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# ORIGINATING THE SELF-EMPLOYED APPLICANT

Liar Loans Are Gone...

**Dave Hershman**

**OriginationPro**

**A Certified  
Mortgage  
Advisor  
Webinar**



# DAVE HERSHMAN

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- ✘ 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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# OUR GOALS TODAY

- Legislative Update
- History of Self-Employment
- Why This Topic Is Important
- Types of Self-Employment
- Documentation Required
- The Profit and Loss Statement
- Less Than Two Years Self-Employed
- Income Calculation
  - Note: will not go through tax returns line-by-line because of time restraints and it is more important to understand what the returns MEAN
- Submitting the Self-Employed File
- Cover Letters
- Marketing The Self-Employed Applicant

**And  
Coaching  
—Q&A  
on any  
topic**

# LATEST NEWS ON THE HOUSING FRONT

- Freddie Mac will allow “open access” to Home Affordable Ref Program:
  - Allowing the new refinance mortgage to be assessed through Loan Prospector.
  - Requiring a full interior/exterior appraisal for the new refinance mortgage. Please note that use of Home Value Explorer® point value estimates will not be permitted with the new Relief Refinance Mortgage – Open Access. (AVM Model)
  - Lesser of 4 percent of the new refinance mortgage amount or \$5,000 of closing costs and prepaids to be rolled into the new loan. Cash back may not exceed \$250.
- FHA Tax Credit for Down Payment Summary
  - Yes, for downpayment, if it is a secured second mortgage or loan provided by a government entity or non-profit (non-profit can't get money from seller or lender).
  - No, for downpayment if it is advanced by the lender. Can use for closing costs or above 3.5%
- Mortgage Insurance Companies tighten credit again
  - Minimum credit score at 680 for UGIC (720 for brokered loans)
  - MGIC—non-traditional credit limited to 90% LTV
  - Radian will no longer insure temporary buydowns and 1% adjustables
- FHA new condo approval process coming October 1<sup>st</sup>—will include lender delegated review.
- Senate bill proposes raising the tax credit to 15K, eliminating first time homebuyer restriction

# THE MOST IMPORTANT \$39..

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# WHAT IS CMA?

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# HISTORY OF SELF-EMPLOYMENT

The number of businesses with no paid employees grew from 17.6 million in 2002 to more than 18.6 million in 2003, a growth rate of 5.7 percent, according to a report issued by the U.S. Census Bureau. This represents the biggest rate of increase in self-employment since the Census Bureau began releasing such statistics in 1997; the rate during the 2001 to 2002 period, 3.9 percent, was the previous high...US Census Bureau

- This makes it the fastest growing employment segment in the nation.
- Approximately one in 10 in the United States is self-employed
- *Growth rates increase during down economic times such as right now.*
- Historically the percentage was higher—but that was because we were an agricultural nation. It is “non-agricultural” self-employment that is important

# WHY SELF-EMPLOYMENT IS IMPORTANT

---

- Already talked about the growth of this population segment
- Real estate boom was partially fueled by “liar-loans”
- Financial crisis also caused by “liar-loans”—100% no income verification.
- Result: we must now document income—especially for lower credit scores (Fed HOEPA initiative)—*who knows now that Freddie/Fannie are owned by government*
- FHA and VA do not have no-doc loans (except refinances)
- But we have not taught analyzing tax returns—it is a lost art
- If you specialize in self-employment—you will differentiate yourself in the future
- Larger loans—bigger the income, more likely to be self-employed
- Stated income loans: There is a legal risk!
- Most commercial loans involve tax returns—corporate and individual
- Want to call on CPAs? You have no right if you are not familiar with tax returns!

