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ORIGINATING REFINANCES

In Today's Challenging Environment…

Dave Hershman

OriginationPro

A Certified Mortgage Advisor Webinar

OUR GOALS TODAY

- Legislative update
- What is a refinance?
- Purpose of refinances
- Program requirements
- Additional technical considerations
- Marketing refinances
- Converting refinance prospects
- Overcoming refinance challenges
- NewsletterPro System—special refinance marketing.

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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

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LATEST NEWS ON THE HOUSING FRONT

- MBA Shocker: $2.8 Trillion this year? Up from $1.6 Trillion, or 75%. Of course, mostly refis—which makes today's topic very timely. Some will be direct lender refis.
- More action by the Fed: Purchasing treasuries and toxic assets
- NAMB Sues HUD to stop appraisal rules effective May 1st
- Fannie Mae to increase investor limit back to 10, but tighten reserve requirements.
- Fannie Mae and Freddie Mac issue new pricing level adjustments effective April 1, 2009. Affects credit, interest only, 2 unit properties and more.
- HUD releases final RESPA rules, including new GFE and HUD-1, Jan 2010. New servicing transfer disclosure, January of this year. NAMB and NAHB sues to stop implementation of RESPA rules – yield-spread disclosure and affiliated company rules.
- National licensing is coming for loan officers—including minimum credit score and net worth

FHA MOVES TO 85% ON REFINANCES

- FHA moves cash out to 85% LTV effective with case number assignments issued on or after April 1st
- New subordinate financing limited to 85% as well, but existing can be re-subordinated above 85%.
- If the 2nd lien is "modified" that is considered existing even if re-executed.
- Must own for 12 months or more. If less than 12 months—85% is based upon the lesser of the sales price or appraiser's value.
- 2nd appraisal still required for over 417,000 and property is in declining area.
- Co-signers being added must be occupants.
- 3-4 unit properties must be "self-sufficient"
- Delinquent borrowers are ineligible

NEW FHA LOAN LIMITS

In areas where 115 percent of the median house price is less than 65 percent of the Freddie Mac limit, the FHA limits are set at the 65 percent amount, i.e., the "floor," as follows:

One-Unit $271,050

Two-Unit $347,000

Three-Unit $419,400

Four-Unit $521,250

Many areas between high and low cost---

Any area where the limits exceed the floor is known as a "high cost" area. In areas where 115 percent of the median house price exceeds the 175 percent figure, the mortgage limits are set at the 175 percent amount, i.e., the "ceiling," as follows:

One-Unit $729,750

Two-Unit $934,200

Three-Unit $1,129,250

Four-Unit $1,403,400

NEW CONFORMING LOAN LIMITS

Units	Maximum Original Principal Balance			
	Contiguous States, District of Columbia, and Puerto Rico		Alaska, Guam, Hawaii, and the U.S. Virgin Islands	
	General	High-Cost*	General	High-Cost*
1	$417,000	$625,500	$625,500	$938,250
2	$533,850	$800,775	$800,775	$1,201,150
3	$645,300	$967,950	$967,950	$1,451,925
4	$801,950	$1,202,925	$1,202,925	$1,804,375

* The limit may be lower for a specific high-cost area; use the resources below to see limits by location.

Many areas between high and low cost---
list will be emailed.

STIMULUS PACKAGE

Tax Credit-Note Details Still Being Released.

- From $7500 to $8,000 (or 10% of home's value, whichever is less)
- Purchase from January 1, 2009 to November 30, 2009
- It is "refundable" which means they get it even if they did not pay taxes
- Must be a first-time homebuyer (cannot have owned a home for three years)
- Must make less than $75,000 as a single, less than $150,000 if joint filer (phases out above that to $95K for single and $170K for joint)
- Some summaries say that you can actually go back and amend returns and file against your 2008 taxes. Implications for down payments? One state has already…
- It is now a credit, instead of a loan. Must remain in home for three years, or entire amount is recaptured upon sale.
- Must be a principal residence
- If you use a revenue bond program to purchase you can still use the credit

STIMULUS PACKAGE

Additional Provisions

- Loan Limits are increased back to December 31st levels. This is a maximum of $729,750 in high-cost areas. Effective for FHA, Conforming, but VA is not mentioned. Will VA follow?
- Neighborhood Stabilization: $2 Billion to help local areas "destabilized by foreclosures"
- Rural Housing Service gets additional $500 million.
- $6 Billion for energy efficient buildings
- Obama to release plans to mitigate foreclosures today: Lower rates, payment assistance and modification incentives?
- What was not included—but not necessarily dead–
  - FHA Downpayment Assistance Program
  - Revising HOPE program
  - Bankruptcy Cramdowns

NEW OBAMA PLAN—MODIFICATIONS

- Banks receiving Fed assistance must follow.
- The program is voluntary for lenders. Loans originated before Jan 1, 2009 are eligible.
- Allow for judicial modifications during bankruptcy—Congressional action is necessary
- Do not have to be behind—but must show hardship.
- Servicers can't contact those not in default but can consider if owner contacts them.
- Conforming limits only and owner-occupied only (2-4 unit properties are eligible)
- Over 55% Debt-to-income ratio must enter debt counseling program
- Lenders must keep modified payments in place for five years (may be stepped from there)
  - Start rate as low as 2.0% and stepped up 1% after five years.
- Shared "dollar-for-dollar" Fed participation from 38% to 31%. To bring the loan down must lower the interest rate, extend the term or if that does not work—lower principal.
- At risk payments to mortgage holders ($1,500)/servicers ($500) while loan is still current
- Incentive of $1,000 up-front and $1,000 per year for servicers for three years for originating modification that meets guidelines
- $1,000 to incentive paid directly to principal to borrowers each year for five years if they keep the loan payment current.
- Treasury will set up a guarantee program to insure against future home price declines

OBAMA PLAN—HOME AFFORDABLE REFI

- Present loan must be a conforming loan (see “look-up” systems)
- Effective with loans delivered April 1, 2009 until notes dated June 10, 2010.
- Maximum LTV is 105% of value.
- Includes high-cost conforming loans (729K).
- Existing seconds can be subordinated above that (no new seconds allowed)
- Relaxed MI requirements…existing MI company must “play along” providing same coverage as original loan. If originally did not need MI—will not now.
- Must be a lower mortgage payment or a more stable product.
- Subject to LLPA but not adverse market delivery fees.
- No cash-out allowed nor can money be used to pay off junior liens.
- No short-term adjustables or conversion from fixed to adjustable.
- Any types of properties approved by agencies.
- Any types of transactions: owner-occupied, second homes, or investors.

