

REVERSE...*Cont'd. from previous pg.*

agent should have gone over it too.

If, for some crazy, unexplainable reason, never before heard of in the mortgage business, all parties rushed through the explanation (yes, you may have noticed a hint of sarcasm) you should pull out your mortgage paperwork. The clause you're looking for will say something like "Borrower's Right to Prepay." It lies in the promissory note (the legal contract between you and the lender that states you owe money and the terms) or in a "Prepayment Penalty Rider" that follows the note.

The language of the penalty itself is not exactly written in Dr. Seuss-type wording.

An example is: *If within the first three (3) year(s) period I made a Full Prepayment, Partial Prepayment or Partial Prepayments of more than twenty percent (20%) of the original principal amount in a any 12-month period, I will pay a Prepayment charge in an amount equal to the payment of six (6) month's advance interest on the amount prepaid in excess of twenty percent (20%) of the original principal amount.*

In plain English this penalty is calculated by formula: Six month's interest on 80% of the balance. So for you left-brained readers: on a \$300,000 loan at 6.5%, you would pay \$7,800 if you

paid the loan early. ($80\% = \$240,000$. $\$240,000 \times .065 = \$15,600$). Half that number equals six month's interest.

The Rider will specify how long the penalty lasts, how much you can prepay without triggering it and whether the penalty applies only to refinancing (a "Soft" penalty) or to both refinancing and sales (a "Hard" penalty). These days, almost all penalties are hard and last from two to five years.

Will a bank ever waive my penalty if I refinance with them?

The short answer: Have you been dropped on your head like Brittany Spears' baby? When is the last time you heard of a bank reducing its fees? But I would never tell you not to try, so if you're thinking of refinancing but are concerned about your prepayment penalty, call the number for servicing on your mortgage statement and give it the old college try. Under very rare circumstances, the bank will waive the penalty.

Now is a good time to refinance if you're concerned with rising interest rates. Due to special economic circumstances, many people have found that they've been able to lock into a long-term rate equal to or less than their current adjustable rate mortgage. But make sure you know what you're getting into when you pay off your current mortgage. If you have any questions, consult a qualified mortgage professional.

REAL ESTATE CHATTER

*By Mary Ann Vance*

Hello again! Isn't the corn crop marvelous? Knee high by the fourth was surely beaten this year. Hopefully, the farmers will have a record harvest. This month I'm going to discuss Home Inspections and Home Warranties.

I just watched a television show regarding homes that people bought. These homes turned out to be nightmares! One first time home buyer had all kinds of insect infestation and other problems that eventually forced her into bankruptcy. Another home buyer had leaking going on which caused mold and subflooring's collapses. She also had over 100 bats in her attic which cost several thousands of dollars to remove along with their droppings which can make you ill.

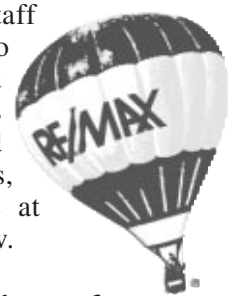
These examples show why it is worth the cost of a home inspection when you find a home you want to purchase. Buying a home may well be the largest financial investment you will ever make. Prices range from \$350 to \$500 for a whole house inspection. This is a small price to pay for your peace of mind. The inspector will inspect the structure, environmental hazards such as asbestos and radon gas, roof, electrical, mechanical and plumbing. Termite inspections are required to be done in the state

of Illinois. A separate inspector will perform this inspection at your cost. If any termites are found the seller must eliminate the problem at their cost.

A Home Warranty protects you from the expense of major repair or replacement caused by unexpected mechanical failure of a major system or appliance. A moderate premium, usually in the \$400 range protects you for one full year after closing. Most of these policies have a \$50 to \$100 deductible. Consideration of the age of the equipment is a factor in deciding whether to purchase a home warranty.

A competent Realtor can guide you regarding the necessity of purchasing this peace of mind.

As always my staff and I are here to help you! If you have any topics that you would like us to discuss, please email me at the address below.

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