



# CIG Trend Talk™

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## Greenspan Raising Rates Again? How Does It Affect You?

by Mitch Kossar, CFO, CIG Realty and Loans

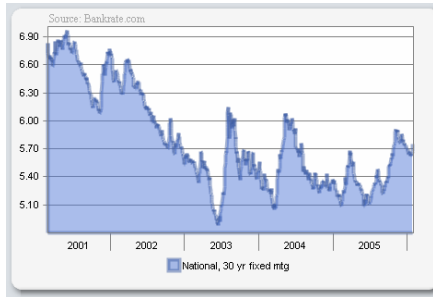
Many people know that the Fed raised the overnight rate to 4.5% on January 31st. Its likely to raise rates again to 4.75% on March 15th.

How does that affect real estate and loan markets?

Before you answer, con-

sider this: the 30 year fixed mortgage is not based on the fed funds rate, but by the 10 year US Treasury bond, and Greenspan does not set that, the Bond Market does.

The 10 year treasury is currently at, guess what, 4.5% as well. This is called a flat yield curve and it's quite rare. Because of this yield curve, a 30 year interest only loan may be a great solution for many people. The interest only option lowers the payment and makes this loan not too expensive compared to a 5/1 or 7/1 type loans. Talk to your loan consultant to see if this loan is right for you.



The 30 year fixed is critical because real estate markets are sensitive to it. The fed's continual increase of rates is strengthening the US dollar.

The strength of the US dollar is key to the bond market's comfort with the 10 year treasury (which in turn impacts the 30 year mortgage). This combined with a steady US economy can assure us the 30 year fixed will stay steady probably for the remainder of

the year. It may go up in lock step with the fed funds to maintain a flat curve or the curve may even invert (long term rates lower than short term rates). But in either case, this is great news for home owners.

Today's Rate  
 30 Year Fixed  
 Conforming Loan  
  
 Stated Income  
 with  
 Interest Only Option  
  
**6.375%**

## 12% Return on Private Money

Private money loans are loans funded by Real Estate investors who enjoy a high rate of return using Real Estate as collateral. They are secured by Deeds of Trust, very much like the way Banks lend.

Investors lend against single family homes, commercial properties and even raw land, generally based on the Real Estate equity.

To find out more about how you can earn this high rate of return, ask your agent at CIG: 650-931-8700.

## Real Estate Matters!

by Jeff Tung, VP Real Estate, CIG Realty and Loans

All information points to a slight downward trend in real estate prices (5%) throughout California. This signals a change from a seller's market to a buyer's market.

If you're selling, the best strategy now is to price your property on the lower side of the currently available inventory. This will help to generate inter-

est, especially against those properties which are still priced "in the pack".

If you are buying, you have negotiating leverage because of the available inventory and the fact that interest rates are still very attractive.

Financing with a 30 year fixed Interest Only mortgage (see

above article) could also help with your monthly cash flow, but does not preclude you from paying down principal at any time.

In other words, today *you* are in better control of the purchase and the financing.