

# The Red Letter

## A MESSAGE FROM THE PRESIDENT

I want to take this opportunity, in our first newsletter, to extend an appreciation of gratitude to those who have allowed us to help in financing what is normally an individual's largest asset. I know there are many options in the market and we appreciate that you have entrusted us to handle your mortgage.



Dirk Todd

It has been a very busy time for our industry as a whole over the past two and a half years. With interest rates at forty year lows, our systems and businesses were bursting at the seams. During this period we have done all we can to deliver a high level of service while giving you the best mortgage product possible.

Due to the recent rise in rates, we have had the opportunity to catch our breath and reflect on what was handled well, what needs to be improved, and what can be done to provide a more valuable service to our customers. For those we have been privileged enough to serve in the past, the following are services we have implemented to provide better service to our customers.

- **Annual Mortgage Review** – We are initiating an annual mortgage discussion with one of our consultants so we can stay abreast of your financial goals and stay on top of any changes in your financial situation. Think of it as a free mortgage “physical” where together, we make sure that your loan is the correct financial instrument for your current situation.
- **Rate Watch Service** – Although we have continually done this for our past customers, as many of you know, we now have an automated database that will give us an even better method of tracking your mortgage and notify you immediately when a better mortgage product becomes available.
- **An Information Web Site** – We have set up our current site, [www.redlettermortgage.com](http://www.redlettermortgage.com), to keep you up to date on current financial data as well as information about home loans, mortgage rates, home prices, tax strategies and many more related topics involving your home and residential real estate investments.

We are confident these will complement our current services and provide additional benefit to you in the coming year. Please contact us if there is anything further we can do to enhance your current mortgage situation. We would love the opportunity to provide our services to you or any friends that may be in need of a mortgage currently, or in the future.

## OUR NEW LOCATION

We have a new office located at 6417 Odana Road, Suite B. The office is in the Olde Town Office Park and is easily recognizable by the clock tower as seen from the west beltline across from Rayovac. Please stop by and say hello anytime. We would love to see you.



## FREE CREDIT REPORTS

Starting in December you will no longer have to pay to see what's inside the personal dossier that creditors, insurance companies, potential employers and land lords check before deciding whether to do business with you. For years you have had the right to see your credit report free, but only after you have been denied credit. But a new federal law gives you a free, once a year look so you can check for errors before they inflict financial harm. The Federal Trade Commission has staggered the start of the free credit report by grouping states and start dates throughout next year. Free reports will be available in Wisconsin starting on March 1, 2005. To get more information on getting a credit report go to our web site at [www.redlettermortgage.com](http://www.redlettermortgage.com) or call us at the office at 608-273-3554.

### NEW WEB SITE

Check out our new web site at [www.redlettermortgage.com](http://www.redlettermortgage.com). The site is full of interesting and helpful information for homeowners and customers. One of the highlights of our web site is our section featuring articles written by us and others giving pertinent information to homeowners and consumers interested in improving their financial standing. You can view these in the *Articles* section. Here is a sample of some of the articles we have made available:

- What's the Best Emergency Loan
- What is Tax Deductible in the Loan Process
- Top Ten Mistakes When Buying a Home
- 10 Steps to Lower Your Property Tax Bill
- How to Order a Credit Report
- The Value of Housing Characteristics

We are confident you will find the site a good resource for useful information. We welcome your comments and suggestions. Check it out and let us know what you think.

### DIRK TODD ELECTED PRESIDENT OF WAMB

Congratulations to Dirk Todd who was recently elected president of the Wisconsin Assoc. of Mortgage Brokers for 2005! The association consists of over 2500 mortgage brokers in the state of Wisconsin. Dirk will serve in the post for 1 year.

### DID YOU KNOW?

1. Red Letter Mortgage tracks your current mortgage rate on a daily basis and will contact you when rates become favorable to refinance.
2. We can finance second homes and investment properties.
3. Red Letter Mortgage manages over \$50 million in mortgage assets.

## SIX MORTGAGE MYTHS THAT CAN COST YOU MONEY

Do you believe that you can't borrow money to buy a house if you have some dings on your credit? Do you think it's always best to pay off the mortgage early, if you can? If so, you subscribe to mortgage myths that can cost you money. Here are six common myths.

#### **Myth 1: A 30-year fixed is always the best way to go.**

Adjustable-rate mortgages, or ARMs, constitute one-third of home loans these days. Yet rates on 15- and 30-year fixed-rate mortgages are very low by historical standards. ARM rates are even lower, but they could rise when it's time for them to adjust.

You're going to hear a lot of financial journalists who say these ARMs are dangerous, you're putting your house at risk, you're crazy to take an ARM at this time of historic lows. It's true, that a long-term, fixed-rate mortgage is the right loan if somebody says, "I'm going to be in that house forever." That's an automatic 30-year fixed.

But the average homeowner stays in the house about nine years. First-time home buyers, who usually are young and have expanding families and growing incomes, are likely to remain in their starter homes for just a few years before moving on and up.

#### **Myth 2: Pay off that mortgage as soon as possible.**

Accelerating mortgage payments is another area where emotion can often trump reason. This is where finances and psychology meet.

Imagine a scenario where you have a 5- percent ARM and are able to deduct the interest from your federal income taxes. That lowers the effective interest rate to somewhere in the neighborhood of 3.75 percent. Instead of paying extra principal on such a mortgage, it may make more sense to pay down higher-interest debt, such as for credit cards and auto loans, or to invest the money where it can earn a return greater than the mortgage interest rate after taxes. The way people deal with money and risk is often irrational, and they put much more of a premium on security and safety than they do on getting a return.

It's perfectly fine to pay off a mortgage early if doing so satisfies a long-term financial goal. A lot of aging baby boomers want to eliminate their mortgage debt so they can retire debt-free. That makes sense, especially for retirees who won't exceed the standard deduction on their income taxes and therefore won't be able to deduct their mortgage interest. That goal, however, can be achieved in more effective ways other than accelerated mortgage payments.

#### **Myth 3: You need a down payment of 20 percent or at least 10 percent.**

#### **Myth 4: You have to pay mortgage insurance if you don't have enough money for a 20 percent down payment.**

#### **Myth 5: You can't get a mortgage if you have blemishes on your credit.**

#### **Myth 6: The term of the mortgage has to be the term on the note.**

To view this article in full go to [www.redlettermortgage.com/sixmortgagemyths.shtml](http://www.redlettermortgage.com/sixmortgagemyths.shtml)