

**MONEY MANAGEMENT**

**CHOOSING A MORTGAGE THAT FITS YOUR BUDGET**

Before you go house shopping, the Nevada Society of CPAs recommends that you do some mortgage shopping. Understanding the various mortgage options, requirements, rates, and fees will help you determine how much you can afford to spend on a home and how much you can comfortably finance.

**HOW MUCH CAN YOU AFFORD TO BORROW?**

The amount of the loan, the type of loan you select, as well as its annual percentage rate, will determine the amount of your monthly payments. Generally, lenders recommend that your monthly mortgage payments do not exceed 25 to 28 percent of your gross monthly income. Additionally, your monthly mortgage payment combined with other long-term debt payments, including car and student loans, should not exceed 36 percent of your gross monthly income. Although some lenders may issue you a mortgage if you have a higher debt-to-income ratio, keep in mind that the more debt you have, the more difficult it may be to make your mortgage payments.

Most mortgage lenders require that you make a down payment of at least 20 percent of the cost of the home. If you put down less money, you usually must buy private mortgage insurance, which will add to your monthly payments.

**FIXED RATE MORTGAGES**

Despite the wide array of mortgage options available today, fixed-rate mortgages are still the most popular. They offer security since both the interest rate and monthly payments are fixed for the period of the loan.

You can obtain a fixed-rate mortgage for a term of 10 to 30 years in 5 year increments. Usually, the shorter the loan term, the lower the interest rate, and the faster you will build equity in your home. Because you'll face higher monthly payments on a 15- or 20- year loan, you may need more income to qualify for these mortgages than for a conventional 30-year mortgage. When deciding the length

of the loan term, carefully consider your financial ability to meet the monthly mortgage payments now, as well as five, 10 and 15 years down the road. Remember, too, that even if you can't afford to a 15 or 20-year mortgage, you can take out a 30-year loan and periodically make extra payments on the loan principal. In this way, you can pay off your loan more quickly. Some mortgages contain pre-payment penalty clauses so be sure to check your promissory note to see if there is a penalty and, if so, how much. But, even if you are 20 years into a 30-year loan with a pre-payment clause, it may not be too late to make extra payments and benefit from the saved interest payments.

A fixed-rate biweekly mortgage also enables you to build up equity in your home quickly. That's because you make 26 payments annually, which is equivalent to 13 monthly payments a year, instead of 12. Over the life of the mortgage, these extra payments can save you a substantial amount of interest costs.

**ADJUSTABLE RATE MORTGAGES**

Adjustable rate mortgages (ARMs) can save you the most in interest costs during the early years of the loan, but have the greatest long-term risk. ARMs offer a low interest rate for a short period of time, usually anywhere from a year to three years. After that, the interest rate is adjusted either annually or every few years based on market conditions. As a result, your monthly payment can increase over the life of the loan. Lenders use different indexes to determine when and how much the interest rate will decrease or increase.

Some lenders also offer annual and lifetime caps on interest rates — typically 2 percent annually and 6 percent over the life loan. This is an important ARM feature that could protect you in the event interest rates rise significantly. Other ARMs may include a provision enabling you to convert the loan to a fixed-rate mortgage for a mod-

est fee.

**OTHER MORTGAGE OPTIONS**

Balloon mortgages, like ARMs, enable you to obtain a fixed interest rate for a short period of time. Typically, balloon mortgages are structured for seven years. At the end of

that period, you must pay the remainder of the loan in full or refinance the loan at the current interest rate.

Additionally, the Federal Housing Administration and the Veterans Administration make low-interest loans available to qualified individuals. Your bank

or another lender should be able to provide you with the details.

When determining the amount and type of mortgage you can afford, remember that in most instances, mortgage interest is fully tax-deductible. In order to deduct mortgage interest, CPAs say the loan must be

secured by the residence you purchase or construct.

*Money Management is a public service announcement on personal finance prepared and distributed by certified public accountants. Nevada Society of Certified Public Accountants 5250 Neil Road, Ste. 205, Reno, Nevada 89502.*

**SOUTHLAND AEROSPACE COMPANIES PROVIDE MINORITY AND WOMEN OWNED BUSINESSES HELP AT THIRD ANNUAL MARKETPLACE CONFERENCE**

Carson, Cal. — Over 450 businesses, vendors, suppliers and entrepreneurs attended the Third Annual Minority and Women Owned Business Market Place Tuesday, June 28 and received information on doing business with major corporations and met with almost 50 exhibitors representing some of the largest companies in California.

"We're extremely pleased with the overwhelming turnout and enthusiasm at today's Market Place, which represents the commitment major Southern California companies have to

providing minority and women owned businesses the support and help they need in today's highly competitive business climate," said Bonnie Soodik, vice president and deputy general manager for Operations at McDonnell Douglas Aerospace.

The market place was sponsored by aerospace giants McDonnell Douglas Aerospace, Rockwell International and Northrop Grumman. The Market Place allows minority and women owned suppliers to meet with buyers from major Califor-

nia companies and receive information on minority and women incentive programs offered by many of those same firms.

Among the companies attending the Market Place included: Allied Signal, Bechtel, Boeing Aircraft, Coca-Cola Enterprises, Douglas Aircraft Co., Hewlett Packard, Hughes Aircraft, Lockheed, Pacific Bell, Parker Hannifin, Toyota, TRW Space and Electronic Group and the Walt Disney Attractions.

Also participating were the Asian Business Association,

Black Business Association, Filipino American Chamber of Commerce, National Association of Women Business Owners, National Center for American Indian Enterprise Development and the U.S. Small Business Administration.

"The aerospace industry in California has undergone dramatic changes over the last several years, but we have maintained our commitment to maintaining and strengthening our business ties to the ethnically diverse communities in

*(See Southland, Page 21)*

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