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Minimize Control Panel



How to ask a question



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WHAT YOU SHOULD KNOW ABOUT RATES AND THE MARKETS

Dave Hershman

OriginationPro

DAVE HERSHMAN

- ✘ 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



www.OriginationPro.com

OUR GOALS TODAY

- Why this topic Is Important
- The history of the market
- A perspective on the crisis
- What is a commodity and IRDI
- Understanding spreads
- Servicing & warehouse lines
- Points and fees
- Newsletters—Economic Commentary

**And
Coaching
—Q&A
on any
topic**

LATEST NEWS ON THE HOUSING FRONT

- Several States setting up programs to allow first time buyers to obtain their tax credit up-front
- Home Valuation Code of Conduct scheduled to go into effect May 1st. No word on lobbying efforts. NAR and NAMB are lobbying for a delay in effective date.
- Administration about to announce changes to their Loan Mod solution and HOPE for Homeowners centered around buying second mortgages which has been a major obstacle.
- Congress is considering regulating YSPs. NAMB is supporting so far. Latest news, mark-up on this bill has been postponed and hearing may be held. Key issues..
 - Will bankers also be required to disclose?
 - What will the restrictions be? Does not look to be a total ban but limiting putting someone into a higher cost program because YSPs. How do they do this? It will be hard! Great example: Margins on Option ARMs.
- National licensing is coming for loan officers—including minimum credit score and net worth—SAFE Act Update next week
- Ginnie Mae working on a warehouse solution for the industry.

THE BIG RATE ISSUE

- Fed has lowered short-term rates close to zero and this has many beneficial effects upon the economy. The most beneficial on the housing market? ARM adjustments have eased. This was the first domino in the housing crisis.
- The economy is depressed and that means the Fed's lowering of short-term rates has been accompanied by lower long-term rates (it is not always).
- The administration is helping bring mortgage rates down by purchasing mortgages to support the secondary market. The spreads between 30 year mortgages and 10 year Treasuries have narrowed as the 10 year has gone up in the past two months--
 - In early 2007, spread approximately 1.5%
 - In 2008, spread moved over 2.5% (approximately)
 - Today, the spread is 1.9% (approximately)
 - Spread even wider for jumbo loans and those with poor—even good credit.
- Caution: The administration is also spending billions on stimulus and that is forcing long-term rates up because of inflation fears—even as they purchase Treasuries to lower rates.
- We go into the summer with all these factors in place. Any economic recovery will be accompanied by higher long-term rates BUT will not necessarily be accompanied by higher mortgage rates if the spreads continue to narrow.
- The real solution is confidence in the secondary markets, i.e., real estate not going down in value so investors will purchase mortgages. Want more wholesalers in the market? Want more wholesalers purchasing from brokers? Want more yield spread? Want shorter underwriting times?
- Caution: What is going to happen when the government has to unload these mortgages?

REFI PLUS PRICE ADJUSTERS

Refi Plus™ Mortgages ONLY

Table 4: Refi Plus Mortgages with Subordinate Financing (2)				
LTV Range	CLTV Range	LLPA		SFC
		Credit Score < 720	Credit Score ≥ 720	
65.01% – 75.00%	90.01% – 95.00%	0.500%	0.250%	339
75.01% – 95.00%	90.01% – 95.00%	0.500%	0.250%	338
75.01% – 90.00%	76.01% – 90.00%	0.250%	0.000%	187
Any	>95.00%	1.500%		

Table 5: Expanded Approval – DU Refi Plus Only										
Product Feature	LLPAs by LTV Range									SFC
	These LLPAs are <i>in addition to</i> (and NOT in lieu of) the standard Credit Score/LTV LLPAs under Table 2 (note that the LLPAs below also apply to mortgages with terms less than 15 years).									
Representative Credit Scores	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	97.01 – 105%	
≥ 740	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.500%	0.500%	716
720 – 739	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.750%	0.750%	716
700 – 719	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.250%	0.750%	0.750%	716
680 – 699	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	1.000%	1.000%	716
660 – 679	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	1.000%	1.000%	716
640 – 659	0.750%	0.750%	0.750%	0.750%	0.750%	0.750%	0.750%	1.250%	1.250%	716
620 – 639	0.750%	0.750%	0.750%	0.750%	0.750%	0.750%	0.750%	1.250%	1.250%	716
< 620	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.250%	1.750%	1.750%	716

(2) If the subordinate financing is a Community Seconds® loan, these LLPAs do not apply and the lender must use SFC 118.

