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*Do Not Put Us On Hold During Intros!*

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For any other questions, please email us at [success@hershgroup.com](mailto:success@hershgroup.com)



**Minimize Control Panel**



**How to ask a question**



Call this number 1-218-339-2620 723039# For Audio



# GREAT MANAGEMENT SKILLS FOR LEADERS

*It is not rocket science..*

---

**Dave Hershman**  
**OriginationPro**

## Dave Hershman Top Industry Author and Speaker



- Produced almost 600 transactions in his first 18 months in the industry—including closing 60 in his 12th month;
- Run sales forces for large production organizations;
- Directed the sales force for the largest mortgage technology organization;
- Written seven books in the areas of finance, management, sales & marketing—including two best-sellers published by the MBA;
- Helped found a Federal Bank, serving as a board of director;
- Been a keynote speaker at hundreds of industry events

**ORIGINATIONPRO.COM**

# OUR OBJECTIVES TODAY

- ✘ Recognize you are lucky
- ✘ Commitment to change something
- ✘ Simplify management: *The Rules*
- ✘ Increase your results to obtain your goals
- ✘ Lower your stress levels

# LATEST NEWS ON THE HOUSING FRONT

- *HUD Secretary Donovan says you can use the tax credit for downpayment on FHA loans using a bridge loan—but where is Mortgagee Letter?*
- HR 1728 Mortgage Reform and Anti-Predatory Lending Act of 2009
  - Lenders assure borrowers reasonable ability to repay based upon analysis of all factors as well as “net-tangible” benefit for refinances.
  - Prohibits financial incentives for subprime loans. YSPs may be affected. Limits prepayment penalties for subprime loans
  - Make secondary market also responsible for standards
  - Originator must retain 5.0% of risk of loan that they sell
  - Expand consumer protection for high-cost mortgages, including prohibiting financing of points and fees.
  - Additional disclosures
  - Protect tenants of homes that go into foreclosure
  - Creates Office of Housing Counseling within HUD
  - Mortgage Bankers Association opposes this bill.

# SAFE ACT

---

- Safe and Fair Enforcement Licensing Act of the Housing and Economic Recovery Act of 2008 signed into law July 30, 2008
- CSBS (Conference of State Bank Supervisors) and AARMR (American Association of Residential Mortgage Regulators) Model State Law
- ✘ Licensed MLOs are originators who were licensed before July 31, 2009 under a state law that was in existence before July 31, 2008 A state must bring these into MLOs into compliance with SAFE by January 1, 2011
- ✘ Non-Licensed MLOs who did not hold a license as of July 31, 2009. Due to exemption from state law, no law in state or were not in the industry. They must be brought into compliance as of July 31, 2010.
- ✘ Each statewide regulatory agency will establish its own deadlines.

# SAFE ACT IMPLEMENTATION PLAN

- × Between 7/31/09 and 7/31/10 Non-licensed MLOs
- × Between 7/31/09 and 1/1/11 Licensed MLOs
- × Criminal history Information record checks—must provide finger prints
- × Credit report checks. Must provide credit authorization
- × National testing of mortgage loan originators—Must pass test by above dates.
  - + Test will include a Federal and State component.
- × Nationally approved pre-licensure and continuing education courses
  - + 20 hours complete by above dates (licensed MLOs exempt if already complete 20 hours of state required)
  - + 8 hours annual continuing ed. Not needed in year license is issued
- × Surety bond/recovery fund requirements. Companies must have based upon total originations or implement a recovery fund. Net worth on mortgage originators or companies not required but can be by state.
- × NMLS&R call reports. (National Mortgage Licensing System & Registry) Annual statement of condition of the company including financial statements and production activities.
- × Public Access: Includes disciplinary and enforcement actions
- × Consumer complaint processing. There will be tracking of complaints



# THE MOST IMPORTANT \$39..

...You will ever spend

Start with a free package..

*Package, includes—Book of Home Finance (soon to be updated) and more; Audio Marketing Seminar; Performance Library of articles—all accessible on the dashboard of the system;*

Add in the most comprehensive sphere marketing system...

