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Explanation of the (1.25% "Starting Rate") MTA Index mortgage:

TRI CITY FUNDING recommends the **MTA** mortgage as the number 1 ARM offered today in the US. The COFI mortgage would be our 2nd choice. Next would come the COSI, with the CODI in last place. All four programs/mortgages work exactly the same way, i.e., 5 different monthly payment options, yearly 7.5% payment cap protection, life caps etc., but there are some glaring differences:

1. History proves the **MTA** mortgage has offered a **lower fully-indexed Rate (Index + Margin)** vs. the COFI, COSI and CODI fully indexed Rate over the past 10-15 years.
2. Currently, the **MTA** fully-indexed Rate is lower then the COFI, COSI and CODI.
3. **MTA** and COFI offer a **9.95% life cap** vs. the COSI/CODI's at 11.95%.
4. **MTA** offers the **lowest Margins**.
5. **MTA** offers a **lower "Starting Rate" of 1.25%** vs. the COFI's 1.75%, or the COSI/CODI's 1.95% Start Rate. (More cash-flow with the MTA.)
6. **The MTA's 1.25% "Start Rate" is a true P.I. Rate for 30 days** vs. the COSI and CODI which begins (day one) with the fully indexed rate.
7. You are allowed to order an **appraisal with any licensed Appraiser** in your state with a COFI or **MTA** loan (99.9% of the time.) Not so with the COSI and CODI because they are ultra conservative and use their own Appraisers.

We challenge you to find any Lender or Broker which will offer you **lower Points** or **lower Margins** than TRI CITY FUNDING. If you do find someone that will give you a Good Faith Estimate (in-writing) that has lower Points and Margins, please fax it to 760-720-1908 and **we will try our best to beat it.**

To see if you qualify for the **MTA** loan, just fill out our [loan application](#) . We'll fax you back a Good Faith Estimate of your proposed fees and an example of what your different payment options would look like. ***This will not obligate you in any way, as we take no up front fees.*** If you do not have access to a fax machine, but do have use of a computer (assuming you have a high-speed connection) we can scan you a proposal via a PDF Attachment. If you have any questions, please e-mail them to ffarrow@tricityfunding.com or call us at 760-720-1277

Historically, interest rates on 12-MTA-based loans have not increased sharply. This chart shows how the rates have changed during the last ten years.

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TONY FARROW

As of 2/01/04 MTA Index = 1.244% (* 2 month lagging index)										TRI CITY FUNDING				
	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
J	1.935	3.260	5.999	5.212	5.14	5.63	5.5	6.1	5.02	3.61	3.95	6.08	7.94	8.64
F	1.858	3.056	5.871	5.338	5.05	5.63	5.51	5.95	5.31	3.6	3.89	5.86	7.88	8.53
M	1.747	2.912	5.711	5.458	4.99	5.6	5.56	5.79	5.6	3.6	3.84	5.65	7.78	8.44
A	1.646	2.787	5.530	5.580	4.94	5.58	5.61	5.64	5.84	3.64	3.76	5.49	7.62	8.34
M	1.548	2.668	5.318	5.703	4.89	5.55	5.64	5.55	6.01	3.73	3.65	5.34	7.46	8.24
J	1.449	2.553	5.102	5.793	4.83	5.5	5.68	5.49	6.14	3.86	3.56	5.18	7.28	8.16
J	1.379	2.414	4.897	5.880	4.78	5.46	5.7	5.46	6.19	4.02	3.49	5.02	7.1	8.1
A	1.342	2.272	4.671	5.962	4.76	5.44	5.69	5.47	6.22	4.17	3.44	4.84	6.95	8.08
S	1.302	2.180	4.395	6.035	4.73	5.42	5.66	5.49	6.23	4.33	3.43	4.61	6.82	8.08
O	1.268	2.123	4.088	6.083	4.72	5.39	5.66	5.49	6.25	4.51	3.43	4.41	6.65	8.05
N	1.256	2.066	3.763	6.128	4.77	5.33	5.63	5.51	6.24	4.71	3.44	4.22	6.47	8.01
D	*1.244	2.022	3.481	6.108	4.88	5.21	5.62	5.5	6.19	4.94	3.45	4.05	6.28	7.98

