



Kam's Mortgage Monthly

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Rates are not everything!

It never ceases to amaze me just how much everyone focuses on rates! Now don't get me wrong, I'm not saying that rates are not important; I'm just saying that they are not the "be all, end all" of things. Yet, I can't really blame consumers for making rates their focus, as that's what the lenders all seem to be talking about. Everywhere you turn, someone's hitting you with one rate or another, and that's pretty much where the conversation begins and ends. Very few consumers spend the time to go into the details of the "overall" offer.

Over the years, borrowers have come to believe that a mortgage was simply just a way to finance a home purchase, and it didn't matter what type of loan they took, as long as they got a great rate. It is now fairly evident that a mortgage loan is much more than that. Used effectively, it can become a terrific financial planning tool, and in most cases, a significant element of the borrower's financial well being. Mortgages have various facets to them, with rate being just one of them. So this month, I'm going to spend a little time looking at one of those facets, and hopefully in the process, demonstrate to you the importance and significance. I'm confident that by the time I'm done, you'll never look at rates the same way again!

For our first example, we are going to look at the impact of amortization versus rate on a mortgage. In this example, we are going to look at a mortgage of \$250,000, and for our purposes, assume that rate remains constant over the life of the mortgage.

		Monthly Payment	Interest	Total Cost
40 year	6.00%	\$1,362	\$404,105	\$654,105
40 year	6.50%	\$1,448	\$445,177	\$695,177
40 year	7.00%	\$1,535	\$487,020	\$737,020



Newsletter
Highlights

*Rates are not
everything!*

Lest we forget!

Something
to
Ponder

*"The best teacher is
an excellent
student"*

Kam Brar

Rates are not everything, continued...

Now those are some pretty large numbers, aren't they? Yes, rates did have an impact to our overall cost, increasing our total out of pocket expense from \$654,105 to \$737,020 that's a difference of \$82,915 for a mere 1% rate increase. Okay, now that we know what kind of an impact the rate has, let's see what amortization can do. For this example, I'm going to use 7% and the same \$250,000.

		Monthly Payment	Interest	Total Cost
15 year	7.00%	\$2,233	\$151,961	\$401,961
25 year	7.00%	\$1,751	\$275,311	\$525,311
40 year	7.00%	\$1,535	\$487,020	\$737,020

Okay, so even if we have to pay 7% for an interest rate, but we shorten the amortization, it has a tremendous impact on our overall cost for this mortgage, doesn't it? Using a 15 year amortization versus the 40 year amortization, we were able to reduce our overall cost by **\$335,060**, that's a massive amount!

Now for fun, let's take a look at what the interest rate would need to be on a 40 year amortization to give us the same overall cost as our 15 year amortization example:

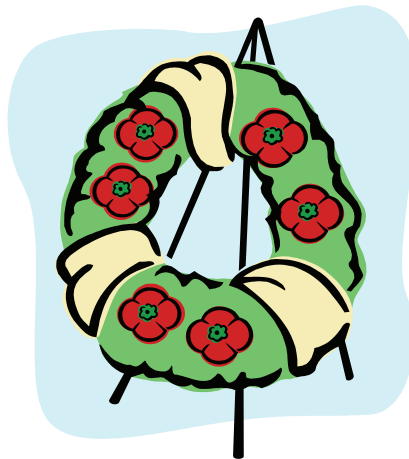
		Monthly Payment	Interest	Total Cost
15 year	7.00%	\$2,233	\$151,961	\$401,961
40 year	2.60%	\$836	\$151,451	\$401,451

What do you think the chances are of you getting 2.6% out there? In the end, do lower monthly payments always equate out to the most savings? Do you have any control or say over interest rates? How many countless factors are they influenced by? Too many for me to list here, that's how many! How about amortization, who is basically in the driver's seat on this one? That's right, you guessed it, it's you! What is going to build more wealth in the long run: chasing around for a 1/4 point better, or optimizing your amortization with my help? Now, when it comes to amortization, there are some limitations: namely, your payment threshold, and total & gross debt service ratios. There is some flexibility amongst lenders when it comes to these ratios, and with some creative restructuring and fine tuning by me, I can optimize the amortization to your advantage! My philosophy is simple when it comes to mortgages, I want you to use them as wealth building instruments, not debt crippling ones! The faster I can help you build equity in your property, the faster you can put it to work in other areas for you, paving your road to financial prosperity! To learn more about this strategy, and for a free consultation to see how this can help you save money, give me a call: Kam the Mortgage Man, at 250-686-4246 or e-mail me at kam.brar@vericoselect.com

Lest we forget

I sometimes wonder how many of us actually take the time and effort to think about this phrase? In our hectic everyday lives, it seems to me that at most times, people are just trying to do the opposite, they are just trying to forget all of the pressures and demands of life and try to capture a moment of solitude or two. During the course of my business and sales career, I've met thousands of people and have heard most, if not all of them, lament about the pressures and hardships of life. Upon hearing of this, I've often thought about our war veterans, those both living and dead. I've thought about what it must have felt like to not know if this was your last day or just another one in hell. I've tried to imagine the overwhelming stress on their families and loved ones, not knowing if their brother, father, son, uncle or grandfather was going to live to see another day! I personally don't know how I would have handled that dreaded telephone call or telegraph, announcing in just a few mere words that someone I loved so dearly and so much was simply gone. I've thought about the countless women who laboured tirelessly behind the scenes, both overseas and on the home front. Even though they could not directly participate in combat, they selflessly gave of themselves in countless other ways.

Now for those of you who don't believe in war and are pacifists, that's fine, but it's the sacrifice of these brave men and women, with their blood, sweat and tears, that have given us the many privileges that we tend to take for granted every day. These men and women paid the ultimate sacrifice, their lives, to bless us with our freedoms! Their loved ones paid dearly by losing someone they loved so very much. How many of us today would be willing to do the same? Now, this is what I call dealing with pressure and demands! I humbly ask that at this time, you take a moment or two to remember those brave men and women who have made such sacrifices, and also those who serve for us to this very day!



If you have any questions or comments please contact Kam at kam.brar@vericoselect.com or visit www.kamthemortgageman.com