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
- 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.**

THE BASICS

What is the secondary market?

What is the primary market?

WHY THIS TOPIC IS IMPORTANT

- We are subject to many cycles in this industry—and mortgage rates are the leading factor in determining cycles and what your income will be.
- The secondary market to a great extent has been responsible for today's mortgage crisis (as well as the preceding real estate boom)
- If you want to be an expert in this industry—you must understand where your product comes from and what affects changes in this product
- Everyone and his uncle will ask you what is going to happen to rates. You must know what to say.
- You need to be able to advise your clients regarding the risks of locking a rate and the risks of floating a rate.
- You will differentiate yourself from the competition by becoming an expert in this topic because the average loan officer and Realtor does not understand.

THE HISTORY OF THE SECONDARY MARKET

- Goes back to the great depression
- One of the causes? The dust bowl put the nation in jeopardy
- Also a housing and financial/banking crisis
- Through the depression was born the commodities market
- The purpose of the commodities market? Minimize risk
- Ability to sell commodities “in the future” (example corn), or hedging
- Why located in Chicago?
- Two other advantages of the commodities market...product development and liquidity (makes funds available and lowers rates)—especially through standardization (underwriting guidelines)
- Also the depression brought us FHA and Fannie Mae—the first “participants” of the secondary market for mortgages

PERSPECTIVE ON THE CRISIS

- The Savings and Loan Crisis
 - Dominant in real estate lending—portfolio lending
- Bond market collapse—1987.
 - Right after a real estate boom
 - Real estate collapsed—both commercial and residential
- The solution? De-emphasize portfolio lending.
- Loans had to be sold. “Mark-to-Market” Regulations
- As the market recovered during the 1990s—the secondary market exploded.
- It brought new products. These products were not tested during a down times.
- There was a “disconnect” between standards and purchasers
- These new products (loose lending), people fleeing the stock market and abnormally low rates caused the real estate boom and a bubble.
- This caused the mortgage broker explosion—not enough regulation
- We all know what happened—and especially valuation of bad assets, back to mark-to-market—and the subsequent change.

WHAT IS A MORTGAGE COMMODITY?

- You should know what a mortgage is...
 - After it is made it can be sold/traded like gold or oil or the dollar
 - It is an “interest rate denominated instrument” like corporate bonds or Treasuries
 - The value of the instrument will go up or down depending upon the direction of rates: 6.0% mortgage goes up in value when rates fall and down in value when rates go up (bond market is “up” means that rates are falling). Why?
 - Value of a mortgage at 6.0%---when you sell it
 - 101.00 Over Par (you get more than the value)
 - 100.00 Par (you get face value)
 - 99.00 Under Par (you get less than the value of the mortgage)
- If a lender has a pipeline of loans and they are not hedged (locked in the future), the risk is great. \$100 million and 2 point move is a \$2 million loss.
- It is just as much a risk if the loans are locked and hedged—but not closed and rates go down!

WHAT AFFECTS THE RATE OF AN IRDI?

- The three “R’s”
- Risk of Inflation
 - As inflation is higher, your money is worth less (lend 100K at 10% inflation)
 - You can’t predict inflation—that is why bond trading is as risky as trading stocks.
 - This is why long-term rates are higher than short-term rates, or a “positive yield spread”—usually. And why Fed can raise rates & mortgage rates can go down.
 - What happens in an inverted yield spread—25% inflation
- Risk of Prepayment.
 - When the loan is prepaid you must re-invest at today’s rates
 - Risk of prepayment goes up as rates go down (inverse of inflation risk)
- Risk of Default.
 - Why “B” credit costs more than “A” credit.
 - The driving force behind today’s market—Treasuries vs. Mortgages

MAJOR POINT

- You can't predict the future of interest rates
- Don't let the gurus fool you! They can't tell you when to lock or float (unless it has already happened)
- What did Freddie Mac say earlier last year? Rates will go up by the end of the year!
- Don't even try it—especially floating loans consumers think are locked. That is illegal and stupid.
- In 1987 rates went up almost 2.0% in one week—that is in rate!
- Don't advise people to lock or float—there is just as much risk in locking as opposed to floating

WHAT IS HAPPENING TODAY?