- As of 2/01/04: Last 14 yr. avg. of the MTA Index has been **5.026%**
 Last 10 yr. avg. of the MTA Index has been **4.628%**
 Last 5 yr. avg. of the MTA Index has been **3.914%**
 Last 4 yr. avg. of the MTA Index has been **3.674%**
 Last 3 yr. avg. of the MTA Index has been **2.974%**
 Last 2 yr. avg. of the MTA Index has been **2.011%**
 Last 1 yr. avg. of the MTA Index has been **1.498%**

The MTA (Monthly Treasury Averaged) index loan is an Adjustable Rate Mortgage (ARM.) Because it is one of the **slowest moving Indexes** either in the US or Europe (*COFI would be the slowest moving), and because it has a 7.5% yearly Payment Cap, a low fixed Margin, a 9.95% max Life Cap, with the ability to make 5 monthly payment choices:

- 1.25% "Minimum payments" for the lowest monthly payments offered in the USA.

2. "Interest-only" payment Option.
3. "Fully Indexed" (Index + Margin) payment Option:
 (As of 2/01/04, the MTA Index is 1.244%.) If you had a 2.45% Margin {Margin is fixed for the life of loan, and can be higher or lower based upon the your Loan-To-Value}, your current fully "Indexed Rate" {Index + Margin} would be 3.694%. If you had this 2.45% Margin for the last ten (10) years, your fully "Indexed Rate" would have averaged {4.628% + 2.45%} or 7.078%. Again assuming you had a 2.45% Margin, over the past five years, your fully Indexed rate would have averaged 6.364%. That's a great Interest Rate considering this allows for loan amounts as high as \$2,500,000.)
4. "15 yr." payment amortization Option.
5. Pay any amount over the "Minimum" pmt. (This option is always left blank on your monthly statement.)

it is one of the safest of all ARM programs offered today.

TRI CITY FUNDING recommends the MTA program as the number 1 "option" ARM offered today in the US. The COFI mortgage would be our 2nd choice. Next would comes the COSI, with the CODI in last place. All four programs/mortgages work exactly the same way, i.e., 5 different monthly payment options, yearly 7.5% payment cap protection, life caps etc., but there are some glaring differences:

1. History proves that the MTA mortgage has offered a lower fully-indexed Rate (index + margin) vs. the COFI, COSI and CODI fully indexed rate over the past 10-15 years.
 2. Currently, the MTA fully-indexed Rate is lower than the COFI, COSI and CODI.
 3. MTA and COFI offer a 9.95% life cap vs. the COSI/CODI's of 11.95%.
 4. MTA offers the lowest Margins.
 5. MTA offers a lower "Starting Rate" of 1.25% vs. the COFI's 1.75%, and the COSI/CODI's 1.95% Starting Rate. (More cash-flow with the MTA.)
 6. The MTA 1.25% "Start Rate" is a true P.I. Rate for 30 days vs. the COSI and CODI which begins (day one) with the fully indexed rate.
 7. You are allowed to order an Appraisal with any licensed appraiser in your state (99% of the time), not so with the COSI and CODI (ultra conservative...)
- In order to compare apples to apples, you will need to write down the last 1 yr., 5 yr., 10 and 13 year averages of all four (4) Indexes {side-by-side.} Then, use the Margin that we are offering for all 4 Indexes. {Again, in order to compare apples to apples, use our zero point Margin for all four comparisons. - See Rate Sheets below for all four (4) Indexes.} Add the Margin to the 1, 5, 10 yr., and 13 year Index average and see which Index was, and still is, the lowest.)

The fact that most MTA loans are never sold (this means that the Lender has full confidence that the Index will never "spike-up" and greatly affect your monthly payment and you can't afford to make your future house payments.) This is why the owners of TRI CITY FUNDING have the MTA tied to their homes and they've recommended it to all their clients and family as well. Not only is this Index one of the safest and slowest moving of all indexes used for home mortgages, it also has yearly payment caps, the Margin is capped, and a 9.95% Life Cap.

People always ask *me "why have I never heard about this program." My response is that Real-Estate Agents control most of what you're going to be taught about mortgage options when

you buy your new home. My experience with RE Agents is they like to keep things "simple" when it comes to your financing options. They usually recommend a 30 yr. fixed, 15 yr., or 1 year ARM. Also, there are only two Lenders in the US that offer this program, and most RE Agents have their own Mortgage company which will want to sell you what they offer, e.g., 30 yr. fixed, 15 yr. fixed, or 1 yr. ARM.