*The NewsletterPro Marketing System is the most effective marketing tool to your most important target.*

Then top it off with

*A complete certification program that comes with coaching from the number one industry expert*

And there is no obligation: you can cancel at any time

**Upgrade available-Includes MyMortgageCommunity & Velma**

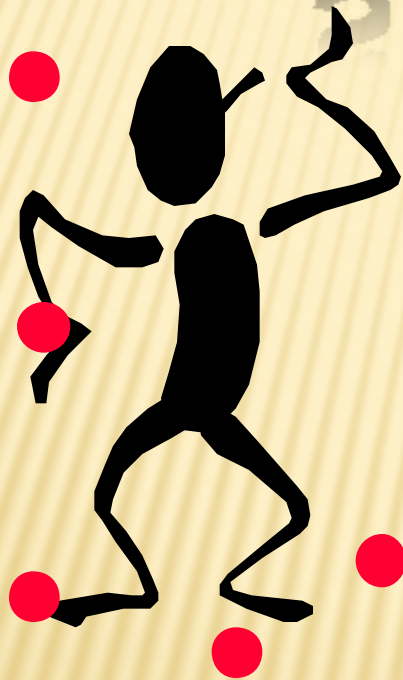
**Velma/MyMortgageCommunity Trial Members: Welcome**

# WHAT IS CMA?

## Certified Mortgage Advisor

- Ten webinars including today's. There is a choice of at least three webinars for the tenth webinar.
- Includes three part planning/advisor course.
- Schedule on [www.certifiedmortgageadvisor.biz](http://www.certifiedmortgageadvisor.biz)
- Six months to attend all 10 courses (15 hours of training)--**must attend LIVE!**
- Certification page posted on site (above) with list of class dates so you can track. **It is your responsibility to track!**
- Continuing education---CMA Case Studies---We don't want you to stop learning
- Must be a NewsletterPro Marketing System subscriber for six months
- Test is issued. Passing score gives you CMA certification
- Marketing materials coming as well..Logo, seminars and more!
- **New: Webinar registrations, slides and audio all on home page of newsletter system.**
- **Next Week Special Webinar---Tuesday: Management Skills. Open to public and next webinar a week from that Thursday. Tell your boss!**

# HOW DO YOU SPEND YOUR TIME?



- Personal Production
- Fighting Fires
- Supervising
- Recruiting
- Administrative Tasks

# Did I Say Stress?



Today?

In My

Branch??

????????

# THE COMMITMENT

## Change Your Life? Not!

- 📄 Do not eliminate present activities
- 📄 No more than one to five
- 📄 Goals must be specific
- 📄 Commit publicly & in writing
- 📄 Implement immediately

# THE RULES

---

- ✘ Hire the right people
- ✘ Fire the wrong people
- ✘ Get specific about the job
- ✘ Give the right people the tools
- ✘ Let the right people do their job
- ✘ Monitor, but get out of the way

# ONE GOOD LOAN OFFICER

What is the value of one loan officer  
for a period of five years?

\$14,000 Gross Revenue Per Month

10.0% ROI

**\$84,000**

---

# **RULE #1: HIRE THE RIGHT PEOPLE**

- ◉ The *Vision*
- ◉ Pareto's principal
- ◉ Improving our chances
- ◉ Sub-rule #1: define objectives



# TYPICAL JOB AD

**Mortgage Banking**

**Loan Originator**

**Two years experience  
producing.... Currently  
producing X million....  
Self starter. Reads want ads  
every Sunday religiously.**



# A FEW QUESTIONS

- ✘ Ideal make-up of my staff?
- ✘ Most likely to retain?
- ✘ Diversity--geographic & more?
- ✘ Staff support?
- ✘ Technology changes?
- ✘ Where, where, where?
- ✘ The ideal characteristics?

# WHO ARE YOU?

---

What is your company  
culture?

What is your company  
USP?

---

## **SUB-RULE #2: INCREASE YOUR CHOICES**

- ✘ You must have a recruitment plan
- ✘ Every plan has goals, tools, actions & targets

# RECRUITMENT PLAN

- × Targets—
  - + More than top producers
  - + More than “full-time”
  - + More than experience
- × Actions—Networking & Synergy
- × Tools—Recruitment Package

# SYNERGY MARKETING

## Applied to Recruiting

- × Rule One—Multi-Tasking
- × Rule Two—Leverage
- × Rule Three—Prioritization
- × Rule Four—Tool Selection
- × Rule Five—Adding Synergy
- × Rules Six & Seven—Value

# RECRUITMENT PACKAGE

- ✘ A major tool
- ✘ Differentiation—your USP
- ✘ The key to listening
- ✘ Many components already exist
- ✘ What would you include?
  - + Hint: evaluations are a key