- The economy is tanking—rates go down because there is no danger of inflation. The government forces short-term rates down to record levels to combat the recession.
- The government is borrowing hundreds of billions to keep the economy afloat—that provides competition to borrowing money—long-term rates up.
- Default rates are up and real estate values are going down—the rates on mortgages are higher than Treasuries—spreads are up. Especially for those with lower credit scores—*Risk based rates*
- The government is talking about purchasing loans at 4.0%. That keeps people on the fence. It also speaks to the fact that the government is going to support mortgages—putting downward pressure on rates
- The government is talking about loan modifications---that gives investors less confidence to purchase mortgages because the government can change the rules (example, cram-downs on bankruptcies).
- If rates do go down—volume and prepayment rates go up. This lowers the value of servicing. And lenders increase pricing because of limited capacity. Or eliminate brokered loans (less options for brokers)
- Conflicting forces can only mean one thing—more volatility

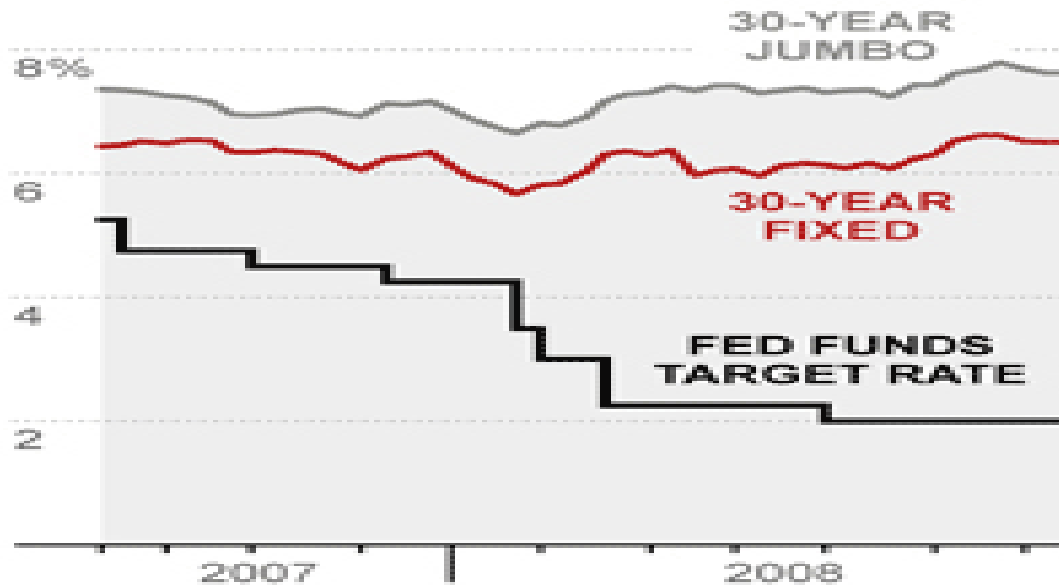
UNDERSTANDING SPREADS

- Essential to understanding rates and advise your customers
- There are many spreads....
 - Why are conforming loans less costly than jumbo loans? Now we know!
 - Long vs. short-term rates Adjustables vs. fixed rates.
 - Mortgage rates vs. other instruments (big cause of crisis)
 - 30 year vs 15 year
 - 15 day vs 60 day
 - Servicing spreads (more about that later)
 - “A” credit vs “B” credit (became artificially narrow)
- Crisis Today
 - Spread between mortgages and Treasuries became wider
 - Spread between fixed rates and adjustables actually inverted (even though the Fed lowered rates). Should have lowered short-term rates—
 - Spread between conforming and non-conforming became wider

UNDERSTANDING SPREADS

What Rate Drop?

