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Inside:

On Golden Pond! Call your loved ones.

Mortgage Monkey NEWS

SPRING 2008

ASK THE EXPERT

? Gary - I don't understand this "Escrow Disclosure Statement" that shows my new monthly payment. Why is my payment going up?

For most homeowners, having an escrow account setup is the best way to manage the payments of your property taxes and homeowner's insurance. An escrow account is where every month you pay 1/12th of your yearly costs for taxes and insurance. When those payments are due, a bill is sent to the lender who then cuts a check directly to the county and your insurance company.

Having your taxes and insurance collected every month as part of your mortgage payment is a HUGE plus. Quite simply, it avoids a nasty surprise bill when taxes or insurance are due. Since the average property tax bill in our area can easily sweep past \$3,000 - it's a surprise many people want to avoid. The challenge with taxes and insurance is that they don't stay the same forever.



But the form shows your payment is actually going up \$40/month - What Gives? Lenders only find out about the hike in your taxes and insurance when then bills are received - which then creates an overdraft in your escrow account. As a courtesy, the payment are made, but obviously the lender then wants their money back! One option is to make a one-time "catch-up" payment of \$240. If you make that payment, then your monthly payment will only move up \$20/month. However, since many borrowers are on tight budgets, the lender will give you an option of temporarily increasing your payment an extra \$20 per month to payoff the shortfall over the next 12 months. Since taxes are likely to continue moving up each year, you will likely see an escrow account review statement every year or two.



Property taxes typically increase about 3% per year and homeowners rates will often increase each year as well. When your loan is closed, an escrow account is setup to collect enough funds to cover your taxes and insurance.

Where this gets confusing is when you receive a very confusing looking form (like the one shown here) a year or two after closing. As property taxes & insurance costs rise a bit each year, the amount being set aside every month is not enough to cover those payments when they are due. For example, let's say your monthly escrow payment is currently \$260, but your taxes and insurance now cost \$280/month. That would normally mean a change of only \$20/month to your payment.

Most importantly, please feel free to touch base with me when you receive anything you have questions about. I am here for you before, during, and after the closing of your loan. Your calls are always welcome and if you have a friend, co-worker or family member with a question - please encourage them to call as well, I'm happy to help take the mystery away for anyone with a home loan.

Got a question for Gary?
Call him at 503.243.2674
or go to his website:
www.mortgagemonkey.com



THE WORD FROM GARY

One of my favorite parts of being an Oregonian is how we react to a nice, bright sunny day in late winter. The excitement we feel about a day with blue skies, bright sunshine and enough warmth to not be wearing layers is palpable. Someone who gets up every day in San Diego will never know the rush we feel! The change in our moods is instant, and I love getting to connect with my neighbors emerging from their winter hibernation.



Chatting with neighbors and enjoying a good talk with anyone who happens to be walking by is a **trait I picked up from my Grandfather**. When I was a kid, I loved getting to spend the day with my Grandpa. I lost my Grandpa a few years back and I still get awfully misty eyed when remembering him and everything he taught me. He **LOVED to talk**

with people and I was always in awe watching him make a new friend in a campground, the grocery store or anywhere he went.

My Grandmother was always a much more reserved and quiet person with a bit of a strict side. (Go figure, Mike is a bit more quiet and reserved than me!) When I was less than perfect as a kid, Grandma used to ask me "where's the good Gary?" Of course, that seems a lot funnier today than when I was 7. She now lives with my Parents. Recently when my Mom and Dad took off for a week of vacation, Mike and I kept an eye on Grandma while they were gone.

Thankfully, she is still very independent and doesn't need much help (and doesn't like to take it) so it was a pretty easy job. **The great part was getting her alone**. My Grandma has definitely mellowed over the years, but she still has a way with words. I always thought she just likes to listen, and make an occasional comment when we are having dinner with my folks. What I learned is that she can't get a word in edgewise between my Mother and me. When she started telling Mike and I how whenever all of them go somewhere together, my Mom **talks from the moment the car doors shut to the moment they open**. We were howling! Apparently, my Mom learned a thing or two about talking from her Dad too!



When we got to politics, I was afraid. Not a subject we have always agreed on. When she informed me it was about damn time a woman was President, I was pretty impressed. Last week we celebrated her 84th Birthday and I know someday she will be gone. That thought brings a tear to my eye as well. She is my last Grandparent, and I intend on enjoying her company for as long as I can. When she reads this newsletter I know I will be on the receiving end of one of those looks from when I was a kid because I "shouldn't have" only **this time I'm ready for it!**

Please take some time to read about the state of the markets & escrow accounts - they can be very confusing and I tried to take the mystery out of them. Your referrals are always appreciated, and I sincerely appreciate your thoughts and feedback. If there is ever anything I can do for you, your friends or family, please let me know - that's what I'm here for. Now, go call a loved one.



Gary's Crystal Ball

Unprecedented. That's the best word to describe the stock and bond market swings we've seen the first couple of months of 2008. Volatility is brought on by one word: **Uncertainty**. The markets simply don't know what to expect to see this year. To have Gross Domestic Product drop from growth of 4.9% in the third quarter to .6% in the fourth quarter is astonishing.

The big question at this point is recession: Yes or No? My instincts are that we will see a slowdown that will feel like a recession. However, I think the series of short-term rate cuts the Federal Reserve has already made will help soften the impact and move us back toward growth by the end of this year. Because the Fed controls short-term rates many of us with Home Equity lines of Credit have seen payments drop as **Prime Rate has dropped 2.25%** - which is a substantial drop in only five months. What the Fed does not control is long-term rates like 30-year fixed rate mortgages so we haven't seen a sustained drop in those rates.

Over the last sixty days I have seen rates move up and down over half a percent - **sometimes in ONE day!** My objective is to stay on top of the developments that happen on a daily basis in the financial markets so I can give my clients the best possible advice. If you are thinking of buying or refinancing, the earlier you talk to me the better. That way I can help you take advantage of the dips in the market.