OBAMA PLAN—HOME AFFORDABLE REFI

- *For Freddie Mac:* Must be originated by the servicer or an "Affiliate" of the servicer. Must have the mortgage file of the loan being refinanced. Must be 3 months seasoned with no 30—day lates in past 12 months (or for the term of the mortgage if less than 12 months). Must be manually underwritten. Seller to warrant value using a new appraisal or AVM or statement that value has not dropped from original value. Freddie Mac "look-up" link: https://ww3.freddiemac.com/corporate/
- *For Fannie Mae:*
  - DU Refi Plus: can be done by any Fannie Mae approved lender using DU (does not have to be the servicer of the loan). Enhancements to DU will be available by May 2, 2009. Ineligible recommendation allowed for LTV or minimum representative credit score. Follow appraisal requirements required by DU. Full income documentation.
  - Refi Plus: loans can be manually underwritten but must be originated by the servicer. Servicer can represent value has not dropped or if not, full appraiser for estimated LTVs over 95% and full appraisal or exterior only for LTVs under 95%. Can use verbal VOE and no debt-to-income ratios calculated, but lender must determine borrower has ability to repay.
  - No subprime, Alt-A, reverse, second or government loans
  - No seasoning required and no minimum credit score requirements
  - Fannie Mae "look-up" web link http://www.fanniemae.com/homepath/homeaffordable.jhtml

WHAT IS CMA?

Certified Mortgage Advisor

- Three part Mortgage Planning Course
- Additional required courses (schedule on www.certifiedmortgageadvisor.biz)
  - Understanding the self-employed borrower; FHA training; Rates and the secondary markets; Sphere and newsletter marketing; Ethics in mortgage lending; Great Application System:---from service to referrals
  - Choice of 10th course: Business planning 2009, Management Skills & Originating refinances
- 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
- 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.**

WHAT IS A REFINANCE

- Sounds like a ridiculously easy concept—but it is not always clear
- Basic types—rate reduction vs. cash-out
  - Not always clear when it is a cash out (paying off a 2nd)
- What about when someone is changing title as part of a refinance?
- What about a loan modification or short-refi?

WHY PEOPLE REFI–PAYMENT

- *To lower their payment—important sales concept*
  - They are asking about lowering their rate but that is not what they care about.
- Comparing point options
  - $300,000 loan.   7.0% interest rate
  - 6.0% no closing costs or 5.0% $12,000 closing costs
  - $1,995 in payments vs $1,800 or $1,611
  - Extra $195 in savings at 5.0% or $384 total.
  - Extra $195 in savings, pay back is 62 months (@5 years)
- Another way of looking at it.
  - Let's compare interest paid and amortization as well
  - At 6.0% the interest is $1,500
  - At 5.0% the interest is $1,250
  - So now the payback is 48 months or 4 years
  - Also at 5.0% the loan will amortize $3,000 more in four years, shortening the payback period even further (amortization advantage will go back to zero in 30 years).

WHY PEOPLE REFI–PAYMENT

Analysis

- Of course, if they finance closing costs, this changes the numbers. The reduction in the first example (PI payment comparison) becomes $131 monthly and the "pay-back" period is 92 months or @7.5 years.
- Of course, since there is no money "out of pocket" –there is no real payback except when home is sold. When the home is sold they will owe whatever principal has not been paid off. If they keep home and loan for 30 years, the result will be a savings of:
  - $70,200 at $195 per month or $138,240 at $384 per month (total savings)
  - $47,160 at $131 per month
  - You would need to subtract the cost of the longer loan term.
- The key is how long will they have the loan. At lower rates and lower rates of appreciation, average time in the home will go up.
- All numbers are before taxes

WHY PEOPLE REFI—PAYMENT

Months to Break Even After Refinance

Assuming 10% interest rate on existing mortgage
and no change in 30 year term

		Cost of Refinance							
Interest Rate Reduction	Payment Reduction Factor	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
0.25%	0.184	27.1	54.3	81.4	108.6	135.7	162.9	190.0	217.2
0.50%	0.367	13.6	27.2	40.9	54.5	68.1	81.7	95.3	108.9
0.75%	0.549	9.1	18.2	27.3	36.4	45.5	54.6	63.8	72.9
1.00%	0.729	6.9	13.7	20.6	27.4	34.3	41.1	48.0	54.8
1.25%	0.909	5.5	11.0	16.5	22.0	27.5	33.0	38.5	44.0
1.50%	1.087	4.6	9.2	13.8	18.4	23.0	27.6	32.2	36.8
1.75%	1.263	4.0	7.9	11.9	15.8	19.8	23.8	27.7	31.7
2.00%	1.438	3.5	7.0	10.4	13.9	17.4	20.9	24.3	27.8
2.25%	1.612	3.1	6.2	9.3	12.4	15.5	18.6	21.7	24.8
2.50%	1.784	2.8	5.6	8.4	11.2	14.0	16.8	19.6	22.4
2.75%	1.954	2.6	5.1	7.7	10.2	12.8	15.4	17.9	20.5
3.00%	2.123	2.4	4.7	7.1	9.4	11.8	14.1	16.5	18.8
3.25%	2.290	2.2	4.4	6.6	8.7	10.9	13.1	15.3	17.5
3.50%	2.455	2.0	4.1	6.1	8.1	10.2	12.2	14.3	16.3
3.75%	2.619	1.9	3.8	5.7	7.6	9.5	11.5	13.4	15.3
4.00%	2.780	1.8	3.6	5.4	7.2	9.0	10.8	12.6	14.4

Note: to calculate monthly payment reduction, multiply the principal amount, in thousands, by the Payment Reduction Factor in the second column.

Table 6-1

WHY PEOPLE REFI–EQUITY

To build up equity: Reduction in term

- New interest rate: 7.0%
- New term: 15 years (180 months)
- Closing costs: $1,800
- Points: $1,200
- New mortgage balance: $101,500
- New mortgage payment: $914.11
- Remaining payments on present mortgage:

  $914.74 x 336 = $307,352.64
- Payments on new mortgage:

  $914.11 x 180 = $164,539.80
- Savings through term refinancing:
- $307,352.64 (-)$164,539.80 =$142,812.84
- *The home owner saves over $140,000 in interest over the term of the mortgage! (again before taxes)*

- Original mortgage balance: $100,000
- Original interest rate: 10.5%
- Present mortgage balance: $98,500
- Remaining mortgage term: 336 months
- Present mortgage payment: $914.74

In this case, the homeowner is using the monthly savings from the lower interest rate towards a reduction in term. If the interest rate reduction is great enough, the applicant can reduce the term by 10 to 15 years without increasing the monthly payments on the mortgage.

