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Truth in Lending; Reading the fine print on mortgage advertising offers

I got a letter in the mail today saying that my mortgage payment "*could be reduced to \$542.65*". Many of you have received the same such letter, and I get calls frequently from customers wanting to find payments of this type. Knowing that current rates are substantially higher, I realized that this was not realistic so I wanted to look into the disclaimers on the letter. Here is what I found.

The figure they gave me was inaccurate. It was based on a loan amount less than my current mortgage. Using the teaser rate they provided (1.75%), my mortgage would have been \$697.70. I am surprised they didn't just quote me an interest only figure using the same teaser Interest rate (that would have been only \$284.81).

The rate that they quoted was indeed a teaser rate, meaning that it was just used to get my attention. It stated in the fine print that it would be fixed at 1.75% for 90 days, after which it would adjust to 2.75% plus the 3 Month MTA Index. I knew what this meant, but most people don't know the MTA from the LIBOR or the COFI Index. The worst part was that few people if any, other than mortgage professionals, watch the markets so when they stated that the 3 Month MTA rate was 1.288% as of July 23, 2004, one might have assumed that it was still pretty close. Wrong again! The month prior to receiving this ad, the MTA Index average rate was 4.1425%, almost 3% (2.8545%) higher than what was listed.

I could go on just based on this one ad, but I am now keeping an archive of all of the bogus mortgage ads that I receive. The bottom line is READ THE FINE PRINT. I heard a saying that makes a lot of sense and is applicable when it comes to advertising of any kind "the bold print giveth, but the fine print taketh"

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