The **reward** of obtaining this Adjustable Rate Mortgage is you have the Option to start off with lower mortgage payments. These lower payments could help you to stay out of future credit card debt, or get you out of existing credit card. If you have no debt, you could use the extra cash-flow to buy things for your new house (without having to use credit cards.) Or the lower payments will help you re-build your savings portfolio for your children's college fund or your family's future retirement. Or, if you loose your job and need to take a few months to go back to school for re-training, etc....

The best way to get a visual of the potential "increased" cash-flow of the **MTA** program vs. a fixed rate, is via our Excel Spreadsheet (below.) What you'll see, and hopefully (think about), is the difference between a "**lower Interest Rate**" vs. obtaining a "**lower payment.**" E.g., with the **MTA** Option ARM, you'll have at least 5 different ways to make a monthly payment. With a Fixed Interest Rate, you'd only have two (P.I. and the ability to more than the P.I.) Hence, with Option for lower payments, you can leverage your future house payments in a more beneficial way.

The **MTA** "Minimum payments" are guaranteed for the first five (5) years of the loan not to move higher or lower than 7.5% of the prior years "Minimum pmt." regardless of the movement of the **MTA Index**.

If you choose to pay only the "Minimum payments" and you saved and invested the difference between not making the **MTA's** monthly Principal and Interest payment (**Index** + Margin), or a Fixed Rate payment (the other Broker is trying to sell you on) and invested this extra cash into a ultra safe balanced portfolio, this savings could potentially double every 7.2 years if you earned at least 10%. If you earned just 5%, then it would double every 14.4 years, etc... Therefore, we believe that you could actually pay your **MTA** mortgage off faster by making only the "Minimum payments" (IF) you saved and invested just the first 5 year difference in monthly payments into an ultra safe Mutual Fund or better yet, the DOW 30 or S&P Indexed Funds. If you were disciplined enough not to touch the initial 5 years savings and re-invested the dividends automatically every month, this money could grow fast enough (if you could earn at least 8% annually) to allow you to pay your mortgage off in about 20 to 25 years (by adding a one time extra pmt. in year 20 to 25), and still have savings left over.

No matter which Payment Option you choose, your loan will still be paid-off in 30 years or less. The **MTA** mortgage is usually never sold to other Banks.

The **risk** of obtaining this ARM, is the possibility that your future Payments and Interest Rate could move higher then the Fixed Rate you could have chosen. However, when the future Fixed Rates eventually start to move back down, the **MTA** Index will also start to slowly inch back down. Therefore, you need to keep in mind it's the over-all "**average**" of the **Index** + Margin for the last 13, 10, 5 and 1year. With the **MTA** ARM, you might not need to refinance again. This could also be true if you received your Fixed Rate at an historic low, but what about all the Folks that received their Fixed Rate in 1990, or 1995, or 2001, they thought the then offered Fixed Rate was a great deal. Nevertheless, all of these Folks would have needed to refinance several times just to get down to a 5% or 6% range today, by spending much monies in closing cost and always going back to a 30 year payoff. However, if you had obtained this **MTA** mortgage in the early 90's, today, you'd have a Interest Rate in the three (3) percentage range (without ever having to refinance.)

Most folks that I've *put on these ARM's {including my own house} since 1991 till today, have a Fully-Indexed Rate (Index + Margin) in the 4% - 3% range; this includes Jumbo loans. I personally believe that the MTA ARM is a better loan for my family than any Fixed Rate (even at these historic fixed-rate lows) mortgage because of the "Minimum" payment Option which allows us to increase our monthly "cash-flow." - if we need too. We also understand how and why the MTA Index moves, along with its safety caps e.g., Margin and yearly payment caps. We are not worried about having our future payments go so high that we could not afford them, thus putting us in jeopardy of loosing our house. Many of my potential Clients have already heard a little bit about these mortgages, however have not fully understood them. Many have been told to stay away from "negative amortizing" loans. But once they understand that a Home Equity loan (2nd mtg.) can also produce negative amortization (mortgage balance increases), they start to look at the "Minimum" payment" Option in a new light.

TRI CITY FUNDING believes the MTA program is the best mortgage offered today in the US. However, we are not saying this mortgage program is for everyone. We are teaching the difference between "lower payments" vs. "lower Interest Rates." Therefore, for the folks that have no or little monthly debt (credit cards, car pmts. etc.), excellent savings portfolios, good job stability, and good monthly cash-flow, a "fixed-Rate" may be appropriate.