Does not mean that they can not invest this money.

WHY PEOPLE REFI-EQUITY

Effect of Monthly Payment on Typical $100,000 Loan at 7%, 30-Year Amortization

Extra Payment	Principal & Interest	Months to Payoff	Years to Payoff	Total of Payments	Interest Savings
$0	$665	360	30.00	$239,511	$0
$20	$685	328	27.33	$224,477	$15,034
$50	$715	291	24.25	$207,856	$31,655
$75	$740	267	22.25	$197,412	$42,099
$100	$765	247	20.58	$189,003	$50,508
$150	$815	217	18.08	$176,192	$63,319
$200	$865	193	16.08	$166,814	$72,697

Table 6-3

Note: Calculations do not take into account investing the payment savings over the term for the remainder of the term of the mortgage (from 15 to 30 years or from 20 to 30 years).

WHY PEOPLE REFI—SECURITY

- *Security: Change in loan type*
  - Many were surprised of the importance of negative amortization, margin and index
  - For example, LIBOR index has been much higher than "Treasury" alternatives.
  - Loan Amount $300,0000. One Year Adjustable. Start rate of 4.0%.
  - Worst case may be 10% in just three years.
  - Starting payment of $1,431. At 10% it is $2,634. Increase of $1,203 or 80%!
  - Index rates are low now—but will they be in three years?
  - Time to convert to a fixed rate is when rates are low—not after they go up.
  - You can't measure the value of piece of mind
- *Change in loan type can also have other benefits*
  - Go from a fixed rate to an adjustable to achieve lower payment. This is more likely when the spread is wide between fixed and ARMs (not now).
  - You could actually use the savings to build equity (shorten the term)
  - You could also move from an ARM to an ARM (five year in the fourth year—move to another five year.

WHY PEOPLE REFI—CASH OUT

- *Range of Benefits*
  - Consolidate debts (lower payments/maximize tax deduction
  - Invest in other properties or other investments
  - Fund a retirement plan
  - College education
  - Purchase a car
  - Savings—security in case of loss of job
  - Fund maternity leave or other leave of absence.

WHY PEOPLE REFI—CASH OUT

Debt consolidation example

Loan	Monthly Payment	Balance
Credit cards	$250	$ 5,000
Auto loan	$500	$15,000
Personal loan	$250	$10,000
Personal loan	$300	$ 5,000
Totals:	$1,300	$35,000

Mortgage payment $1,000 (PITI)
Total debt payments $2,300
Total debt: $100,000 Mortgage
$ 35,000 Debts
$135,000

New Loan $140,00 (includes closing costs)
New Rate 6.0% Old Rate 8.0%

New Payment 1,040 PITI
Savings $1,260 monthly!

Issues:

- You are now "spreading" the payments over 30 years. Savings 75,000 over five years. But negative after that—will wipe out savings and perhaps cost client after a certain time.
- Solution: how about using some of the savings to reduce the term of the loan (for example 20 year)? **Message: Refis can have more than one objective.**
- Lower appreciation environment—less people have equity in their home and lenders have tightened on cash out
- 2nd mortgage is an alternative if there is little interest savings on first (depends upon size of 2nd). However, seconds are more difficult to obtain in today's market as well.

PROGRAM REQUIREMENTS–FHA

- Simple rate and term refinances—97.75% LTV without MIP (FHA to FHA or Conventional to FHA)..
- Streamline refi with appraisal—97.75% LTV without MIP (FHA to FHA)
- Streamline refi without appraisal—N/A LTV (FHA to FHA)
- Cash-out refinance: Just changed to 85% across the board. 2 appraisals for above 417,000 in declining area. Must have owned for one year to use current appraisal Non-owner occupant borrowers cannot be added to qualify. Can't be delinquent.
- FHA secure program for delinquent mortgages has been eliminated in favor of FHA HOPE program. HOPE program has not been popular because relies upon lender principal reduction.
- Major advantage: Can subordinate existing 2nd without affecting LTV.
- Max $500 cash back on non-cash-out.
- Mortgage must be current (can refinance up to 2 months delinquency on a streamline—if lender will allow).
- Here is the catch-lenders can have more stringent requirements than FHA.

FHA STREAMLINE REFI

- Lower rates now—with FHA volume up—FHA streamlines will be an important business line.
- Streamline refis—are FHA to FHA refis with no cash out-max $500 to borrower
- Documentation Requirements--
  - Loan application (abbreviated version)
  - Previous 12-month mortgage payment history;
  - An appraisal of the property if the new mortgage amount finances the closing costs over and above the existing loan balance;
  - The applicant can keep secondary financing in place without a new appraisal (must be subordinated).
  - Cash to close documentation is not required
- If the property is no longer occupied by the applicant, FHA will allow a streamline refinance
  - Existing balance can be refinanced only (appraisal can't be used).
  - If the mortgage payment history shows delinquencies during the previous 12 months, full documentation processing.
  - No adjustables can be used for Investor Streamlines
  - No adjustment in Mortgage Insurance or rate (lender can charge more, though).

STREAMLINE MIP

- Upfront MIP is 1.5% for all Streamline Refinances
- 20/30 Year: .55% monthly over 95.0% LTV; .50% for 95% and under
- 15 year: .25% monthly over 90% LTV; none for 90% and under
- Can use new appraisal to determine new LTV (or original value)
- Refunds are subtracted from new MIP
- Example:

$90,000	Mortgage
$3,000	Closing costs to be financed
$1,350	New MIP (1.50% of base mortgage amount)
($ 950)	MIP refund from old mortgage
$93,000	Base mortgage amount
$93,400	Mortgage amount including new MIP ($1,350 - $950)

PROG. REQUIREMENTS FANNIE MAE

- Streamline refis replaced by President's Affordable Refinance Program.
- Cash out now limited to 85% LTV. 75% if under 660 score .
- Cash out 75% on second home and investment properties
- Must have owned home for six months for cash out
- Properties listed within the past six months are limited to 70% LTV (65% for manufactured homes), unless owner certifies they intend to occupy as their primary residence.
- Limited (no cash out) refinances restricted to 95% owner occupied, 90% second homes and 75% investment properties.
- Lower LTVs for 3-4 units
- Special "continuity of obligation" requirements
- Maximum debt-to-income ratio 45% for manually underwritten loans

FANNIE MAE LTV CHART

Standard Eligibility Criteria: Maximum Allowable LTV, CLTV, HCLTV Ratios and Minimum Credit Scores for FRM, ARM and Balloons (Manual Underwriting)
Note: Excludes *MyCommunityMortgage, HomeStyle Renovation, Streamlined Refinance Products,* and *Jumbo-Conforming Mortgages.*