The Fed has cut short term rates more than 60% since September, but long-term mortgage rates are higher than they were.



SOURCE: HSH ASSOCIATES

OOOPS I LIED...SERVICING

- I told you that we create a commodity we can sell when we make a mortgage.
- Actually it is two commodities..
 - The loan itself
 - The right to service the loan
- The value of servicing is a separate commodity that affects the rate of your loans. First, what is the value.
 - If the “spread” is 25 basis points (6.00% mortgage with a .25% servicing spread would be a 6.25% mortgage to the consumer),
 - Then the “income” it generates would be \$250 annually for every \$100,000 of the mortgage.
- What kind of value is that? Well, a servicing spread might bring anywhere from no value to close to 2.00 points when sold separately from the loan itself.

WHY WOULD SERVICING HAVE VALUE?

First, what does the servicer do for \$250?

- Collects payments
- Sets up escrows
- Pays escrow bills when due
- Sends principal to owner of mortgage
- Sends out reports (investor reporting)
- Forms for the IRS-1098
- Gives out payment information
- General customer service
- Escrow analysis at the end of the year
- Collections
- If that does not work foreclosure
- And more...

WOULD YOU DO THAT FOR \$250?

- Of course not!
- Then how can it be value?
- Originations is a labor intensive business—what does it take to close one loan?
- Servicing is a technology based business.
- It is more conducive to volume.
 - One \$300,000 loan \$750 annually
 - 100 loans \$75,000 annually
 - 1,000 loans \$750,000 annually
 - 1,000,000 loans \$750 million annually
- Anything less than several thousand loans is too small for a servicer to be profitable.

WHY IS SERVICING VALUE IMPORTANT?

- What affects the value of servicing affects the value of the loan...
 - Loan Size (same as origination)
 - Fixed vs. adjustable
 - B credit vs. A credit—Rate of default (major issue today)
 - Higher rate as compared to market (7.0% no-closing cost vs. 6.0% and two points). Higher rate more likely to prepay
 - While you hedge loans against rate going up---you would need to hedge a servicing portfolio against rates going down.
 - VA loans vs FHA loans
- If you are brokering loans, the lender's rate sheet reflects the value of the loan and servicing—and the variations often are due to variation in servicing value

WHAT HAPPENS WHEN A LOAN IS CLOSED?

- \$100,000 loan. 6.0%. Price is 99.00%.
- Broker wants to make 2 points.
- Applicant (or seller) must bring 3 points to settlement.
- Lender sends \$99,000 to table (net funding) from their warehouse line
- Other two points go to broker
- When loan is sold (hopefully for at least \$99,000), the money in the warehouse line is replaced.

WHAT IS A WAREHOUSE LINE?

- It is a line of credit secured by the closing instruments
- Short term lending (lender must pay interest) because loans are sold so quickly.
- Lender keeps interest paid until loan is sold.
- If lender collects 6.0% and warehouse line cost is 4.0%, there is a positive warehouse spread.
- This is profit. \$20 million average balance over the year, at 2.0% is \$400,000 profit
- There are risks
 - If short-term rates are higher than long-term rates—the spread becomes negative (lenders don't like funding option ARMs)
 - What if loan is not bought? Perhaps mistake made in closing. Must sell in the secondary market—scratch and dent sale.
 - That is why every lender has a quality control plan.

THE DEAL ON POINTS

What is the difference between an Origination Fee and a Discount Point?

- Traditionally—Origination Fee pays for the origination of the loan (processing, commission)
- Discount Point—buys down the rate.
- Even IRS had a distinction
- Now—with no point loans, every point buys down the rate
- No distinction—each is deductible
- Some state laws still specify and even antiquated FHA rules
- But in reality, the only difference is that there are separate lines on the GFE and HUD-1 and we usually collect Origination Fee first.

THE DEAL ON FEES

The industry has been built partially on the acquisition of revenue through fees..

- Pass throughs—appraisal, tax service
- Some are pass throughs by others in the process (Lender underwriting fee to a broker)
- Then there are junk fees , which are a bad idea—
 - They smell of bait and switch
 - They make the closing process complex-HUD-1
 - They can't be deducted while points can be---so it costs our customers more.