# TYPES OF SELF-EMPLOYMENT

- There are two major “categories”
  - No separate legal entity
  - Separate legal entity
- No separate legal entity
  - Easiest to analyze—everything is on individual returns
  - Most common Schedule C-- loan officer or Realtor
  - Also can be “miscellaneous” such as capital gains (schedule D) and rental income (schedule E) for a real estate investor.
  - Can be Schedule F for Farm Income (but farms are commercial).
- Legal Entities would be partnerships and corporations
  - Subchapter S (closely held entity which has characteristics of a partnership)
  - LLC—Limited Liability Company has benefits of Sub S but less rules
  - Need to analyze both corporate and individual returns
  - Corporations regulated by the “states”

# OTHER SELF-EMPLOYMENT

## “ISSUES”

---

- Percentage of ownership for corporations and partnerships
  - K-1 for partnerships and Subchapter S Corporations
- Must analyze balance sheets for corporations and partnerships (cash assets, short and long-term liabilities, retained earnings)
- Corporate vs. Individual credit (business credit reports)
- 100% Commission, but employed? Form 2106
- Self-employed less than two years (always a requirement for liar loans)
  - Same line of work..
  - High job demand if business fails
  - 18 months better than six months
  - Guaranteed income for the future
  - Bought present business that has more than two years (and experienced)
  - What does the rest of the file look like?
  - Every lender (and underwriter!) different

# DOCUMENTATION REQUIRED

- May vary by lender—or automated underwriting systems
  - Back door no Income verification through LP and DU—will that be gone?
- Standard documentation..
  - Two years individual tax returns
  - Two years corporate tax returns
  - Year-to-date P&L
  - IRS 4506
- Full returns (not just schedules)
- Federal returns (not state)
- Ratified

# PROFIT & LOSS STATEMENT

- Is it always required?
  - Automated underwriting (though fraud publicity will have less underwriters relying only on P&L).
  - Timing is the issue
- Fiscal vs. Calendar year
  - What is fiscal year
  - Why use fiscal year
  - Why it is complex
- Signed by accountant or individual?
  - Term “audited”
  - Other aspects of file
- Separating out income to borrower
  - Versus other salaries
  - Back to fiscal year

# FIGURING THE INCOME

- Can you use salary paid by the corporation to the applicant?
  - Yes, but...it must be supported
  - Not matter what you call it—it must be averaged
  - Might have to subtract loss by percentage of ownership
- The key is the two year average
- Example: \$50,000 2006, \$70,000 2007, \$40,000 YTD 2008 through June 30<sup>th</sup>
  - 18 month average: \$6,111 (2007 and half of 2008)
  - 2 full year average: \$5,000 (2006 and 2007)
  - Most recent two year average: \$5,625 (half of 2006, 2007 and first half of 2008.)
  - 30 month average is: \$5,333 (2006, 2007, 2008)
- All are acceptable at times—obviously when income is rising, shorter is better.
- To use 18 month average may have to argue why income will not fall back
- Not acceptable just to use 2008.
- Don't use “idiot” forms—the key is to be able to argue a case to get yours accepted (we will “cover” that shortly)
- Capital gains—special case. Is “super variable”—most lenders require three years average and proof the asset will continue to produce capital gains

# THE REAL DILEMMA

- Purpose of filing taxes
- Purposes of tax returns for a loan
- Never the two shall “meet”
- Four places to find income “hiding”
  - Non Cash-Flow Items: Depreciation (corporate returns also) or carry over losses (raises another flag)
  - Shared expenses—
    - Shared between personal and business use: loans, credit cards, mortgages, car expenses, health insurance?
    - Issue of taking loan out of back ratio versus increasing income
  - Optional items—Only two because so hard to prove
    - Retirement plans
    - Charitable expenses
  - One time expenses that will not reoccur: also hard to prove.



# SUBMITTING THE FILE

- First, put it in the right order...
  - Cover letter first
  - P&L on top of tax returns
  - Most recent tax returns first
- Second, highlight the tax returns (you can do that with PDFs as well)
  - Follows numbers used in cover letter
  - Move underwriters eyes to where you want them to move—lead them
  - Make it easy
- Third, tab the file
  - File is legal sized
  - Returns are letter sized
  - The file is thick and the underwriter must flip from one year to another which can take hours
- The key is for the underwriter to be in GOOD mood when they work on your file. Do they run away or grab your file first?

# THE COVER LETTER

- Why? You are the client's representative.
- The underwriter just sees a bunch of papers, you need to put the "human element" in the file.
- This is where you earn your commission—not in sales
- Especially in self-employment—if you put income numbers on the 1003 and 1008—the underwriter has no idea how you derived the numbers.
- Therefore, they start from scratch. And you have very little chance they will come up with the same numbers.
- Your job is to convince them to use your numbers and this is the only chance.
- How often does the underwriter change your numbers?

