

# The Select Report Newsletter

Spring Issue 2007

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## Refinance Before Adjustable Rate Mortgages Reset

### Payments Increase for Millions with ARMs

By Kelly Lynch

At February's Federal Open Market Committee (FOMC) meeting the Federal Reserve held interest rates steady at 5.25%—for the fifth straight time. This is good news for consumers with Adjustable Rate Mortgages (ARMs) tied to short-term rate indices, such as the LIBOR (or the London Interbank Offered Rate), who are at the mercy of the Federal Reserve's war on inflation.

The FOMC also said, "Overall, the economy seems likely to expand at a moderate pace over coming quarters," and added, "Some tentative signs of stabilization have appeared in the housing market."

Inflation remains a concern, however. This means interest rates may increase should the Fed determine it is necessary to control inflation.

Even moderate economic growth will give the Fed room to increase short-term rates further. This means bad news for ARM holders with life-caps at 10% or more, and even worse news for the estimated 70% of Option ARM borrowers who chose the minimum or negative payment options of their mortgages and are now actually accruing (and compounding) a larger balance than what they originally borrowed.

It is estimated that nearly \$2 trillion in ARMs are due to reset by the end of calendar year 2008. This could potentially increase the total interest payments of ARM holders by an

(Continued on Page 2)



## When Meeting With Your CPA, A Few Things To Remember...

**If you are renting and interested in buying a house, ask your CPA:**

- What are the tax benefits of home ownership and how do they work?
- Based on your current income, what is your tax bracket?
- How much would you save in taxes each month based upon your estimated monthly mortgage interest payments given your tax bracket?
- How can you get immediate tax savings in each paycheck? (A CPA can tell you what to claim based on the above information.)

**Don't forget:**

Call your KPL loan officer *before* you speak to your CPA so you have specific numbers to discuss with your CPA such as price, loan amount and anticipated mortgage payments.

**If you are interested in refinancing a home, ask your CPA:**

- When should you payoff credit cards with a cash-out refinance?
- Should you refinance and cash-out to remodel?
- Should you consider a 1031 tax deferred exchange if you are selling a rental property? How much will you save in taxes if you exchange vs. sell?
- Are points tax deductible (on refinances and purchases)?

**Don't forget:**

Remember to bring your closing statement with you if you refinanced or purchased a new home or investment property in the calendar year!

## Refinance Adjustable Rates (continued from page 1)

estimated \$50 billion in 2009, compared to today. For many of these borrowers, reset minimum monthly payments could increase upwards of 50% to even 100% of what they're paying now—if they haven't already.

But, there is still time to take advantage of alternative loan programs, such as intermediate fixed-rate and tiered-rate loans, that can effectively limit one's liability before rates increase again. These programs enable borrowers to stabilize their finances and know exactly what their monthly payments will be over the next five to ten years while the Fed does its best to stifle inflation. Remember, the Fed has a habit of overcorrecting the market before changing policies, which means rates could still increase even after their goal of a soft landing has been reached.

If you foresee a sustained period of paying an interest rate that is significantly higher than what you want or are able to pay, you should talk to your KPL loan officer as soon as possible. Ask us about intermediate fixed-rate or tiered-rate products that may hold you over until the Fed rates begin to decrease.

We have access to a variety of loan programs including three, five, seven or ten-year fixed-rate products as well as tiered-rate programs to counter fully-indexed ARMs and Option ARMs. A five-year fixed rate mortgage, for instance, converts to an adjustable rate at the end of that fixed tenure. Taking out such a loan, with no prepayment penalty, may make a lot of sense right now because it will provide some interest rate relief in today's market, while buying time to refinance once rates begin to decrease.

**Contact your KPL loan officer at (818) 907-5757 or (760) 327-9700 to find out what the best option is for you.**

## Phase III Soon To Open at The Cove at Palm Springs



The Cove at Palm Springs is soon to open its third of six phases. The Cove homes are designed for comfortable living and stylish entertaining. The eight model homes are open for viewing by the public from 10 a.m. to 5 p.m.

40 and 50 year fixed rate loans are available at low preferred buyer rates and payments. For financing information or to be prequalified to purchase a home in The Cove, call KPL at (818) 907-5757 or (760) 327-9700.

**For sales information, call Polly Leason at The Cove Sales Office at (760) 327-5399 or visit [www.thecoveatpalm Springs.com](http://www.thecoveatpalm Springs.com).**

## Moving? Transfer Your Utilities In One Simple Step

To ease the stress of moving and schedule new connections for all of the utilities in one convenient location, simply logon to [www.whitefence.com](http://www.whitefence.com).

You can quickly compare prices for movers, phone, electricity, television, or high-speed Internet. Just select the service you wish to compare (e.g., phone, cable, electric, etc.) or enter your address on the home page, hit search, and within seconds a list of services and prices available in that area will appear. Next, click on the service of your choice to view details and pricing or comparison shop by choosing three providers. Once you determine the provider, select the service plan, complete the requested information, enter the connection date, and within minutes a confirmation will be sent to you.

If you want to change your current provider, simply hit the icon for phone, cable, or internet, select "switch provider", complete the requested information and a list of providers in the local area will appear. Choose the new provider and the service will be changed.

