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# STATEWIDE HOME LOAN CORPORATION™

## REAL ESTATE

## FINANCING NEWS

Volume 14, Issue 1

### Interest Rates Drop to a 37-year Low, Higher Loan Limits Announced

Mortgage interest rates hit a new low right after the New Year's Day holiday. 30-year fixed rate mortgages averaged 4.6% - 4.8% and the 15-year fixed was quoted as low as 4.2%. The drop in interest rates is attributed to dismal economic conditions in the U.S. and abroad (a global recession?) as well as strong demand for U.S. Treasuries by foreign and domestic investors who bought them as a "safe harbor" investment.

Due to extraordinarily low interest rates, many homeowners are trying to refinance their mortgages in order to save money. However, reduced property values and tighter loan qualifying requirements can make it challenging in obtaining a new loan. For those homeowners, who are experiencing financial hardships caused by higher mortgage payments or loss of income; a loan modification might be the

only viable solution to reduce their mortgage payments.

In the meantime, the Federal Housing Finance Agency (a newly created government entity designed to oversee the lending activities of Fannie Mae and Freddie Mac), announced increased loan lending limits for 2009 in high-cost living areas. The maximum loan amounts are as

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### How to Become a Multi-Millionaire (Without Playing the Lottery)

By Robert W. Dudek

Want to become a multi-millionaire? Not winning a lottery, but a long-term investment and application of basic financial math can help. Recently Forbes magazine published an interesting article, written by the publisher Rich Karlgaard (2008), about America's declining literacy, especially the math skills. In the article, Mr. Karlgaard concludes that a failure to understand and apply even basic arithmetic causes more personal economic damage and lost career opportunities than any other skill deficiency.

Here is an example: how many people know and apply the "Rule of 72"? The Rule of 72 is a simple, yet powerful compound interest formula. It allows to quickly compute in how many years an investment will double in value. To calculate, simply divide the number 72 (a constant figure) by the annual interest rate (yield) of the investment.

For instance: let's assume that your investment is a Certificate of Deposit (CD)

and it yields 2% a year. Dividing 72 by 2 equals 36, so it will take 36 years to double your investment (assuming that you reinvest the accrued interest, not taking under consideration any possible tax liabilities). By the same token, if your CD yields 6%, it would take only 12 years to double your investment (72 : 6 = 12).

Albert Einstein once said that the power of the compound interest (not the quantum physics or theory of relativity) is the great-

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#### Experience the Difference®

Our commitment is to create a different experience for our Clients. Our mission is to treat every Client with the utmost care and respect and provide the highest quality personalized service. Our goal is to understand our Client's needs and work towards fulfilling them with customized lending solutions. We specialize in providing real estate financing to purchase and refinance residential and commercial properties. A vast majority of our Clients are repeat customers and referrals.



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# Multi-Millionaire

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est force in the universe. Perhaps he was referring to the nuclear fusion, which is compounding at a rapid rate, however, a similar principle applies to finances.

Consider the following: if one had invested \$1,000 with Warren Buffett in 1954, that money would be worth over \$171 million today. Why? Because Mr. Buffett was able to achieve an astonishing 25% annual rate of return and the investment was compounded over the years. However, one does not have to invest with Mr. Buffett to accomplish remarkable investment results.

In his article, Mr. Karlgaard gave an example of a person who puts \$50,000 into his 401(k) retirement account at the age 30, intending to take it out upon retirement at the age of 67. In addition, that person contributes \$10,000 to the 401(k) every year. Some employers will match employee contribution \$0.25, \$0.50, or \$1.00 for each dollar the employee contributes, which is a fantastic deal, since the person would need to put out much less of his pre-tax income and the employer would match the rest.

Given this scenario, the value of the account would grow to \$1,030,427 (\$333,865 inflation adjusted) at 4% annual return; \$2,892,984 (\$937,347 inflation adjusted) at 8%, which is an average return for a pension fund invested in stocks and bonds over long period of time. At 12% annual return (a top-performing mutual fund or if you are a savvy self-directed investor), the value of the account would increase to \$8,747,579 (\$2,834,275 inflation adjusted).