# COVER LETTER FORMAT

- Only one page with short bullets—don't make it into another task
- General description of the situation—human element
- Positive aspects of the file
- Show income and ratio calculations
- Description of issues (not negatives)
- Compensating factors to over-come issues.

Form **1040** Department of the Treasury—Internal Revenue Service  
**U.S. Individual Income Tax Return 2007**

(IRC Use Only—Do not write or staple in this space.)

<b>Label</b> (See instructions on page 12.) Use the IRS label. Otherwise, please print or type.	For the year Jan. 1–Dec. 31, 2007, or other tax year beginning _____, 2007, ending _____, 20		OMB No. 1545-0074	
	Your first name and initial	Last name	Your social security number	
	If a joint return, spouse's first name and initial	Last name	Spouse's social security number	
	Home address (number and street). If you have a P.O. box, see page 12.		Apt. no.	You <b>must</b> enter your SSN(s) above.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 12.		Checking a box below will not change your tax or refund.		

**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 12)  You  Spouse

**Filing Status**

Check only one box.

1  Single

2  Married filing jointly (even if only one had income)

3  Married filing separately. Enter spouse's SSN above and full name here.

4  Head of household (with qualifying person). (See page 13.) If the qualifying person is a child but not your dependent, enter this child's name here.

5  Qualifying widow(er) with dependent child (see page 14)

**Exemptions**

6a  Yourself. If someone can claim you as a dependent, do not check box 6a.

6b  Spouse

6c **Dependents:**

(i) First name	Last name	(ii) Dependent's social security number	(iii) Dependent's relationship to you	(iv) If qualifying child for child tax credit (see page 13)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

6d Total number of exemptions claimed

If more than four dependents, see page 15.

Boxes checked on 6a and 6b. No. of children on 6c who are lived with you. Add not live with you due to divorce or separation (see page 9). Dependents on 6c not entered above. Add numbers on lines above

**Income**

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see page 19.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7
8a	Taxable interest. Attach Schedule B if required	8a
b	Tax-exempt interest. Do not include on line 8a	8b
9a	Ordinary dividends. Attach Schedule B if required	9a
b	Qualified dividends (see page 19)	9b
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 20)	10
11	Alimony received	11
12	Business income or (loss). Attach Schedule C or C-EZ	12
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13
14	Other gains or (losses). Attach Form 4797	14
15a	IRA distributions	15a
b	Taxable amount (see page 21)	15b
16a	Pensions and annuities	16a
b	Taxable amount (see page 22)	16b
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17
18	Farm income or (loss). Attach Schedule F	18
19	Unemployment compensation	19
20a	Social security benefits	20a
b	Taxable amount (see page 24)	20b
21	Other income. List type and amount (see page 24)	21
22	Add the amounts in the far right column for lines 7 through 21. This is your total income	22

**Adjusted Gross Income**

23	Educator expenses (see page 26)	23
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24
25	Health savings account deduction. Attach Form 8889	25
26	Moving expenses. Attach Form 3903	26
27	One-half of self-employment tax. Attach Schedule SE	27
28	Self-employed SEP, SIMPLE, and qualified plans	28
29	Self-employed health insurance deduction (see page 26)	29
30	Penalty on early withdrawal of savings	30
31a	Alimony paid	31a
b	Recipient's SSN	
32	IRA deduction (see page 27)	32
33	Student loan interest deduction (see page 30)	33
34	Tuition and fees deduction. Attach Form 8917	34
35	Domestic production activities deduction. Attach Form 8805	35
36	Add lines 23 through 31a and 32 through 35	36
37	Subtract line 36 from line 22. This is your adjusted gross income	37

**SCHEDULE C**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service (999)

**Profit or Loss From Business**  
**(Sole Proprietorship)**

Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.

Attach to Form 1040, 1040NR, or 1041. See instructions for Schedule C (Form 1040).