# NETWORKING YOUR SPHERE

Better than Interviewing

- ✘ Personal
- ✘ Previous customers & prospects
- ✘ Previous/Present employees
- ✘ Vendors
- ✘ Associations
- ✘ Professionals



---

**SUB-RULE #3:**  
**KNOW THY PROSPECTS**  
Interviews Not  
The Most  
Effective Tool

# REFERENCE CHECKING

- × Importance
- × Reference Checking Rules
- × Reference Checking Skills

# SETTING UP CHALLENGES

- ✘ Success is not an accident
- ✘ Testing
- ✘ Special challenges for rookies

---

# **RULE #2: FIRE THE WRONG PEOPLE**

- ◉ The Dead Fish Concept
- ◉ Identification of the deadly sin
- ◉ Why it is so hard

# RULE #3

---

Define The Job  
For The Right People

The key is *retention*

# DEFINING THE JOB

- ✘ Specific responsibilities--  
setting expectations
- ✘ Workflow
- ✘ What have they  
misunderstood in the past?

# RULE #4

---

*Give The Right Employees The Tools Necessary To Do Their Job*

- ◉ Second element of retention

- ◉ It is called ***Support***

# ORIENTATION

- ✘ The importance of the first day
- ✘ Rules for the first day
- ✘ Orientation program
- ✘ Orientation package



# TRAINING

---

- ✘ Three elements of training
  - + Basic, advanced, program training
- ✘ Mentor program
- ✘ Buddy program

# ONE-ON-ONE COACHING

- ✘ Types of coaching calls
- ✘ Group coaching
- ✘ Learning the truth—Reluctances
- ✘ Be SPECIFIC!
- ✘ Practicing—role playing

# MARKETING PLAN

- ✘ Same importance as recruiting
- ✘ Basis must be sphere
- ✘ Part of total inventory
  - + Even shortcomings
- ✘ Why are they unique
- ✘ Format

# **USING THE SKILLS**

**Conducting  
Effective  
Sales  
Meetings**

# **RULE #5**

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*Let The Right Employees Do Their  
Job-- Monitoring*

◉ *Get Out of Their Way!*

# THE COMPLETE MORTGAGE MANAGEMENT KIT

- ✘ *Developing a great recruitment plan*
- ✘ *Firing and defining the job*
- ✘ *Supporting your staff*
- ✘ *Monitoring the results*
- ✘ *Not just text: Materials from job descriptions to letters to reports that you can use starting tomorrow.*
- ✘ *Today get \$200 off the purchase price of \$499 using NewsL200 coupon code at [www.OriginationPro.com](http://www.OriginationPro.com) or call 1-800-581-5678.*
- ✘ *Bonus: Audio of our two day management conference included (\$299 value).*

*Tons of valuable material that I will be able to implement immediately. Will help immensely in running a more profitable net branch operation.*

*- Phillip Gurule Allstate Home Loans Long Beach, CA*

# **ARE YOU SERIOUS ABOUT SUCCESS AS A MANAGER?**

*The reason we put this program together  
was because Managers don't have  
the time or resources..*

- *CMA Program: Complete Training*
- *NewsletterPro: Marketing Program*
- *Mentorship*

*Your number one recruiting & support tool*

## Enterprise Pricing— For A Complete Training & Marketing Program

**\$39/Mo For One User**

**\$34/Mo For 2-5 Users**

**\$29/Mo For 6-10 Users**

**\$24/Mo For 11-24 Users**

**\$19/Mo For 25 Or Over**

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Email [Dave@hershgroup.com](mailto:Dave@hershgroup.com)

or call **1-800-581-5678**



# FINANCIAL DESTINATION

## *FDI—A Comprehensive Solution to Risk-Based Premiums And getting transactions to happen*

- Professional credit restoration improvement—not a bandaid
- Debt reduction plan
- Unlimited budgeting and other financial advice (such as the tax benefits of owning) from CFPs and CPAs
- ✘ Cost? Less than most charge just for credit services. \$59 monthly. \$15 to join. No long-term obligation.
- ✘ Even better—you can chose—just refer deals in without joining. Or when you join as a rep—you get \$20 monthly for each client that participates! (rep cost a one time fee in addition to joining as a member)
- ✘ More information: [www.hershmanfinancialgroup.com](http://www.hershmanfinancialgroup.com)
- ✘ 24/7 Webinar: <http://fdi.OriginationPro.com/>
- ✘ Live Webinar (Thursdays) [www.OriginationPro.com](http://www.OriginationPro.com)

# NEWSLETTERS

---

## Ultimate Value Delivery

- Expertise. Portray you as an expert—no handy homeowner hints—  
Test—Realtor Sales Meeting
- Understandable—no complex bond language
- Relevant up-to-date news they can use today
- Easy—it can't take your time to write, personalize or send
- Flexible—different pieces for different segment of your sphere—some targets are more important than others.