Transaction Type	Number of Units	Maximum LTV/CLTV[1]/HCLTV	Minimum Credit Score[2]
PRINCIPAL RESIDENCES			
Purchase Money Mortgage (PMM) *and* Limited Cash-Out Refinance (LCOR)	1-unit No Co-ops	95%/95%/95%	660 if > 75% 620 if ≤ 75%
	1-unit Co-op[3]	PMM = 95%/(N/A)/(N/A) LCOR = 90%/(N/A)/(N/A)	660 if > 75% 620 if ≤ 75%
	2-units	95%/95%/95%	680 if > 75% 620 if ≤ 75%
	3-4 units	75%/75%/75%	640
Cash-Out Refinance[4] (COR)	1-2 units No Co-ops	85%/85%/85%	660 if > 75% 620 if ≤ 75%
	1-unit Co-op	85%/(N/A)/(N/A)	660 if > 75% 620 if ≤ 75%
	3-4 units	75%/75%/75%	680
SECOND HOMES			
Purchase Money Mortgage (PMM) *and* Limited Cash-Out Refinance (LCOR)	1-unit No Co-ops	90%/90%/90%	660 if > 75% 620 if ≤ 75%
	1-unit Co-op	PMM = 90%/(N/A)/(N/A) LCOR = 75%/(N/A)/(N/A)	660 if > 75% 620 if ≤ 75%
Cash-Out Refinance[4] (COR)	1-unit (No Co-ops)	75%/75%/75%	680
INVESTMENT PROPERTIES			
Purchase Money Mortgage (PMM)	1-2 units	85%/85%/85%	680 if > 75% 620 if ≤ 75%
	3-4 units	75%/75%/75%	660
Limited Cash-Out Refinance (LCOR)	1-2 units	75%/75%/75%	620
	3-4 units	75%/75%/75%	660
Cash-Out Refinance[4] (COR)	1-2 units	75%/75%/75%	700
	3-4 units	70%/70%/70%	680

PROG. REQUIREMENTS VA

- VA "IRRRL"—"Interest Rate Reduction Refinancing Loan" VA to VA refinance.
- The interest rate must be lower unless refinancing out of an ARM
- No appraisal, credit information, or underwriting is required.
- Payment must be lower unless converting an ARM, term is being shortened or energy efficiency improvements are being included (up to $6,000).
- If payment increases by 20% or more—veteran must qualify
- The funding fee is only 0.5% and there is no mortgage insurance on VA loans.
- Only two discount points can be included in loan amount
- Loans more than 30 days past due must be submitted to VA for approval. Can include past due in loan amount. **Remember, that does not mean lender will do loan.**
- If loan amount increases to include closing costs—guaranty will also increase (issue at maximum guaranty).
- Maximum loan term is original term plus 10 years not to exceed 30 years.
- 2nd liens can be subordinated and Veteran must still be on loan
- It can be rented out. But must have previously occupied as primary residence.
- Regular refinances (including cash-out) with unused guarantee were at 100% of LTV at maximum VA loan amount.

FHA VS. CONVENTIONAL

- Lower LTV—FHA you still pay mortgage insurance.
- FHA can't use a second to eliminate mortgage insurance.
- FHA maximum loan amount in some areas are lower.
- Conventional has pricing premiums for lower scores, 3-4 units and cash out, FHA does not (lenders can add).
- With FHA streamline—you can do an investor refi—no doc and same rate.
- FHA they get an assumable loan.
- FHA base ratios are higher—31/43
- FHA LTV 97.75 is higher (except President's new program)
- FHA can subordinate the second over 100% LTV
- FHA Streamline: complete no doc loan—even for investors

ADDITIONAL CONSIDERATIONS

- Right of Rescission
  - Owner-occupied loans only
  - Full three days : Close Monday, fund Friday (Saturday usually rescission day-not funding day)
  - Most lenders—must fund loan before lock expires
  - May be waived for financial hardship—but definition has never been clear
  - If client rescinds, then all fees paid are refunded.
- Even though it was previously industry practice—early TIL and GFE were not required for refinances—however they will be with new federal rules.
- Watch for extra month—when client purchases a home they pay interest in arrears. When they pay it off through refinance, they owe that extra month, but will have lagging payment on new loan. Balance is higher than you think!
- On FHA and VA loans being paid off, lender can collect interest until the end of the month—must time closing correctly.
- Subordination of existing second—do not assume this can be done quickly—many banks are slow—especially today. Check before you lock the loan.
- Service: You are the Realtor on refinances—there is no one else to work on insurance, title company and make sure the deal is moving towards settlement.
- Make sure you know all lender rules: such as home for sale and cash out restrictions, including seasoning requirements for seconds

MARKETING FOR REFIS

- Rates are at historic lows early in 2009—so there are leads everywhere.
- Start with your sphere. The marketing is less expensive than general advertising. Referrals will be easier to close than cold calls off of advertising. More effective & less costly!
- If you do advertise—watch what you promise. The ad that brings in the most calls may be the least profitable. (advertising to your sphere is cheaper!)
- Remember synergy rule number 1—every action should have more than one goal (look for refis in every situation). This is especially true for ads and the application process—law of selective perception. Remember, every refi has a Realtor.
- Where in your sphere?
  - Previous customers (not only present industry)
  - Previous prospects
  - Top referral sources: CPAs, CFPs, Realtors, employers.
  - Your personal sphere—this ever happen to you?
  - People who used to be in the industry and are no longer
- Other marketing besides advertising—
  - How about a refinance seminar? Lower your payments now! Overcoming credit obstacles to lower your payment. Excellent topic for FDI members.
- Email marketing—does your newsletter system have a response mechanism?
  - NewsletterPro System has an Special Report on the reasons for refi as well as flyers.

INCREASING RESPONSE

- The way you elicit response will determine how easy it is to convert
  - How hard is it..to convert a cold call vs a strong referral?
  - Therefore, you must look at your marketing first
- Create a sense of urgency
  - Not just— "if you act now"
  - Timing may be everything in your marketing: example, watch legislation that may adversely affect their future ability to qualify
- Response mechanisms—we will come back to these
  - Free reports
  - NewsletterPro Marketing System
- Differentiate yourself
  - Social proof- have testimonials
  - Guarantees—not only rate and/or money back

LEAD CONVERSION SKILLS

- Create a great first impression
  - Typically that impression may be made by voice mail or email.
  - What does your voice mail message or email signature look like? Does it look/sound like everyone else?
- Do not answer the phone unless you are ready
  - People respond to how you say it has much as what you say.
- Know what you are going to say…
  - Not talking about scripts here—but conversation practice. PERSONALIZED!
  - The person asking questions controls the conversation
  - For example—Rate vs. payment on refinances
  - The key is listening skills—and you can't listen unless they are talking
- Practice—you do not get a second chance. How much role-paying do you do right now? Do you know how to role-play?
- The number one key? Follow-up!
  - Speed wins every time
  - Not just the short-run—but the long-run to. How long does it take to buy a home from conception to fulfillment of dream?