OMB No. 1545-0047

**2007**

Attachment  
Sequence No. 09

Name of proprietor \_\_\_\_\_ Social security number (SSN) \_\_\_\_\_

**A** Principal business or profession, including product or service (see page C-2 of the instructions) \_\_\_\_\_

**B** Enter code from pages C-9, 9, & 10 \_\_\_\_\_

**C** Business name. If no separate business name, leave blank. \_\_\_\_\_

**D** Employer ID number (EIN), if any \_\_\_\_\_

**E** Business address (including suite or room no.) \_\_\_\_\_  
City, town or post office, state, and ZIP code \_\_\_\_\_

**F** Accounting method: (1)  Cash (2)  Accrual (3)  Other (specify) \_\_\_\_\_

**G** Did you "materially participate" in the operation of this business during 2007? If "No," see page C-3 for limit on losses  Yes  No

**H** If you started or acquired this business during 2007, check here

**Part I** Income

<b>1</b> Gross receipts or sales. <b>Caution.</b> If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-3 and check here <input type="checkbox"/>	<b>1</b>		
<b>2</b> Returns and allowances	<b>2</b>		
<b>3</b> Subtract line 2 from line 1	<b>3</b>		
<b>4</b> Cost of goods sold (from line 42 on page 2)	<b>4</b>		
<b>5</b> Gross profit. Subtract line 4 from line 3.	<b>5</b>		
<b>6</b> Other income, including federal and state gasoline or fuel tax credit or refund (see page C-3).	<b>6</b>		
<b>7</b> Gross income. Add lines 5 and 6	<b>7</b>		

**Part II** Expenses. Enter expenses for business use of your home only on line 30.

<b>8</b> Advertising	<b>8</b>			<b>18</b> Office expense	<b>18</b>		
<b>9</b> Car and truck expenses (see page C-4)	<b>9</b>			<b>19</b> Pension and profit-sharing plans	<b>19</b>		
<b>10</b> Commissions and fees	<b>10</b>			<b>20</b> Rent or lease (see page C-5):			
<b>11</b> Contract labor (see page C-4)	<b>11</b>			<b>a</b> Vehicles, machinery, and equipment	<b>20a</b>		
<b>12</b> Depreciation	<b>12</b>			<b>b</b> Other business property	<b>20b</b>		
<b>13</b> Depreciation and section 179 expense deduction (not included in Part II) (see page C-4)	<b>13</b>			<b>21</b> Repairs and maintenance	<b>21</b>		
<b>14</b> Employee benefit programs (other than on line 10)	<b>14</b>			<b>22</b> Supplies (not included in Part II)	<b>22</b>		
<b>15</b> Insurance (other than health)	<b>15</b>			<b>23</b> Taxes and licenses	<b>23</b>		
<b>16</b> Interest:				<b>24</b> Travel, meals, and entertainment:			
<b>a</b> Mortgage (paid to banks, etc.)	<b>16a</b>			<b>a</b> Travel	<b>24a</b>		
<b>b</b> Other	<b>16b</b>			<b>b</b> Deductible meals and entertainment (see page C-6)	<b>24b</b>		
<b>17</b> Legal and professional services	<b>17</b>			<b>25</b> Utilities	<b>25</b>		
<b>28</b> Total expenses before expenses for business use of home. Add lines 8 through 27 in columns	<b>28</b>			<b>26</b> Wages (less employment credits)	<b>26</b>		
<b>29</b> Tentative profit (loss). Subtract line 28 from line 7	<b>29</b>			<b>27</b> Other expenses (from line 48 on page 2)	<b>27</b>		
<b>30</b> Expenses for business use of your home. Attach Form 8829	<b>30</b>						
<b>31</b> Net profit or (loss). Subtract line 30 from line 29.							
• If a profit, enter on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 18 (statutory employees, see page C-7). Estates and trusts, enter on Form 1041, line 8.							
• If a loss, you must go to line 32.							

**SCHEDULE E**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Income and Loss**  
(From rental real estate, royalties, partnerships,  
S corporations, estates, trusts, REMICs, etc.)

• Attach to Form 1040, 1040NR, or Form 1041. • See instructions for Schedule E (Form 1040).