LONG-TERM VALUE...

Are you taking the long-term view or looking only at what your clients mean for you today?

This is exactly the way that the media portrays us as an industry!

A long term view would have us improving our prospects' financial position—so that they can get a lower rate, afford their home or purchase in the future

Now you can deliver credit repair, debt reduction and budgeting advice with NO WORK FROM YOU, in the most affordable package.

Basically put your clients in better position financially—AND
You Get To Set Up A Monthly Income Stream

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
- ✘ 24/7 Webinar: <http://fdi.OriginationPro.com/>
- ✘ Live Webinar tomorrow (Thursday). www.OriginationPro.com

NEWSLETTERS

Ultimate Value Delivery

- Expertise. Portray you as an expert —no handy homeowner hints— but economic commentary
- 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!

The collage displays several newsletters:

- Real Estate Trends** (June 2007): Features articles like "How Much Is The Weather?", "Fewer Selling On Their Own", and "Homeowners Face Adjustments".
- REAL ESTATE REPORT** (June 8, 2007): Includes an "ECONOMIC COMMENTARY" and a "Synergizing" graphic.
- FOR TODAY'S SALES PROFESSIONAL & ENTREPRENEUR** (APRIL 2007): Titled "The Sales Update", it discusses "Synergy Can Really Make a Difference!" and "HIRING AN ASSISTANT AND...".
- Real Estate Update** (Volume 1, Issue 8, April 2007): Features "The Real Estate Boom Revisited" and "Did You Know...".

Additional elements include a "FOR SALE BY OWNER" sign, a "SOLD" sign with a cartoon character, and various contact information for real estate professionals.

FIRST

*Did you get your
password and user
name?*

Log In

NEWSLETTERPRO™
MARKETING SYSTEM

Login to your NewsletterPro account

Username: (case sensitive)

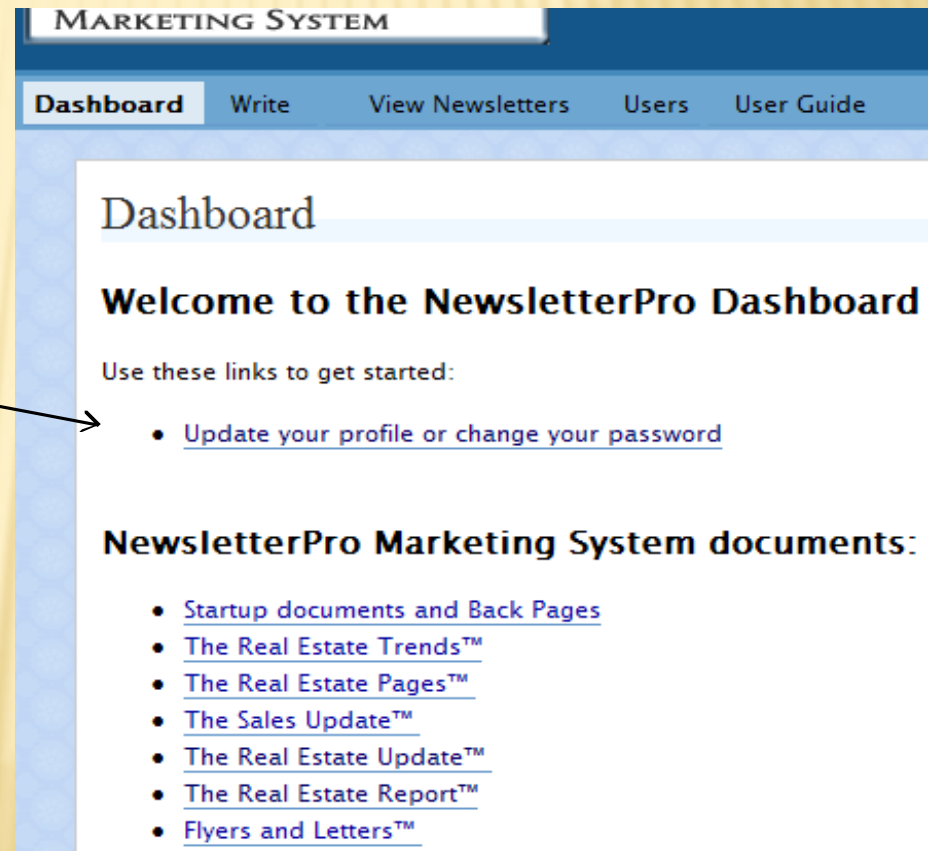
Password: (case sensitive)

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

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:

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

We provide a variety of competitively priced mortgage products and services that are designed to help you achieve your financial goals.