CONVERTING REFINANCE LEADS

- First goal—convert the conversation from rate to payment. You should never say the word rate!
  - What payment are you looking for?
- Deal with procrastinators…I will wait for rates to go down to….Special Letter in NewsletterPro System!
  - Calculate their present savings
  - Calculate the cost of waiting
  - What is their gain if rates move down another .125%? Give it to them after taxes.
  - Offer a guarantee—if rates move down more than x amount after you refinance, I will redo your loan for free.
- Deal with excuses..I have to talk to my spouse
  - Would you like to set up an appointment for us to talk so you don't have to explain to them everything we have just spoken about?
- Talk in terms of benefits
  - Not $30,000, cash—but what they are going to with it.
  - If they are purchasing a car—talk about the car (they are not interested in a loan)
  - Benefits include security, retirement, building up of equity.
  - For example, if I could show you how to pay your loan off 10 years early saving tens of thousands of dollars—without changing your present payment, would you be interested?
- Gain their trust—don't fire out questions such as: what is your score, how much do you make, Find out about them—what motivates them?

REFI CHALLENGE #1: CREDIT ISSUES

- Low credit score can eliminate being able get a loan completely (Conforming and FHA minimums keep going up)—or just raise the rate making the refi not cost effective.
- Example 6.5% rate. Market Rates 5.0%. Credit score 600. Fannie PPLA moves the rate up to 6.0% from 5.0%. Now refi is not cost effective with other closing costs.
- Solutions? You can tell them to go away and come back when their score is up (what is the chance that will happen?) Or, you can spend your time fixing the credit. This is a terrible idea…takes away from your time marketing & selling.
- Or, You can give them a solution in which---
  - An expert, not you, does the credit repair.
  - The solution is comprehensive—they can work on budgets and reducing debts so that more prospects can be helped.
  - The solution is long-term—they will continue to have their credit monitored and fixed over the long-run, optimizing their score—because you want them to be in position as a long-term client.
    And you get paid residual.
- In other words—you get more loans closed and you get residual. The solution is Financial Destinations (FDI) www.HershmanFinancialGroup.com

CHALLENGE # 2 LOW VALUE

- Best program. FHA (Also VA)
  - FHA to FHA—don't have to worry about LTV;
  - Conventional to FHA: 97.75% AND you can re-subordinate seconds above that.
- Direct loan modification with lender—they can lower rate whether loan is reduced or not.
- If investor won't let lender modify—can do a short refi. (adverse affect on credit).
- Another alternative—have them borrow to get the loan amount down. Example,
  - 320,000 loan 7%. 300,000 value FHA loan @ 290,000 5.0%
  - Need to borrow 30,0000
  - 290,000 at 5.0% is 1,557
  - 320,000 at 7.0% is 2,128
  - Savings of $571 per month! (does not consider mortgage insurance)
  - Lets say they borrowed 30,000 at 10%. $250 in interest per month. Debt service is 321 per month. They could have it paid off in about 5 years!
  - My rule always has been—don't mess up the larger loan so you can borrow 10,000 or $30,000 more!
  - Obviously works only for those who have access to money (relatives, good credit).
- Can't work a solution? Back to FDI—it also has a general debt reduction plan. www.HershmanFinancialGroup.com

CHALLENGE # 3 INCOME VERIFICATOON

- So many obtained “no-doc” loans
- Best solution again FHA (also VA)
  - FHA to FHA—don’t have to worry about income at all
  - Convention to FHA—allows non-owner occupant co-borrowers. Just need to show the person in the home can make the payment—but no minimum ratio.
  - Note: Remember lenders can be stricter than FHA
  - Again the President’s plan
- Direct loan modification with lender—many banks do not use ratios or standard documentation (can use bank statements, etc.)
- If you are interested in originating loan modifications—email me.
- Become an expert in documenting self-employment income---CMA Webinar

We would love to add any techniques or solutions that you have!

FINANCIAL DESTINATION

FDI—A Comprehensive Solution

- Professional credit restoration improvement
- 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—when you join as a rep—you get $20 monthly for each client that participates! (rep cost a one time fee of as little as $99 in addition to joining as a member)
  - More information: www.hershmanfinancialgroup.com
    - 24/7 Webinar: http://fdi.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?

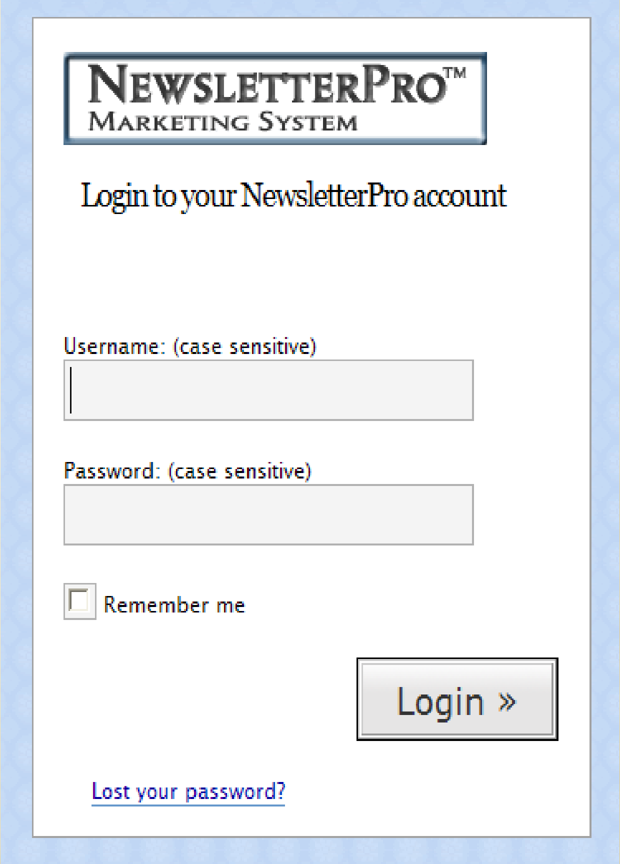
- Written by industry expert for over 20 years
- Unlimited use for one price
- Print and HTML pieces that are easy to personalize
- More than just a newsletter—
  - 4-pages and 1-page
  - Sales and real estate/finance article
  - Bonus flyers and letters
- Coaching and Training by Dave Hershman (CMA certification)
- As an attendee of this Webinar you get 30 day trial for your $1 registration fee plus a package of freebies. After 30 days 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

WHY NEWSLETTERPRO?