# NEWSLETTERS

---

## Ultimate sphere marketing—(Con't)

- Response. Designed to make the phone ring with more than one piece available. You are not Proctor and Gamble.
- Flexible (again)—different formats from HTML to PDF to Mail pieces (even 1 to 4 page)
- Leverage. Consumer pieces to give to Realtors to send to their consumers.

# WHY NEWSLETTERPRO?

- Written by industry expert for over 20 years
- Unlimited use for one price
- Print and HTML pieces that are easy to personalize
- More than just a newsletter—
  - 4-pages and 1-page
  - Sales and real estate/finance article
  - Bonus flyers and letters
- Coaching and Training by Dave Hershman (CMA certification)
- The cost is \$39 monthly for both NewsletterPro & the CMA training program.
- You can cancel at any time
- Need mail or email fulfillment system? You can upgrade to MyMortgageCommunity and the VELMA personal marketing assistant—cost \$69 monthly

# WHY NEWSLETTER PRO?

All these pieces and more...  
for one low price!



# FIRST

# Log In

**NEWSLETTERPRO™**  
MARKETING SYSTEM

Login to your NewsletterPro account

Username: (case sensitive)

Password: (case sensitive)

Remember me

[Lost your password?](#)

# THEN...

Go to  
Update  
Profile

MARKETING SYSTEM

Dashboard Write View Newsletters Users User Guide

Dashboard

Welcome to the NewsletterPro Dashboard

Use these links to get started:

- [Update your profile or change your password](#)

NewsletterPro Marketing System documents:

- [Startup documents and Back Pages](#)
- [The Real Estate Trends™](#)
- [The Real Estate Pages™](#)
- [The Sales Update™](#)
- [The Real Estate Update™](#)
- [The Real Estate Report™](#)
- [Flyers and Letters™](#)

# STEP ONE

## Update Your

- Name
- Contact Info
- Personal Paragraph
- Address Block

The screenshot shows a user profile update form divided into two main sections: 'About yourself' and 'Contact Info'. Below these is a 'Personal Paragraph' field and an 'Update Your Contact / Address block' section.

**About yourself**

- Username: (no editing)
- First name:
- Last name:
- Display name on your newsletter as:
- Enter your personal co-branded text here to be displayed (in addition to your contact and address information) in your personalized section of each newsletter:

**Contact Info**

- E-mail: (required)
- 2nd E-mail: (can be the same as above; this is the "reply-to" email for unsubscribing)
- Phone 1:   -
- Phone 2:   -
- Company:

**Update Your Contact / Address block**

This information is mandatory for CAN-SPAM email laws:

- Address 1:
- Address 2:
- City:
- State:
- Zip:

Arrows from the text on the left point to the following fields in the form:

- 'Name' points to the First name field.
- 'Contact Info' points to the E-mail field.
- 'Personal Paragraph' points to the text area for co-branded text.
- 'Address Block' points to the Address 1 field.



# STEP ONE—PART TWO

On same page you can update your:

- Disclosure
- Choose calculator links
- Change your password

Don't Forget To Hit  
"Update Profile" Button

The screenshot shows a user profile update form with three main sections:

- Disclosure:** A text area with the instruction "Enter any disclosures that your state and/or licensing status may require. If you require no special disclosures, then leave this field blank." The text area contains "Licensed mortgage company in the states of MD, DC and VA".
- Mortgage Calculator Links:** A section with the instruction "Pick the display order and number of calculators that you want displayed in your right-hand navigation bar." It contains three dropdown menus:
  - Link 1: Calculate a mortgage payment
  - Link 2: Compare the cost of owning versus renting
  - Link 3: Lower your payments through debt consolidation
- Update Your Password:** A section with the instruction "If you would like to change your password type a new one twice below. Otherwise leave this blank." It contains two password input fields labeled "New Password:" and "Type it one more time:".

At the bottom right of the form is a button labeled "Update Profile »".