OMB No. 1545-0047

**2007**

Attachment  
Sequence No. 13

Name(s) shown on return

Your social security number

**Part I** **Income or Loss From Rental Real Estate and Royalties** *Note.* If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see page E-3). If you are an individual, report farm rental income or loss from **Form 4855** on page 2, line 40.

1	List the type and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days or • 10% of the total days rented at fair rental value? (See page E-3)	Yes	No
A	-----			A	
B	-----			B	
C	-----			C	

Income:	Properties			Totals (Add columns A, B, and C.)
	A	B	C	
3 Rents received . . . . .	3			3
4 Royalties received . . . . .	4			4
<b>Expenses:</b>				
5 Advertising . . . . .	5			
6 Auto and travel (see page E-4) . . . . .	6			
7 Cleaning and maintenance . . . . .	7			
8 Commissions . . . . .	8			
9 Insurance . . . . .	9			
10 Legal and other professional fees . . . . .	10			
11 Management fees . . . . .	11			
12 Mortgage interest paid to banks, etc. (see page E-4) . . . . .	12			12
13 Other interest . . . . .	13			
14 Repairs . . . . .	14			
15 Supplies . . . . .	15			
16 Taxes . . . . .	16			
17 Utilities . . . . .	17			
18 Other (list) ▶	18			
-----				
-----				
19 Add lines 3 through 18 . . . . .	19			19
20 Depreciation expense or depletion (see page E-4) . . . . .	20			20
21 Total expenses. Add lines 10 and 20 . . . . .	21			
22 Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a loss, see page E-5 to find out if you must file <b>Form 8198</b> . . . . .	22			
23 Deductible rental real estate loss. <b>Caution.</b> Your rental real estate loss on line 23 may be limited. See page E-5 to find out if you must file <b>Form 8582</b> . Real estate professionals must complete line 43 on page 2 . . . . .	23			
24 Income. Add positive amounts shown on line 22. Do not include any losses . . . . .				24
25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here . . . . .				25
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2 . . . . .				26

Schedule K-1  
(Form 1065)

Department of the Treasury  
Internal Revenue Service

2007

For calendar year 2007, or tax  
year beginning \_\_\_\_\_, 2007  
ending \_\_\_\_\_, 20\_\_\_\_

Partner's Share of Income, Deductions,  
Credits, etc. **▶ See back of form and separate instructions.**

651107

Final K-1  Amended K-1 OMB No. 1545-0046

**Part III** Partner's Share of Current Year Income,  
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1221 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
12	Section 179 deduction	19	Distributions
13	Other deductions	20	Other information
14	Self-employment earnings (loss)		

\* See attached statement for additional information.

For IRS Use Only

**Part I** Information About the Partnership

**A** Partnership's employer identification number \_\_\_\_\_

**B** Partnership's name, address, city, state, and ZIP code \_\_\_\_\_

**C** IRS Center where partnership filed return \_\_\_\_\_

**D**  Check if this is a publicly traded partnership (PTP)

**Part II** Information About the Partner

**E** Partner's identifying number \_\_\_\_\_

**F** Partner's name, address, city, state, and ZIP code \_\_\_\_\_

**G**  General partner or LLC member-manager  Limited partner or other LLC member

**H**  Domestic partner  Foreign partner

**I** What type of entity is this partner? \_\_\_\_\_

**J** Partner's share of profit, loss, and capital:

	Beginning	%	Ending	%
Profit		%		%
Loss		%		%
Capital		%		%

**K** Partner's share of liabilities at year end:

Nonrecourse - - - - - \$ \_\_\_\_\_

Qualified nonrecourse financing - - - - - \$ \_\_\_\_\_

Recourse - - - - - \$ \_\_\_\_\_

**L** Partner's capital account analysis:

Beginning capital account - - - - - \$ \_\_\_\_\_

Capital contributed during the year - - - - - \$ \_\_\_\_\_

Current year increase (decrease) - - - - - \$ \_\_\_\_\_

Withdrawals & distributions - - - - - \$ \_\_\_\_\_

Ending capital account - - - - - \$ \_\_\_\_\_

Tax basis  GAAP  Section 704(b) book  
 Other (explain) \_\_\_\_\_

**U.S. Corporation Income Tax Return**

For calendar year 2007 or tax year beginning \_\_\_\_\_, 2007, ending \_\_\_\_\_, 20\_\_

