Home**equityAdvantage**

APR - annual percentage rate

One of the more confusing documents that borrowers applying for a mortgage loan for home purchase are required to review and sign is the page titled Truth-In-Lending (TIL) Disclosure. This document is provided after application as part of the disclosure package and at closing as well. The confusion is caused by an interest rate neatly typed into a large, highlighted visible box, the first one that you read, and that interest rate is not the same rate, but rather a higher one, than the borrower agreed to as an interest rate.

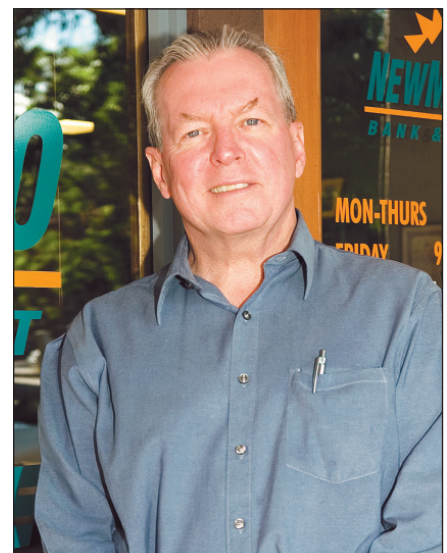
The APR is designed to protect consumers seeking mortgages because it's a convenient number by which to compare the fees of lenders and brokers as well as loan programs.

The APR calculates the annual cost of loans by taking into consideration the various costs associated with securing the loan; these include origination fees, discount points, appraisal fees, processing fees, underwriting fees, credit report fees, and administration fees. The idea behind the APR form is to protect consumers from companies who do not disclose fees or discount points associated with an unusually low start rate on an adjustable-rate loan or a below-market rate on a fixed-rate loan.

The APR provides a comparative measure of the true cost of a loan. The idea is quite simple. If we total the costs associated with securing the loan and subtract them from the loan amount, we arrive at the "Amount Financed" that appears on the third box of the TIL. For example, if the new loan amount is $300,000 and the costs to secure the loan are $6,000, then you are "netting" $294,000 as the Amount Financed. If the new loan interest rate is 6.5 percent for 30 years, the APR calculates what the rate would be on the Amount Financed when making the same monthly payment for the same term to provide a comparison. You are still borrowing $300,000. The Amount Financed is showing the cost of the loan by subtracting fees that you will have to pay at closing.

In our example, a 30-year, fixed-rate loan of $300,000 at a note rate of 6.5 percent has a monthly principle and interest (P&I) payment of $1,896.20 per month. Using the $294,000 Amount Financed for 30 years and a monthly P&I of $1,896.20, the APR is 6.70 percent. What does this get you? Simply this: if you went to three different sources for a mortgage and requested pricing for a $300,000, 30-year, fixed-rate loan, you can compare the costs by reviewing the APR. The closer the APR is to the actual interest rate on the note, the better the deal because it involved fewer costs.

If the three sources selected for comparison all used the same interest rate, you have your answers. If an interest rate offered were lower than market pricing - a "teaser" rate - discount points would be present and the APR would shoot upward.



DAVID HULTIN

The APR is the interest rate on $294,000 that would produce the same monthly payment as the note rate. It has no other meaning. It is just a way to compare the costs of a loan.

David Hultin (505-946-2521) is a residential mortgage-loan officer for New Mexico Bank and Trust. He previously worked in the mortgage divisions of two of the largest banks in the United States.

Our**waterQuality**

Steps to improve your water quality

What consumers do, if anything, about water quality is usually an indefinable combination of various factors and almost always includes understanding, personal preference and budget. Even some people who live in established water-problem areas do not want to know what is in their water. For others who have been drinking well water for years (or even generations), they perceive no correlation between any adverse health conditions and water.

If you are on a municipal or community water system, you have some comfort that your water quality is being monitored to ensure EPA compliance. Most complaints about public-system water have to do with residual taste ("chlorine taste") imparted by chemical agents used to eliminate microorganisms, scale (calcium and magnesium "hardness" buildup on fixtures, in water heaters, and spotting on dishes), and concern about what potentially harmful contaminants might be present. Remedies for taste improvement include faucet and pitcher filters and bottled water for drinking and cooking. Hardness can be treated with conventional ion-exchange water softeners and salt-free systems.

The latest nanotechnology in salt-free systems uses media certified by National Sanitation Foundation International (NSF) and requires no electricity, no drain and no wasteful backwashing. Under-sink, reverse-osmosis systems provide the highest-quality water for drinking and cooking. Reverse-osmosis water can be remineralized to enhance its taste. Insist on NSF certification of contamination reduction (see the system's performance data sheet) and be wary of certification only on individual system parts.

The decision tree for well water can be much more complex. The first concern should be bacterial contamination, which is commonly treated by "shocking" the well with chlorine bleach. If shocking is not effective, the next step is running conditioned water through ultraviolet light. Along with bacteria testing, the EPA recommends initially running a complete laboratory test suite on your well water to establish a baseline for monitoring any future changes in water quality.

Hardness is a common complaint about well water. Iron and manganese staining are common complaints in well water and treatment methods are dictated by chemical valence. Iron removal is often not a simple, generic solution.

If you even think that your well water may need treatment (talk to your neighbors!), consider ordering a laboratory test. On-site testing is just not reliable for system design. Nitrate and arsenic are two common invisible, odorless contaminants that can be detected and quantified through lab tests and can be treated by specialized systems. Local nitrate contamination is commonly attributable to septic-system leakage. Arsenic is naturally occurring in this area and is more difficult to treat because it commonly exists in two chemical valences. In certain areas, testing for radionuclides in well water is recommended.

STEPHEN WIMAN

Even after complete suites of lab tests are collected and interpreted, some well water quality is so good that deciding to do nothing about it is a good decision. It's your water, and you get to choose what action, if any, to take about water testing and treatment.

Stephen Wiman has a background in earth science (Ph.D. in geology) and is the owner of Good Water Company in Santa Fe. He may be reached at 505-471-9036 and skwiman@goodwatercompany.com.