# STEP TWO

After you update your profile, you can then download your company logo—

- Click on “Company Logo” on profile page
- Locate your logo on your hard drive to upload
- Click “Upload File”
- Make sure your logo is no larger than size specified



You can upload your company logo with the extension of .jpg, or .jpeg & 100 pixels in width.

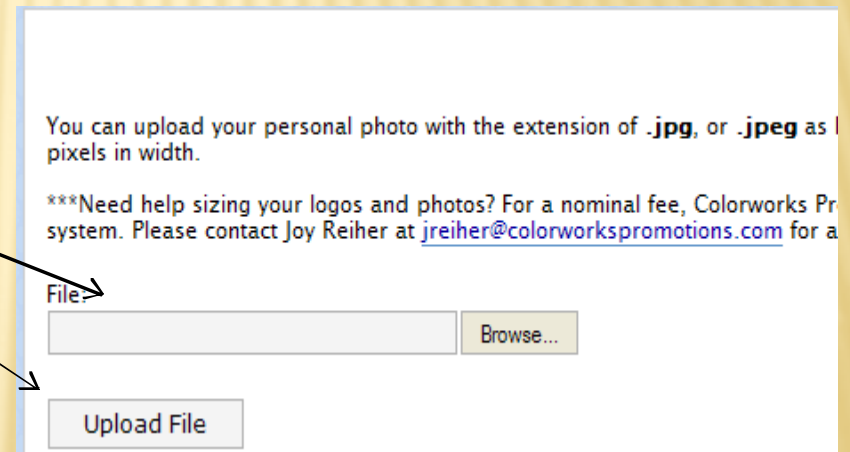
\*\*\*Need help sizing your logos and photos? For a nominal fee, Colorwork system. Please contact Joy Reiher at [jreiher@colorworkspromotions.com](mailto:jreiher@colorworkspromotions.com)

File:


# STEP THREE

Back to the Profile Page you can now download your picture

- Click on “Personal Photo”
- Locate the photo on your hard drive
- Click on “Upload File”
- Make sure the photo is no larger than size specified




# AS EASY AS 1-2-3: YOU ARE SET UP



**REAL ESTATE  
REPORT**

February 5, 2008

**ECONOMIC COMMENTARY**




*Super Tuesday*

This economic commentary is being published of all days on Super Tuesday. By the end of the day we may know who one or both of the Presidential candidates will be. This is the same day that either New York or Boston will be hosting Super Bowl parades—making it a real "Super Tuesday." We will boldly make a prediction. Whatever two candidates arise from the fray, they will claim that they have the plan to rescue the economy and the real estate foreclosure issue. But is this reality? Of course, not. The Federal Reserve Board has moved rates down 1.25% in less than two weeks. Finally they are acknowledging the severity of the problem. As we have said all along, this move will do more to help the markets than anything else. Adjustables will not adjust upward as much and rates are more affordable to finance real estate in general.

**ORIGINATIONPRO™**  
Power Tools for Mortgage Professionals

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The Hershman Group  
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Centreville, VA. 20122  
davehershman@verizon.net  
(111) 222 - 3333  
(222) 333 - 4444



OriginationPro Mortgage Company is dedicated to bringing the American Dream of Home Ownership to our clients.

# BUT THAT IS NOT ALL...

- The main page/dashboard also gives you access to all print materials, including archives
- Each document has a version in Microsoft Publisher. If you have that program (part of Office Professional)—you can edit in any way. These then can be turned into PDFs or included in an email.
- Each document also has a “PDF” version which allows you to add your name in the box. The PDF version can be mailed or emailed as an attachment.
- **VELMA will help you automatically personalize the 4-page newsletter**

## Dashboard

### Welcome to the NewsletterPro Dashboard

Use these links to get started:

- [Update your profile or change your password](#)

### NewsletterPro Marketing System documents:

- [Startup documents and Back Pages](#)
- [The Real Estate Trends™](#)
- [The Real Estate Pages™](#)
- [The Sales Update™](#)
- [The Real Estate Update™](#)
- [The Real Estate Report™](#)
- [Flyers and Letters™](#)

# START-UP DOCUMENTS

The start-up documents include—

- A sample welcome letter to your newsletter prospects;
- Instructions to add a banner to your Outlook Signature so that those you email can sign up;
- Back Pages. These help turn the one-page documents into self-mailers.