**2007**

- A. Check if:**  
**1a** Consolidated return (attach Form 9857)   
**b** Life/accrual consolidated return   
**2** Personal holding co. (attach Sch. H)   
**3** Personal service corp. (see instructions)   
**4** Schedule M-3 attached

**Use IRS label. Otherwise, print or type.**

Name \_\_\_\_\_  
 Number, street, and room or suite no. If a P.O. box, see instructions. \_\_\_\_\_  
 City or town, state, and ZIP code \_\_\_\_\_

**D. Employer identification number** \_\_\_\_\_  
**C. Date incorporated** \_\_\_\_\_  
**D. Total assets (see instructions)** \$ \_\_\_\_\_  
**E. Check if:** (1)  Initial return (2)  Final return (3)  Name change (4)  Address change

Income		Deductions (see instructions for limitations on deductions.)		Tax and Payments	
1a	Gross receipts or sales	b	Less returns and allowances	c	Bal ▶
2	Cost of goods sold (Schedule A, line 8)	12	Compensation of officers (Schedule E, line 4)	30	Taxable income. Subtract line 29c from line 28 (see instructions)
3	Gross profit. Subtract line 2 from line 1c	13	Salaries and wages (less employment credits)	31	Total tax (Schedule J, line 10)
4	Dividends (Schedule C, line 19)	14	Repairs and maintenance	32a	2008 overpayment credited to 2007
5	Interest	15	Bad debts	32b	2007 estimated tax payments
6	Gross rents	16	Rents	32c	2007 refund applied for on Form 4468
7	Gross royalties	17	Taxes and licenses	32d	Tax deposited with Form 7004
8	Capital gain net income (attach Schedule D (Form 1120))	18	Interest	32e	
9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	19	Charitable contributions	32f	Credits: (1) Form 2438
10	Other income (see instructions—attach schedule)	20	Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)	32g	(2) Form 4138
11	<b>Total income.</b> Add lines 3 through 10	21	Depletion	33	Estimated tax penalty (see instructions). Check if Form 2220 is attached
12	22	22	Advertising	34	Amount owed. If line 32g is smaller than the total of lines 31 and 33, enter amount owed
13	23	23	Pension, profit-sharing, etc., plans	35	Overpayment. If line 32g is larger than the total of lines 31 and 33, enter amount overpaid
14	24	24	Employee benefit programs	36	Enter amount from line 35 you want: Credited to 2008 estimated tax
15	25	25	Domestic production activities deduction (attach Form 9903)		Refunded ▶
16	26	26	Other deductions (attach schedule)		
17	27	27	<b>Total deductions.</b> Add lines 12 through 26		
18	28	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		
19	29	29	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		
20	29a	29a	Less: a. Net operating loss deduction (see instructions)		
21	29b	29b	b. Special deductions (Schedule C, line 30)		
22	29c	29c			
23	30	30			
24	31	31			
25	32a	32a			
26	32b	32b			
27	32c	32c			
28	32d	32d			
29	32e	32e			
30	32f	32f			
31	32g	32g			
32	33	33			
33	34	34			
34	35	35			
35	36	36			
36					

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign



Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less: allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets				
b	Less: accumulated depreciation				
11a	Depletable assets				
b	Less: accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less: accumulated amortization				
14	Other assets (attach schedule)				
15	<b>Total assets</b>				
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach schedule)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach schedule)				
27	Less: cost of treasury stock				
28	<b>Total liabilities and shareholders' equity</b>				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return		Note: Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions		
1	Net income (loss) per books		7	Income recorded on books this year not included on this return (Itemize):
2	Federal income tax per books			Tax-exempt interest \$
3	Excess of capital losses over capital gains			
4	Income subject to tax not recorded on books this year (Itemize):			
5	Expenses recorded on books this year not deducted on this return (Itemize):		8	Deductions on this return not charged against book income this year (Itemize):
a	Depreciation \$		a	Depreciation \$
b	Charitable contributions \$		b	Charitable contributions \$
c	Travel and entertainment \$			
6	Add lines 1 through 5		9	Add lines 7 and 8
			10	Income (page 1, line 28)—line 6 less line 9