Unrealistic? Hardly. Even with the latest turmoil in the stock market, the S&P 500 Index Mutual Fund, which is composed of stocks of major U.S. companies, had an average annualized return of 10.3% for the last 23 years (Vanguard, 2009). By using the simple Rule of 72 or a basic financial calculator, you can learn more about the power of compounding in a few minutes

# Got Loan?

## Some of Our Mortgage Financing Niches:

- Lending Solutions with Personalized Service
- Financing for Purchase, Refinance, and Cash Out
- Owner Occupied and Investment Properties
- Over 200 Loan Programs
- Institutional and Private Placement Financing
- Up to 95% Loan-To-Value
- Loan Amounts: \$100K - \$25MM
- Interest Rates as low as 4.6%\* (4.92% APR)
- Loan Modification Services
- All Credit Scores Considered
- Lending in CA and HI



Robert W. Dudek  
Chief Lending Officer

For more information or FREE Confidential Consultation please contact Robert W. Dudek at 1-800-507-9990 ext.110 or rdudek@shlc.com

\*OAC, interest rates and terms subject to market change.

than what is typically taught during 12 years of school.

By the way, parents and grandparents who would love to give their kids a long lasting and meaningful financial gift, should consider the following ideas:

1. Besides of teaching your kids how to add two plus two, teach them the Rule of 72.
2. Upon birth of the child, open a Roth IRA account for him or her with an "X" amount of money (\$1,000 to \$10,000 recommended).
3. Invest that IRA account in a no-load S&P 500 Index mutual fund.
4. Encourage your child to save and invest his or her own money into the IRA account on regular basis (e.g. every year on a birthday, every month, etc.).
5. As soon as your child can read, educate him or her how to read the monthly or quarterly statements and how to track the investment performance online using basic charts (a great financial education and it could be lots of fun!)
6. To put it even to a higher level, you can match your child's contribution, like a "Family 401(k)." For example, you can put \$0.25, \$0.50, or \$1.00 for each dollar your

kid saves and contributes.

7. Last but not least: ask your tax and financial advisors how to implement the above ideas in order to optimize the financial and tax benefits.

Consider these numbers: if you make a one-time investment of \$5,000 when your child is born, for 65 years until retirement (tax-differed regular or Roth IRA), that investment gift will grow by itself to \$63,993 at 4% average annual return, \$743,899 at 8%, and \$7,909,362 at 12%.

References: Karlgaard, R. (2008). *Math Boneheads*.

*Forbes Magazine*, p.39.

Vanguard (2009). *Vanguard 500 Index Fund*, retrieved online from: <https://personal.vanguard.com/us/home>

# Interest Rates

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high as \$625,250 in the mainland U.S. and \$938,250 in Hawaii and Guam. The specific amounts depend on the cost of living in county where the property is located. It can be looked up online at: <https://www.efanniemae.com/sf/refmaterials/loanlimits/index.jsp>.

The higher loan limits are intended to stimulate mortgage lending and add liquidity to the residential real estate.

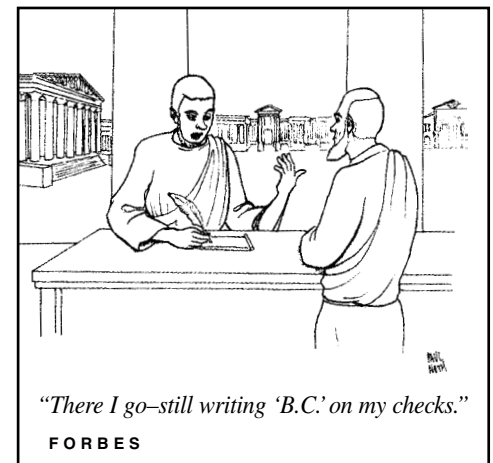
# Loan Modification Services

Statewide Home Loan Corporation offers a loan modification service designed to assist Clients with distressed mortgage loans. Borrowers with one or more of the following situations can benefit from this service:

- Financial hardship
- Loss or reduction of income
- Behind on mortgage payments
- Have mortgage payments gone up
- Unable to refinance due to lack of equity
- Need to renegotiate a mortgage loan
- Poor credit OK



For more information and Free confidential consultation, please contact Robert W. Dudek at 619-280-9990, toll-free 1-800-507-9990 ext. 110, email : rdudek@shlc.com



## MARKET UPDATE: Current Interest Rate Indicators

Prime Rate .....	3.25%↓
10 year U.S. Treasury Bond .....	2.19%↓
11th District Cost of Funds .....	3.15%↑
12 month MTA .....	1.82%↓
1 month LIBOR.....	0.33%↓

Source: SHLC Market Research 1/09

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