## Start-up documents:

[Welcome Letter For Real Estate Newsletter](#)

[Letter To Prospect](#)

[Outlook Signature File and Installation Instructions](#)

(These documents allow you to configure your email signature in Outlook and encourage additional opt-ins to your program)

## Back Pages:

[Back Page #1 for Letter Size Newsletters](#)

[Back Page #1 for Letter Size Newsletters - Publisher Version](#)

[Back Page #2 for Letter Size Newsletters](#)

[Back Page #2 for Letter Size Newsletter Publisher Version](#)

[Back Page #1 for Legal Size Newsletters](#)

[Back Page #1 for Legal Size Newsletters Publisher Version](#)

# THE REAL ESTATE UPDATE

- ✘ Four page document
- ✘ Traditional self-mailer newsletter
- ✘ For all parts of your sphere
- ✘ Industry news, economic commentary, charts
- ✘ Includes finance article

**REAL ESTATE UPDATE**  
Volume 2 Issue 9 September 2008

**THIS NEWSLETTER IS BROUGHT TO YOU BY:**  
John Doe  
Senior Loan Officer  
Ajax Mortgage  
111 Mortgage Way  
Montgomery, MD, 11111  
(301) 555-1212  
(301) 555-5555  
Ajaxmtg.com

Specializing in

- Residential Purchases
- Residential Refinances
- Commercial Properties
- Home Equity Loans

**Three Trends Worth Watching**

There is no doubt the direction of interest rates has a significant bearing upon how quickly the real estate market will rebound. Lower rates provide refinancing opportunities for loans that are reaching maturity. Low rates also help first-time homebuyers get into homes. So the quest for the actual direction, are rates going? Many analysts feel that rates are going up because of the pressure of inflation. One thing we are not going to do is speculate or predict what will happen in the future. However, we do watch the trends and these trends are important... Oil prices. The mercuro rise in oil prices has been the ultimate spark that has ignited inflation. It starts to reason that the recent dip-in-oil prices will help ease inflationary pressures. We speculated!

Regular Gasoline	Plus	Diesel
326.9¢	336.9¢	346.9¢

**Did You Know...**  
Estate home sales rose from the first quarter in 13 states (up) from buyers responding to discounted home prices according to the latest quarterly survey by the National Association of Realtors. (Nearly one-quarter of metropolitan areas showed rising home prices in the second quarter from a year ago. In the second quarter, 35 out of 150 metropolitan statistical areas showed gains in median existing single-family home prices from the second quarter of last year, while 118 had price declines. The biggest home-sales gains over the previous quarter have been in some of the markets with the steepest and fastest price drops. (NAR Chief Economist Lawrence Yun said.)

**Selected Interest Rates**  
August 14, 2008

30 Year Mortgages	6.52%
2008 High (July 23)	6.52%
2008 Low (Jan 26)	5.46%
15 Year Mortgages	6.07%
5/1 Hybrid ARMs	6.03%
1 Year Adjustable	5.18%
10 Year Treasuries	3.85%

Source: First Reserve, Freddie Mac.  
Note: Average rates do not include fees and points. Information is provided for tracking trends only and should not be used for comparison purposes.

**In This Issue**  
P2 Update Housing Legislation | P2 Sell Your Home In Any Market  
P3 A Year of Job Pain | P4 Unmarried Couple as Force

# THE SALES UPDATE

- ✘ It is not enough to distribute news, you must teach your B-to-B targets how to sell which is the ultimate value
- ✘ Realtors, financial planners, CPAs, title companies, insurance agents
- ✘ Designed as great sales meeting material for presentations



**THE SALES UPDATE**  
FOR TODAY'S SALES PROFESSIONAL AND ENTREPRENEUR April 2008

**Make Your Business Cycle Proof—Part Two**  
**IMPLEMENTING THE 100% MODEL**

**L**ast month we discussed the advantages of having a greater portion of your equity guaranteed if you are a professional related to the real estate industry, only 10% of the population is considering a transaction at any one time. However, if you are that 10%, it sure is a much greater percentage of the population, you have the ability to make your business cycle proof. In this case we meet a professional from the real estate or real estate related industry who is making a business transaction, selling in a few years or purchasing their first home in the next few years.

Certainly, business leaders have changed the rules during the current credit crisis, the largest growing segment of your sphere is one group of those who aren't qualified to purchase or even refinance if they already own. We estimate that somewhere between 20 and 40 percent of the population falls into this category because of a variety of reasons that are listed below:

- Credit scores are too low;
- Debt-to-income too high;
- Income levels are too low.