As the experts in the world of real estate

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:

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 four 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:".
- Update Profile »:** A button at the bottom right of the form.

Arrows from the text on the left point to the Disclosure text area, the Mortgage Calculator Links dropdowns, the Update Your Password section, and the 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



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 for

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 the size specified




You can upload your personal photo with the extension of **.jpg**, or **.jpeg** as long as it is no larger than 100 pixels in width.

***Need help sizing your logos and photos? For a nominal fee, Colorworks Promotions can help you. Please contact Joy Reiher at jreiher@colorworkspromotions.com for a quote.

File:


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

Dave Hershman
The Hershman Group
PO Box 932
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.

Dashboard

Welcome to the NewsletterPro Dashboard

Use these links to get started:

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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
(800) 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 "what-if" 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 merciful 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!

Gasoline

Regular	326.9¢
Plus	336.9¢
Diesel	346.9¢

Did You Know...
Residential sales rose from the first quarter in 13 states (up) by 10% 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," NAP 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 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

Last month we discussed the advantages of saving a greater portion of your equity. Certainly, 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 way, to serve a much greater percentage of the population, you have the ability to make your business cycle proof. In this case we need to put ourselves in the shoes of the lender or refinancing body—to better understand the thinking of business lenders, refiners in a few years or providing their first home in the next five years.

Certainly, business lenders have changed the rules during the recent credit crisis. The largest growing segment of your pipeline are people 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 serve these people? We typically look at who these people are then to determine a transaction in the next month and trying to apply "band-aids" to get them approved. Instead, we need to take a longer-term view of their situation. What we typically do is find those who want to purchase and help them determine their credit score and pay off additional credit obligations. 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 last five years. Research has shown that an investor's track of providing a home for 3 years or more. This is not a statistic that serves our clients. Getting their finances in shape should be a long-term endeavor—

One's success should be measured in the long run. It really makes more sense if that credit report when they are going to make a purchase is in a home or are they that



I think a 3-year term is a good idea and it will take a 3-year term to complete the work on the property and all the things that are visible options, however, those who study off their own credit situation and are more likely to pay their bills for the goal of business-cycling and achieving the American dream.

Once again, there are services that will help someone acquire their debts and pay them off more quickly. These may include equity modification if they own a home or general debt reduction if they don't own a home. Debt consolidation may be required in certain situations, but not always.

The ultimate situation is a little more difficult to deal with, however, there are some services a person can make sure to get several years down the road. In the past lenders let those who were well-employed go with "stated income." This option is much more limited now—especially for those with lower credit scores and a smaller down payment. Many will have to work with an accountant to get their returns in order and others may have to find ways to increase their income, even if it means seasonal job or other working situations.

Final thought for services to address these situations for your clients? Concentrate on serving a greater portion of your prospects and where is general? Talk to your colleagues to obtain some ideas. For finding with loans and perhaps a referral for service providers who can help your clients. **Q**

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

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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 is this home built? 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 payments 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 payments.

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 a fixed-term rate rises, 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-uppers” 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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➤ No Credit Score Necessary

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THE REAL ESTATE TRENDS

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REAL ESTATE TRENDS

FOR REALTORS, HOMEOWNERS AND PROFESSIONALS

October 2009



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 Fed 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!

Now comes the time to be cautious 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.

Population Projections

What are the most recent releases of population projections projected over the next 50 years? The country's changing racial composition due to the massive outflow 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 population 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 sleep 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. □

Tax Credit

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 the financing problem stemming from the crisis on Wall Street, not a lack of demand, are curbing real estate

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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

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WHAT WE COVERED TODAY....

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