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)			
1	Balance at beginning of year	5	Distributions: a Cash
2	Net income (loss) per books		b Stock
3	Other increases (Itemize):		c Property
		6	Other decreases (Itemize):
4	Add lines 1, 2, and 3	7	Add lines 5 and 6
		8	Balance at end of year (line 4 less line 7)

# MARKETING SELF-EMPLOYED

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- Start with your sphere and network!
- Self-employed more likely to have CPAs
- More likely to have financial planners
- Business brokers
- Chamber of commerce
- Networking groups
- Corporate lawyers
- Great seminar for upscale Realtors
- Two points: More likely to be higher income earners and/or likely to have other challenges such as credit and debts

# 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—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) Note: You can refer your clients without joining.
- ✘ More information: [www.hershmanfinancialgroup.com](http://www.hershmanfinancialgroup.com)
- ✘ 24/7 Webinar: <http://fdi.OriginationPro.com/>
- ✘ Live Webinar tomorrow (Thursday). [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

# 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**

# WHY NEWSLETTER PRO?

All these pieces—and more for one low price!

The collage features several newsletters:

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

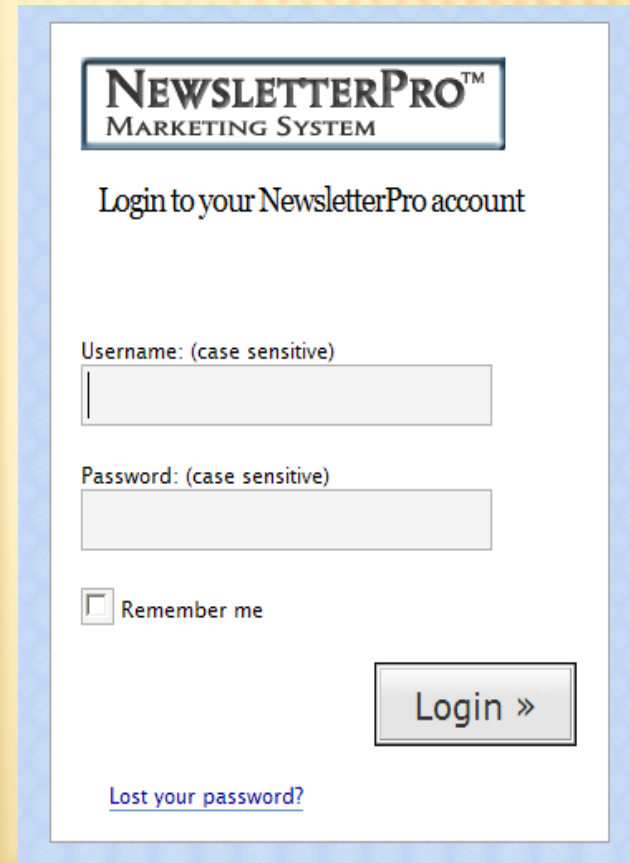
Additional elements include a "FOR SALE BY OWNER" sign, a "Sold" sign with a cartoon character, and contact information for "14 Mortgage Company" and "ORIGINATIONPRO".



# 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 the text: "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:
  - New Password:
  - Type it one more time:
- Update Profile »:** A button located 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](mailto:jreiher@colorworkspromotions.com) for

File:  Browse...

Upload 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 Pro system. Please contact Joy Reiher at [jreiher@colorworkspromotions.com](mailto:jreiher@colorworkspromotions.com) for a

File:

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

## REAL ESTATE REPORT



May 19, 2009

### ECONOMIC COMMENTARY



*Has the market gotten ahead of itself?*

The stock market has rallied for over two months, oil prices have risen and long-term rates have gone up as well. It is not surprising that the markets have paused to take a breather. Yes, the reports were fairly negative this past week with higher jobless claims and slower than expected retail sales. Even the good news, slow consumer inflation, is indicative of a slower economy. But the markets have been reacting positively through a lot of negative economic news. Why pause now?

