. Only well built homes can withstand the stress of moving, but projects like this are very affordable, even with repairs and land purchase. Hart describes the process and explains that plumbing and electrical codes are redone, as are windows, the exterior and the roof.

"Creating new life for old or abandoned houses has got to be one of the most sustainable ways of making habitation," states Hart. "This is the ultimate form of recycling, where most of the basic components of a house are utilized intact instead of being tossed into a landfill or burned. There is a tremendous savings in the embodied energy of the house (in both materials and labor), so that all that needs to be done is to repair and polish the original dwelling to create a whole new life for it," he enthusiastically continues.

There Is Always An Alternative

According to writer Gordon Solberg in his article Building with Papercrete and Paper Adobe A Revolutionary New Way to Build Your Own Home for Next to Nothing "papercrete is essentially a type of industrial strength paper maché made with paper and cardboard, sand and portland cement." "When it hardens up, papercrete is lightweight, an excellent insulator [that] holds its shape even when wet, and is remarkably strong," Solberg continues. Although papercrete is still being studied and understood it can reduce waste going to landfills and provide affordable housing.

Alternative Building-Anyone Can Do It!

Building with recycled materials can benefit all of us and with the options available you can still have the home you want. As a matter of fact, the wood you can salvage is often much higher quality than what you can buy today. Older wood is from old growth and has less knots and more strength. You can even make insulation from shredded newspaper or carpets from recycled milk cartons. Choose to be environmentally conscious and build a better world for your children! To learn more about green building techniques and strategies please visit the articles section of my site.



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