The next question is—how do we solve these people? We typically look at the best way we think to ensure a transaction in the next month and trying to apply "band-aids" to get them approved if needed, we need to take a longer-term view of that situation. What we typically do is find those who want to purchase and help them ensure that credit issues are paid off and/or even obtain a rate. Of course, three years later when they want to purchase again or refinance they are back in the same situation. Actually, many are in worse shape if lenders have a big headache or home values have gone down during the next 3 years.

Ronald has shown that an investment of purchasing a home for 3 years or more. This is not a decision that comes overnight. Getting their finances in shape should be a long-term endeavor—

One's success should be proportional to the long-term. It usually means more work at that credit report when they are going to make a purchase or do a home or any other thing.



**"You may have to fight a battle more than once to win it!"**  
*—Margaret Thatcher*

the damage may be too severe. Today not only do mortgage lenders—charging more for low credit scores, but are more strict on employment and credit. Dealers are starting to run reports before they accept a loan. A few credit scores and a person has declined the number of offers in the market over a lifetime. And usually, it is the person who can't afford to pay this extra thing.

What assessment need to do is get with someone who will help them optimize their credit in the long run. Usually, we need to make sure every financial decision based upon what affect the decision will have on our credit score. This might mean opening or closing credit on a credit card or closing a line of credit which is not in use. It may mean challenging something on the report which is false or perhaps not placed on the report in accordance with applicable laws.

We are not saying that if you solve the real estate industry, we should ensure a credit monitoring service. But there are services that exist that not only report credit, but help keep that credit optimized in the long run.

Don't take a long-term view. Paying off a debt to get someone's business in line to qualify for a loan is one thing. Helping a person who is struggling to get someone completely debt free is a much bigger and more rewarding proposition.

The average person isn't thinking it debt as we are for digital, cell, email offers and even cars and our homes are paying back over the past few years.

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The Executive Group, www.executivegroup.com

**Place Your Card Here, Xerox and Go!**  
**1/800-581-5678**

56



# THE REAL ESTATE PAGE

- ✘ Consumer articles on finance and real estate topics
- ✘ Can be used for prospect conversions when topic is right (archives become important)
- ✘ Can give to Realtors and Financial Planners to send to their clients—leverage.
- ✘ Can use as response mechanisms



## SHOULD I BUY THIS HOUSE?

In the past two months we have talked about the issues of qualification and affordability while we try to answer the question—should I buy this home. This month we will talk about the issue of affordability in regard to a prospective home purchase. Before this point, all of our analysis has focused upon the area of finances. Certainly there are financial aspects of suitability, but there are also other “non-financial” questions with regard to suitability. For example,

❑ Is this home in the right location? Location may be important with regard to commuting to jobs and activities. With higher energy costs and increased traffic in urban areas, commuting takes on a higher level of significance.

❑ Is the home large enough for my present and future family and is this where I want to raise them? This issue requires not only the analysis of family size and school districts, but also the proximity to activities and other services.

❑ Is this the home I would like to retire in? For those whose children are older, the question of retirement comes into play. For example, does the home require major maintenance that you don't have the ability to take on during retirement?

❑ How do the home have the amenities my family desires? For example, do I want a big yard for children to play in or for other enjoyment? Do I want a big kitchen and dining room in order to entertain?

❑ I want to leave quickly, how marketable or rentable is this home? The best “buy” which is most affordable because it is in the middle of the country may not be the best choice for those who need to be mobile.

We could go on and on regarding the choice of the home and location. However, as you may guess there are also financial aspects of suitability. These include—assessing the home with regard to meeting your financial needs in the future.

For example, last month we spoke of the cost of the housing payment after taxes because this represents the real issue with regard to affordability. Part of the reason this home may be affordable is because of the tax deduction. However, if you are not paying taxes because of other deductions, you may not receive most of the benefit of the home purchase. This is especially true for those who are self-employed and may use their status to “write-off” much of their income. The figure becomes an issue when the status of your income and deductions change. If income is to rise, then the home actually will become more affordable in the future.

If you are employed and will get the benefit of a tax deduction you can make the home more affordable on a monthly basis right now by increasing your withholding exemptions on your IRS Form W-4 which is filed with your employer. This will lower your tax withholding on a monthly basis and can make more income available each month to help you afford the payment.