Additionally, on the site you can complete a change of address form, subscribe to local newspapers, and order magazine subscriptions. Moving to a new home should be enjoyable and exciting. Using this tool can help remove a bit of the stress of moving and will also help save valuable time.



## Financing Your Second Home By Kelly Lynch



Most purchasers of second or vacation homes assume they will have to pay higher interest rates or additional points to finance their second home purchase than for their primary residence purchase. This is no longer the case.

Traditionally, lenders have been stricter on second home loan applications than on primary home loans because lenders typically view second homes as a higher risk. Second home owners are more likely to allow foreclosure on their second home than on their primary residence.

Today, however, interest rates for second homes are very competitive. There are many lenders which offer the same rates and fees for loans on second or vacation homes as they do for primary residences. This makes second home ownership more attractive to consumers and, if you already own a second home, makes today a good time to consider refinancing.

Still, unlike a primary residence purchase, lenders generally require a down payment between ten and 20 percent of the second home's purchase price. If you are willing to pay a higher interest rate, however, 100 percent financing programs are available for second homes.

If you are having difficulty obtaining the cash for a large down payment for a second home, your primary residence may assist you in this regard. You may be able to pull cash out from the equity in your primary residence for an increased down payment on your second home. Or, if you already own a second home and are thinking of refinancing, you may be able to use that equity to pay down the existing loan on your second home. A larger down payment may help to reduce the interest rate on your second home loan and, in turn, your monthly payment obligation.

Most of the standard loan programs available for primary residences are available today for second homes as well, including short term adjustable rate and 30 year fixed rate mortgages. The 10/1 interest only fixed rate loan is one of the most popular loans for second home owners today. This program enables the borrower to keep the payments low with a fixed rate for ten years and includes the ability to make principal reduction payments at any time resulting in even lower monthly payments.

Because there are many loan programs available and each borrower's situation is unique, call your KPL loan officer to find out about all the options available to you before you purchase or refinance your second home.

## Sun, Stars, Style—Planning Palm Springs

By Jennifer Fromhold, Marketing and Administrative Coordinator, KPL Palm Springs

A public preview of the Palm Springs General Plan Update was held at the Palm Springs Convention Center on Saturday, January 27, 2007. During the preview, city staff and consultants presented the public with the progress made on the General Plan Update. Information presented included the history and purpose of the General Plan.

The Palm Springs General Plan was first adopted in 1966. It is a long-term policy document identifying Palm Springs' goals, policies and objectives about housing, jobs, shopping, open space and parks, the environment, city services, entertainment and transportation. The plan has not been modified since 1993.

This 2007 update will address ten key issues designed to help maintain a healthy, stable economy for Palm Springs in the years to come:

- Strengthen and promote Palm Springs as a premier desert resort
- Establish Palm Springs as a leader in the efficient use of resources: land, water and energy
- Diversify Palm Springs' economic foundations and promote Palm Springs as the "first choice" for businesses
- Develop a full range of retail opportunities for local, regional and tourist markets
- Provide a broad range of housing opportunities
- Create unique places that strengthen community identity, offer visual interest and support lively activity
- Encourage the creative mixing of land uses to promote vibrant neighborhoods and reduce the need for vehicle use
- Preserve and uphold the high quality of architecture and the unique visual and aesthetic form in buildings and neighborhoods that distinguish Palm Springs from other cities
- Provide a circulation system that accommodates the smooth flow of vehicular traffic, encourages safe bicycle and pedestrian movement and presents attractively landscaped corridors
- Promote development that enhances scenic views and provides both visual and physical access to Palm Springs' surrounding mountains, washes, open space and other scenic and natural resources

The modification of the General Plan is expected to be complete this winter. Once it is complete, the plan will be available to the public.

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## Model Home Now Open at Pele Place in Palm Desert

The 14 new homes at Palm Desert's Pele Place will be custom-crafted residences fashioned from first-quality construction elements with exceptional, high-end interior features. KPL Select Mortgage is the preferred lender of Pele Place.



For sales information, call the Pele Place Sales Office at (760) 346-2098 or visit Pele Place online at [www.peleplace.com](http://www.peleplace.com).  
For financing information or to be prequalified, call Kelly Lynch at (818) 907-5757 or (760) 327-9700.

## Noelle Friesen Joins the KPL Property Management Team

KPL Select Property Management is proud to announce the addition of Noelle Friesen as Palm Springs' new In-House Property Manager.

Originally from Portland, Oregon, Noelle moved to Palm Springs and joined KPL in 2006. She brings with her a diverse background in social work and real estate. Noelle earned her B.S. in Sociology from Portland State University and, before joining KPL, ran her own property management company in Portland.

As KPL's In-House Property Manager for the Palm Springs office, Noelle oversees all aspects of property management in the Coachella Valley. KPL Select Property Management specializes in the management of single and multi-family residential properties, both in Los Angeles and Palm Springs.

For more information about KPL Select Property Management, contact us at (818) 907-5757 x240 (Los Angeles), or (760) 327-9700 x5 (Palm Springs).