All these pieces—and more for one low price!

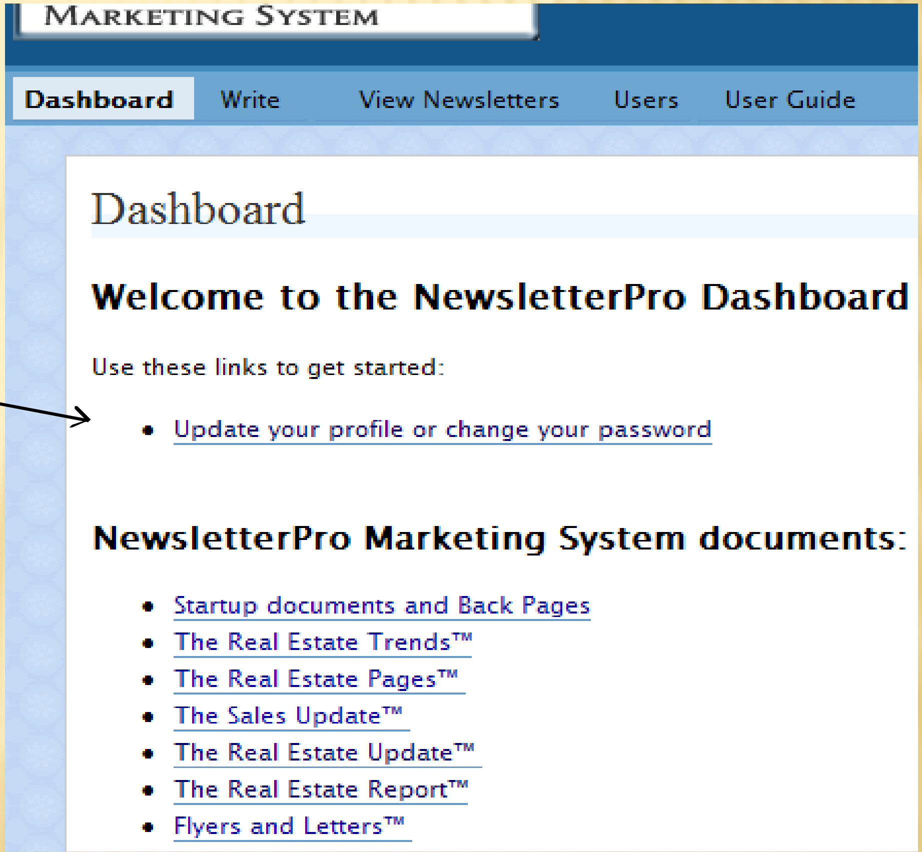
FIRST

Log In


NEWSLETTERPRO™
MARKETING SYSTEM
Login to your NewsletterPro account
Username: (case sensitive)
Password: (case sensitive)
Remember me
Login »
Lost your password?

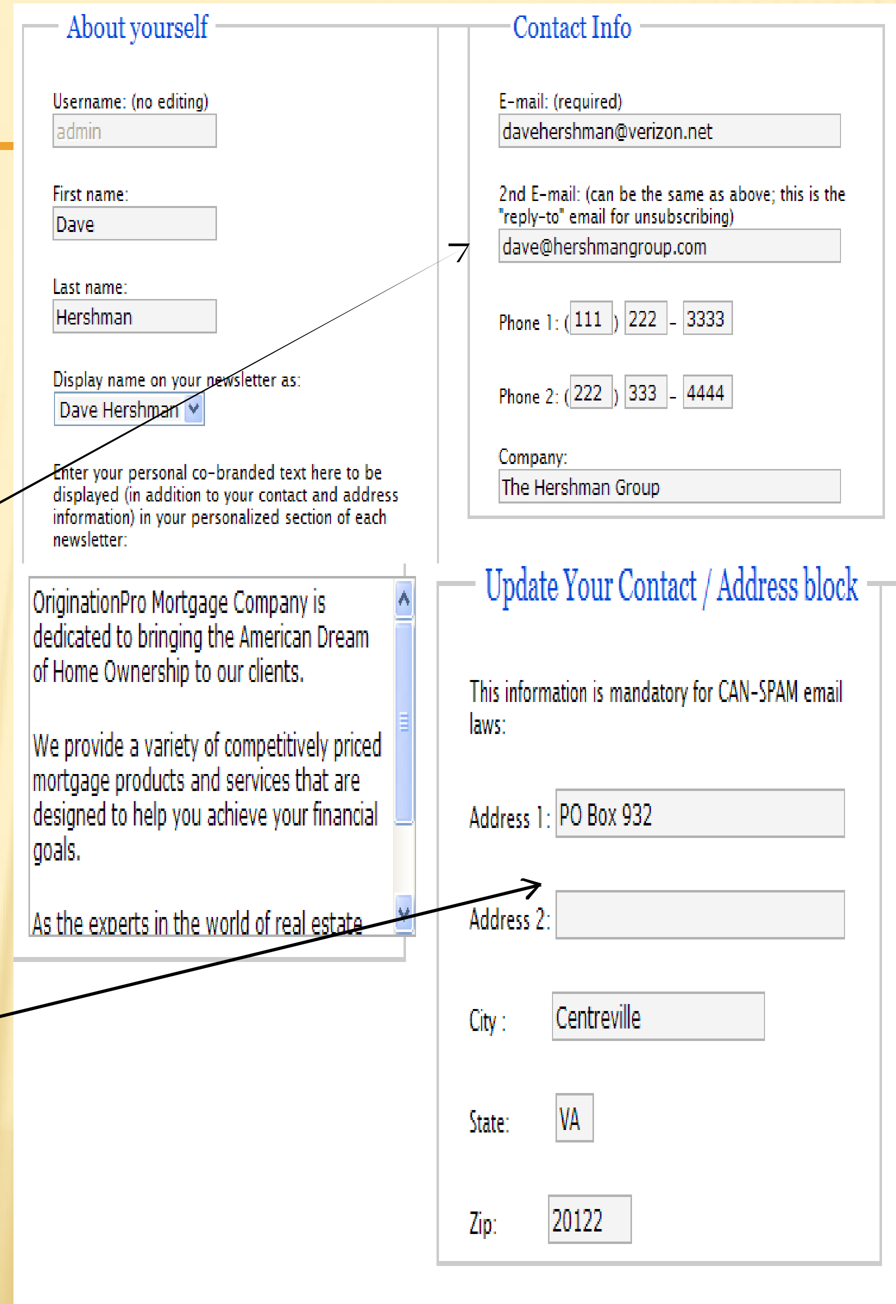
THEN..