Another financial issue with regard to affordability involves whether future changes may make the home more or less suitable. We already discussed this somewhat when talking about how adjustable rate mortgages may change in the future and how many purchased homes downgrading when a rate happens. When short-term rates rise, so do the payments on adjustable rate mortgages, especially if the start rate is very low. This

is called a “teaser rate.” Typically, if your payments were to rise by \$200 to \$1,000 per month, depending upon the size of the loan, could you afford the increase? There are other issues with regard to the future. For example,

❑ Will the long-term appreciation of the home help you finance debts at a lower-monthly cost than you are paying now. Debt-consolidation loans using the equity in a home are very popular in a nation that seems to be very dependent upon the use of credit. Of course, the use of this equity means that it cannot be used for other purposes such as retirement.

❑ Will the home require major maintenance in the near- or long-term? The purchase of “fixer-upper” may be very suitable for those who are handy or have liquid assets for contractors. For others, having a home in need of maintenance can be a psychological and financial burden.

❑ Will my situation change in the future? Retirement, job changes, increases and decreases in income. All of these are relevant to suitability.

Qualification, affordability and suitability. All relevant questions to answer before you purchase your next home. ☐

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## REAL ESTATE TRENDS

FOR REALTORS, HOMEOWNERS AND PROFESSIONALS

October 2009



### Government To The Rescue!

**J**ust when you think things can't get any wilder they do. The last month has given a new definition to the term "wild and crazy." What has happened? The government took over the most important housing entities in the nation—Fannie Mae and Freddie Mac. The government also bailed out a major insurer, AIG to the tune of \$85 billion dollars. While they were doing that, the Feds chose to let a major financial company, Lehman Brothers, collapse. Meanwhile the stock market's Dow Jones Industrial Average has been going up and down (more down) hundreds of points from day-to-day. Now the government is formulating a plan to purchase distressed mortgages from financial institutions.

What is behind this financial madness? The housing crisis. As home prices go down and foreclosures soar, the mortgages that investors have purchased are becoming worthless. While housing is the major cause, it is also the solution. When home prices stop going down and people start buying again, the markets will stabilize. Actually the crisis will be part of the solution. Interest rates have fallen sharply over the past several weeks as the crisis intensifies. Lower rates translate into increased demand for homes because it makes owning a home more affordable. Coupled with lower home prices, lower rates will help hasten the end of the crisis.

The longer the crisis goes on, the more likely that the housing recovery will be



### Come Get Your \$7,500!

**N**ews continues to be released regarding the tax credit authorized by the recent housing legislation. The government feels that providing an incentive to purchase homes at the present time will help hasten the housing recovery and we agree. Here are some facts regarding the credit.

- First-time homebuyers who purchase a principal residence between April 9, 2008 and July 1, 2009 qualify for the tax credit and it is retroactive for buyers who have already closed.

## Tax Credit

- The maximum credit is \$7500 or 10% of the purchase price if lower than a \$75,000 sales price.
- If the home is purchased in 2009, homebuyers can elect to amend 2008 tax returns and claim a tax credit.
- The tax credit is "recaptured" by the IRS, and is an interest-free loan and

### Population Projections

**W**hat are census data projections for the future? The Census Bureau's projections are based on the country's changing racial composition due to the mass exodus of the middle class. What's clear is that the latest numbers will inevitably give the real estate business a boost.

The Census Bureau is projecting an increase of 135 million people in the U.S. a 44 percent rise by 2050. That's equivalent to the entire populations of Mexico and Canada moving to the United States. The bureau estimates that this population boom, largely fueled by immigration, will require 52 million new housing units, along with more places for people to shop and work.

The recent housing slump has caused homebuilding to fall significantly below one million units annually, including multi-family units. This means that present home building activities will not be sufficient to meet the needs of future population growth. The longer the housing slump continues, the more acute the shortage in the future... □

### Did you know...

- Activity is slowing in the commercial real estate market in response to tightening credit and weak economic growth, according to the National Association of Realtors. In its latest Commercial Real Estate Outlook, the NAR reports that financing problems stemming from the crisis on Wall Street, are a lack of demand, are curbing real estate

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\*results will vary by individual



**Did you know that a low credit score can increase your costs for insurance and even hinder your search for a job?**

*A low credit score will cost you thousands of dollars in extra borrowing costs over your lifetime. It can even*

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# WHAT WE COVERED

- ✘ Recognize you are lucky
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- ✘ Lower your stress levels

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