

LEGENDS FINANCIAL

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The Legends Letter

New Leadership at the Federal Reserve

February started with a new man in charge of the Federal Reserve Board. Ben Bernanke who took over for the retiring Alan Greenspan on February 1st. Mr. Greenspan held the Chairmanship seat for 18 1/2 years. With this change of leadership the big question in financial circles has been, "will the Federal Reserve be changing its direction and implementation of monetary policy?". We were fortunate enough to get an answer to this question very quickly.

In his debut congressional testimony on February 15th as Fed chairman, Bernanke signaled that the central bank, which has raised interest rates 14 times since June 2004, stood ready to boost rates more if needed to combat inflation.

Investors and private economists, who had been apprehensive that Bernanke might sound a tougher line on inflation than Greenspan, said they detected no switch in policy from the Greenspan Fed.

Everyone seems to have an opinion about how the Federal Reserve should operate. However, one very important question was answered with the words of Bernanke. The Federal Reserve appears to not be shifting gears or making new waves. This will allow for economic continuity as it pertains to its monetary policy.

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Legends Financial with over 25 years in the Mortgage Industry offers the highest quality of customer service along with the most up to date technology in the Industry.

Fixed rate or Interest only loans, How about both?

The use of Interest Only loans over the past few years has increased dramatically. These loans typically are tied to indices where either the interest rate and or the payments change after an initial period of time. It is not uncommon for homeowners to have experienced payment increases of more than 100% in a relatively short period of time once the interest rate change takes place.

Over the past 18 months the Federal Reserve has raised short term interest rates 14 times. This in itself has attributed to payment increases on many of the interest only loans. According to new Federal Reserve Chairman Ben Bernanke the current policy in place will continue to offset and stem any current or future inflation.

Given this economic environment, how about a loan in which the interest rate never changes with the option of making interest only payment for the initial 10 years? This loan has No Prepayment penalty so if one wishes to make principal reduction payments or a regular payment based on a 30 year amortization one can without penalty.

The use of this loan allows for oneself to hedge against future interest increases all the while having the comfort and stability of a 30 year fixed rate mortgage. These loans are aggressively priced! Please give us a call to discuss this or any other mortgage related questions you may have.

Questions or comments? E-mail us at sales@legends-financial.net or call 818-992-5222.