Go to Update Profile



STEP ONE

Update Your
- Name
- Contact Info
- Personal Paragraph
- Address Block

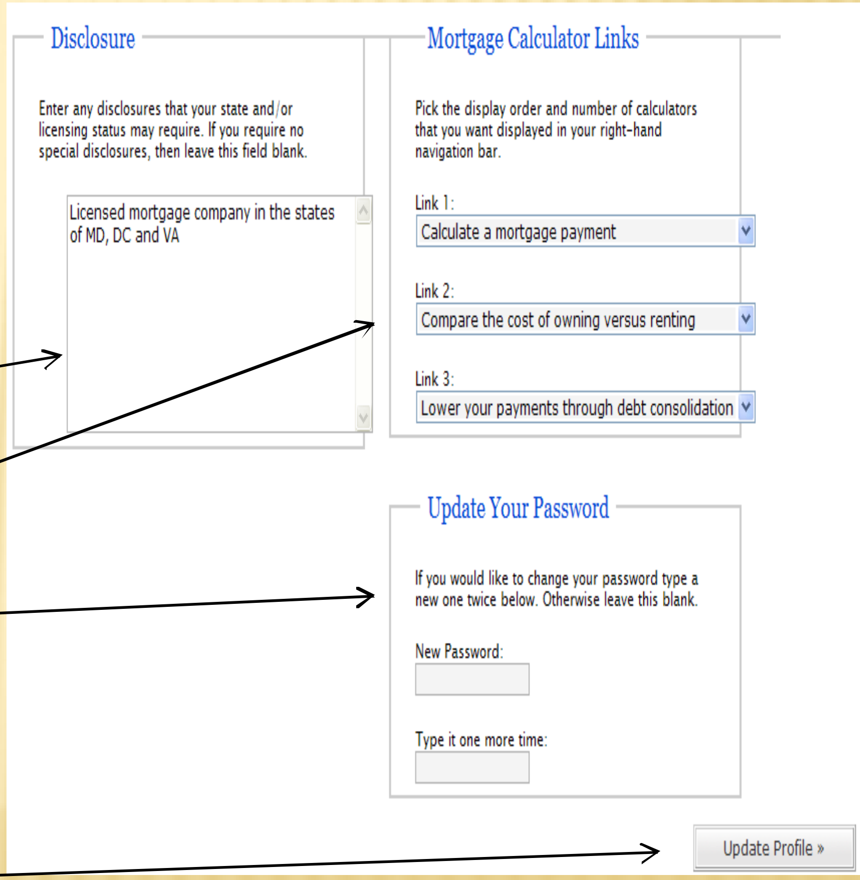


STEP ONE—PART TWO

On same page you can update your

- Disclosure
- Choose calculator links
- Change your password

Don't Forget To Hit "Update Profile" Button



STEP TWO

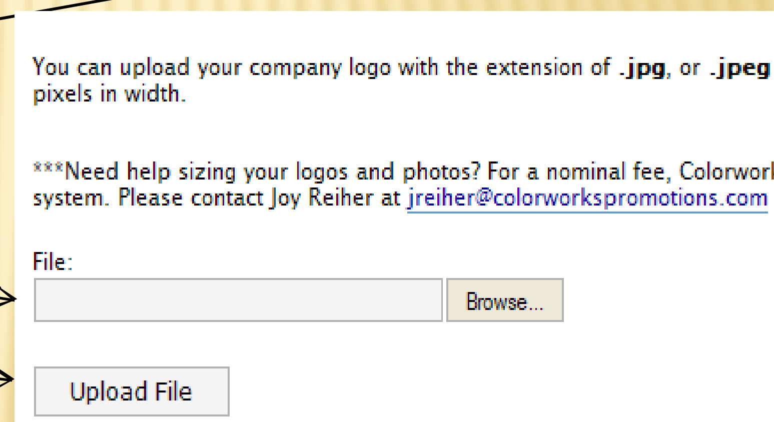
After you update your profile, you can then download your company logo—

•Click on "Company Logo" on profile page

•Locate your logo on your hard drive to upload

•Click "Upload File"

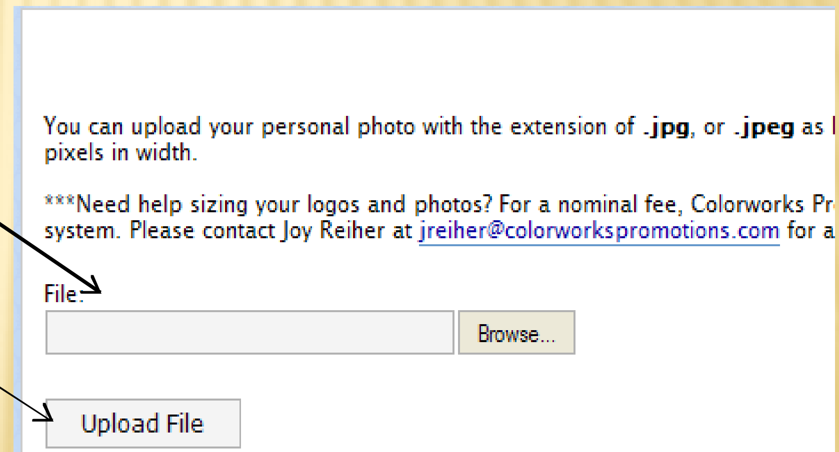
•Make sure the logo no larger than the size specified