It would not be out of the question to view this period as a breather or period of consolidation. The markets are not likely to turn back down unless there are some really surprising negative statistics. We don't rule that out. For now, the breather and lower rates are a great opportunity for homeowners and consumers to take advantage of what might be the last chance to obtain the lowest rates of our generation. At this point rates on home loans have stayed steady despite higher rates on Treasuries and that can't last forever.

### WEEKLY INTEREST RATE OVERVIEW



*The Markets:* Rates on home loans were fairly stable last week. Freddie Mac announced that for the week ending May 14, 30-year fixed rates averaged 4.88%, up slightly from 4.84% the week before. The average for 15-year rose slightly to 4.52%. Adjustables were lower with the average for one-year adjustables decreasing slightly to 4.71% and five-year adjustables falling to 4.82%. A year ago 30-year fixed rates were at 6.01%. "Fixed-rate mortgages were little changed this week following the release of April's employment figures," said Frank Nothaft, Freddie Mac vice president and chief economist. "The economy lost 539,000 jobs, less than the monthly job loss of the past five months, and the unemployment rate rose to 8.9 percent. Adjustables, however, fell slightly over the period. Relatively low house prices and rates are clearly helping first-time homebuyers. Housing affordability for the median first-time buyer reached an all-time record high in the first quarter since the NAR index began in 1991. Consequently, first-time homebuyers accounted for half of existing home sales in the first three months of this year, the NAR reported."



**ORIGINATIONPRO**  
Power Tools for Mortgage Professionals

Dave Hershman, CMC  
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.

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 finance, we can help you achieve your goals with less stress, making your American Dreams Come True!

[Calculate a mortgage payment](#)  
[Compare the cost of owning versus renting](#)  
[Lower your payments through debt consolidation](#)

# 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



# 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 1.6% of the population is considering a transaction at any one time. However, if you can find a way to serve a much greater percentage of the population, you have the ability to make your business cycle proof. In this case we meet a great example from those performing an outstanding job—in home value insight for making a business transaction, selling in a few years or providing their first home in the next five years.

Certainly, financial leaders have changed the rules during the current credit crisis, the largest growing segment of your clients are a good portion of those who aren't qualified to purchase or even refinance if they already own. We estimate that approximately 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 levels are too high;
- Income levels are too low.

The next question is—how do we serve these people? We typically look at each home we show to someone a transaction in the next month and trying to apply "workarounds" 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 to make a purchase to do as a home or use. By that



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

What assessment need to do is get with someone who will help them optimize their credit in the long run. That's why we need to make sure every financial decision based upon what affect the decision will have on our credit score. This might mean opening an existing 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 serve the real estate industry to serve you, you should become 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.

There's also a long-term view. Paying off a debt to get someone's finances in line to qualify for a loan is one thing. Helping a person who is struggling to debt because completely debt free is a much bigger and more rewarding proposition. The average homeowner is divorcing at debt as we are for single, well, credit offers and credit cards and we have used our home as piggy banks for the past five years.

I think a 3.5 year to gain this situation and it will take 3.5 years to navigate our way out. But in my mind, it's a long-term investment in your business, however, those who study off their own credit situation and use more of a 3.5 year strategy for the goal of business-cycling and achieving the American dream. Once again, there are services that will help someone optimize their credit and pay them off more quickly. These may involve 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 bit more difficult to deal with, however, there are many services a person can make sure to help 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? I focused on serving a greater portion of your prospects and where to go next? Talk to your collaborator to obtain some ideas. For finding with loans and perhaps a referral for service providers who can help your clients. **Q**

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

43

# 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 for 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-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. ☐

### IRA Advantage

- Low Debt Payments
- No Cash Reserves
- No Credit Score Necessary
- Co-Borrowers Don't Have To Sign The Property
- Fixed Rate Available Terms
- Adjustable With Low Caps
- Liberal 529 Policy

Place Your Card Here,  
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1/800-581-5678

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The Freedom Group, www.xerox.com

# 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 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 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!

**N**ew criteria 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 deduct annual 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 the most recent releases of population projections projected over the next 50 years tied to the country's changing racial composition due to the massive increase 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. □

### Did you know...

- Activity in activity 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

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