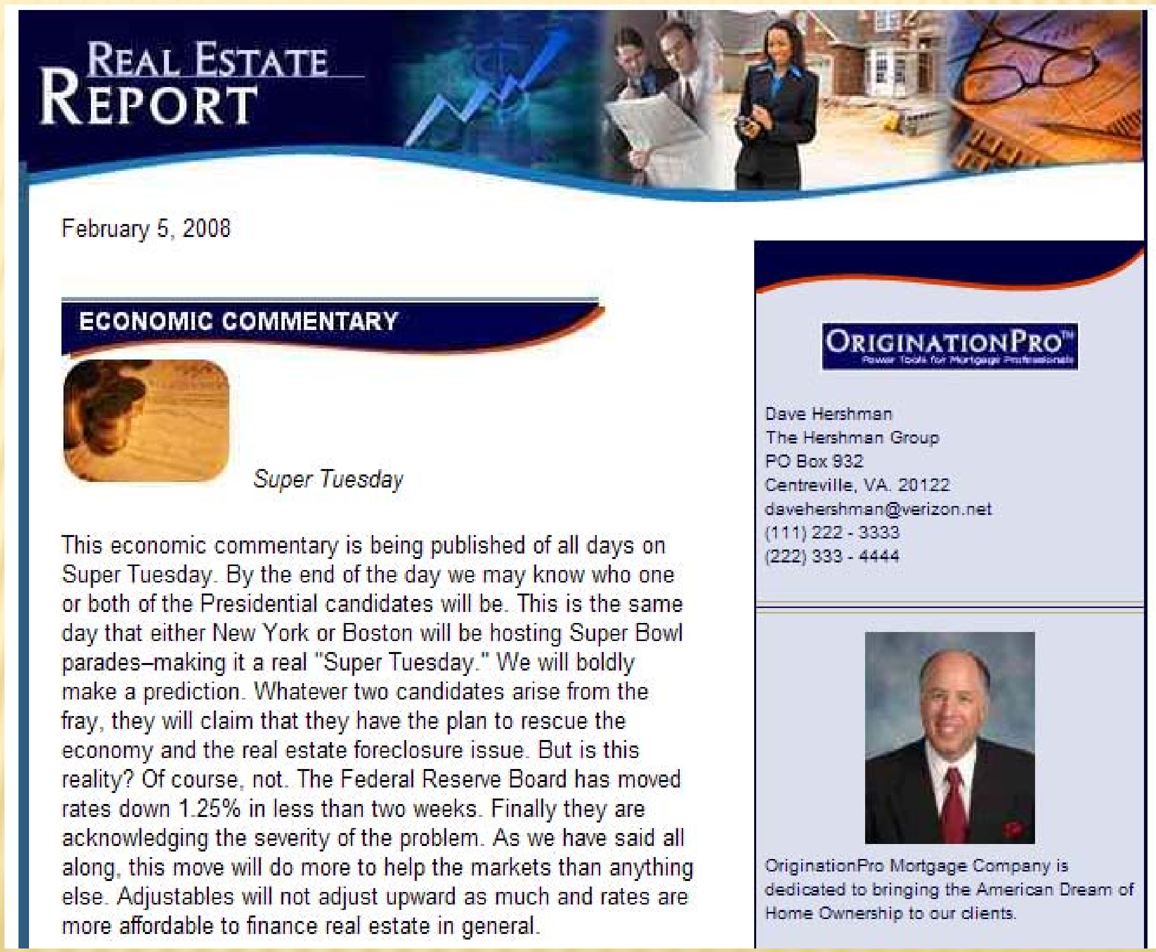
STEP THREE

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 the 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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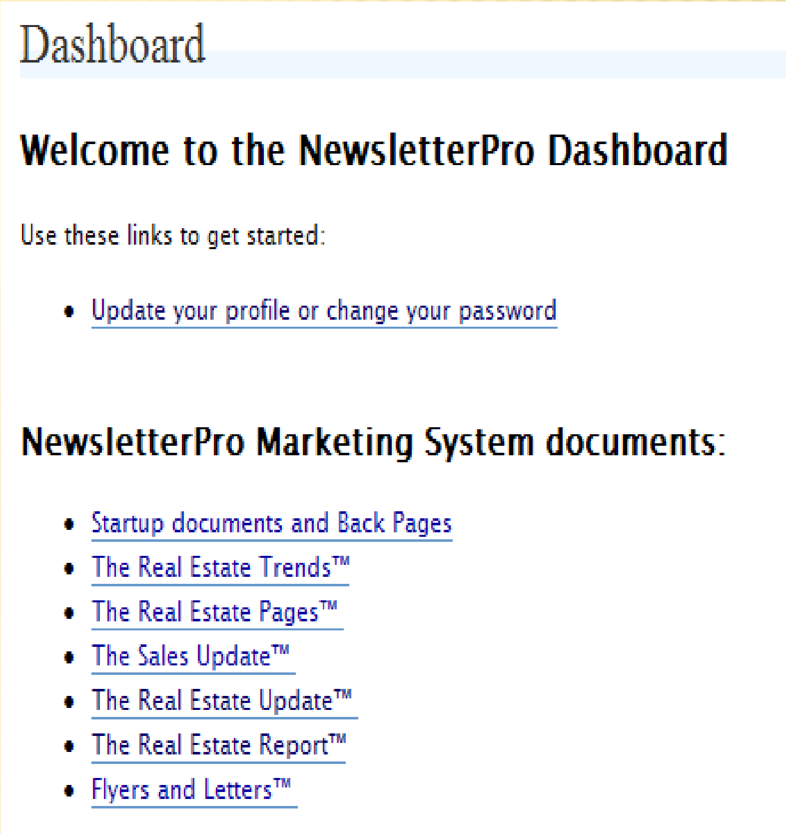
(111) 222 - 3333
(222) 333 - 4444

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



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 O
encouraging 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

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 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

THE REAL ESTATE TRENDS

- One page print document
- Legal size
- Can be turned into a mailer or PDF
- Industry news, economic commentary, charts

REAL ESTATE TRENDS

FOR REALTORS, HOMEOWNERS AND PROFESSIONALS

October 2008

Government To The Rescue!

Just 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!

News 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… to the country's changing racial composition than to the massive scope of the increase. 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, not a lack of demand, are curbing real estate*

BONUS FLYERS & LETTERS

- We can produce flyers and letters that are topical for every environment
- We integrate response mechanisms into the flyers so they can call for articles or special reports
- More than a Newsletter—we offer a complete marketing system

Have The New Lending Rules Locked You Out Of Obtaining A Mortgage?
Now there is a professional solution!

- Subprime mortgage solutions are disappearing.
- Fannie Mae and Freddie Mac are charging more for those with lower credit scores.
- A low credit score is correctable—with the right plan.
- For the average consumer*, we can increase your credit score in the short term and give you a plan to keep your credit score higher in the future.

*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

Contact Me for My Free Report...

WHAT WE COVERED TODAY…

- What is a refinance?
- Purpose of refinances
- Program requirements
- Additional technical considerations
- Marketing refinances
- converting refinance prospects
- Overcoming refinance challenges
- NewsletterPro System—special refinance marketing.

Are you ready to take action?

MY GIFT TO YOU…

If you stay a member of the NewsletterPro Marketing System after the 30 day trial period

—after six months you will be eligible for

Certified Mortgage Advisor Certification

Did not get log-in?

success@hershmangroup.com

Also—want my OriginationPro Mortgage School DVDs or Complete Mortgage Management or Marketing Kits?

Alumni200 for $200 off!

www.OriginationPro.com