UpFront Mortgage
Magazine

A Better Tomorrow
Leading economic indicators continue to improve

upFront Mortgage Brokers®

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UMBA Brokers Needed

On behalf of the Upfront Mortgage Brokers Association and its members I want to welcome you to our 5th edition of the year.

Jeff Jaye

Our membership continues to grow monthly across the United States as more and more originators find the immense value in their UMB designation. Some of the feedback we have been getting from potential customers every month includes, "Do you have a UMB who can do business in a certain state?" It is a great problem to have when you have more business than we can cover.

This month we are looking for originators and brokers who can do business in states such as North Carolina, Wyoming, Tenessee, Nevada, and Michigan just to name a few. Those states, as well as several others are "uncovered" with hundreds of loan hits per month. If you are or can do business in some or all of these states then you need to join The Upfront Mortgage Brokers Association because we have clients looking for you! Once again, thank you for visiting our site and we hope you find this issue informative.

Jeffrey J. Jaye
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A Better Tomorrow

By Scott Hoover

Leading economic indicators continue to improve

Is there finally a light at the end of the tunnel?

That is what some of the nation's leading economic minds are beginning to discuss as indications grow that the U.S. economy might have finally bottomed out and is headed for a slow, but gradual climb out of the current recession.

It was — note the past tense — the worst housing recession anyone but survivors of the Great Depression can remember.

From the frenzied peak of the real estate boom in 2005-2006 to the recession's trough earlier this year, home resales fell 38 percent and sales of new homes tumbled 76 percent. Construction of homes and apartments skidded 79 percent. And for the first time in more than four decades of record keeping, home prices posted consecutive annual declines.

A staggering $4 trillion in home equity was wiped out, and millions of Americans lost their homes through foreclosure.

Now take a deep breath and exhale. The worst is over — according to experts.

Looking Up

The latest news noted the economy only contracted at a 1 percent rate in the spring, a strong sign the recession is winding down.

Commerce says the dip in gross domestic product for the April to June period came after the economy tumbled at a terrifying 6.4 percent pace in the first three months of this year and a steep 5.4 percent drop the quarter before that. The 6.4 percent drop was the sharpest downhill slide in nearly three decades.

Many economists were predicting a slightly bigger 1.5 percent annualized contraction in second-quarter GDP, the total value of all goods and services produced within the United States.

"The recession looks to have largely bottomed in the spring," said Joel Naroff, president of Naroff Economic Advisors. "Businesses have made most of the adjustments they needed to make, and that will set up the economy to resume growing in the summer," he predicted.

The Dawn of a New Day

Federal Reserve Chairman Ben Bernanke has said he believes the recession will end later this year. And many analysts predict the economy will start to grow again — perhaps at around a 1.5 percent pace — in the July-to-September quarter. That would be anemic growth by historical measures, but it would signal the downturn has ended.

President Obama's stimulus package of tax cuts and increased government spending provided some support to second-quarter economic activity. But it will have more impact through the second half this year and will carry a bigger punch in 2010, economists say.

Upbeat corporate earnings have also provided stocks with a burst of energy.

Stocks surged as stronger-than-expected profit reports and a surprise drop in the number of people continuing to seek unemployment benefits handed investors the latest evidence that the economy could be strengthening.

Earnings reports have driven a July rally and gave investors new reasons to be optimistic about the prognosis for a recovery.

However, even if the recession ends later this year, the job market remains weak. Companies are expected to keep cutting payroll the rest of this year, but analysts say monthly job losses likely will continue to shrink.

Still, unemployment — now at a 26-year high of 9.5 percent — will keep rising. The Fed says it will top 10 percent at the end of this year. Businesses will be unlikely to boost hiring until they're certain the recovery has staying power.

Bernanke and his Fed colleagues warned earlier this month that it could take five or six years for the economy and the labor market to return to long-term health. Recoveries after financial crises tend to be especially slow.

Stopping the Freefall

By every measure, except foreclosures, the housing market has stabilized and many areas are recovering, according to a spate of data released in the past two weeks. Nationwide, home resales in June are up 9 percent from January, on a seasonally adjusted basis. Sales of new homes have climbed 17 percent during the same period. And construction, while still anemic, has risen almost 20 percent since the beginning of the year.

Even home prices, down one third from the top, edged up in May, the first monthly increase since June 2006.

"The freefall is over," says Dean Baker of the Center for Economic and Policy Research.

The problem is that, Baker, like many economists, expects the housing market will "be bouncing around the bottom" for the second half of the year.

There are also real threats that could poison this budding recovery. Mortgage rates could rise, making homeownership less affordable. And the federal tax credit for first-time homebuyers, which has lured many into the market, is set to expire on Nov. 30.

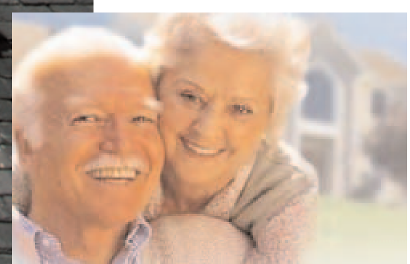
"As long as jobs are being lost, regardless of all the federal programs out there to help the borrowers, you're still going to have problems in the housing market," says Steve Cumbie, executive director of the Center for Real Estate Development at the University of North Carolina's Kenan-Flagler Business School.

True, but when you've got bidding wars for foreclosures in places such as Las Vegas, Phoenix and Los Angeles, it's time to call the bottom. ✦

Reverse To Buy

A New Frontier for Mortgage Professionals

By Max Sattanathan



In 1990, the first full year that Home Equity Conversion Mortgage (HECM) reverse mortgages were available, there were a grand total 157 loans closed. In the first six months of this year, 86,541 loans have been generated on pace to break last year's record total of 112,154. Yet, the reverse mortgage product has been looked upon by most mortgage professionals as the red-headed stepchild of our industry. To someone like me, who has been actively involved with the product for several years, all I can ask is why?

A New Look

I recently did a rather in-depth interview with a senior publication about reverse mortgages. Toward the end of the interview, there was a pause and the reporter asked, "so why all the fuss?" Perhaps because very few people actually take the time to examine the product and the benefits it can offer a senior, particularly in these very difficult economic times.

Maybe it's because the industry has done a terrible public relations job and lately has been the object of a great deal of scrutiny, even prompting the FBI to recently issue a warning about reverse mortgage scams (something all legitimate reverse mortgage professionals should welcome with open arms).

As I tell everyone, the product isn't for everyone, although it's getting to the point where it just might be right for most seniors. Just in case you're not familiar with the product, it's available to seniors 62-years-of-age or older and the amount of money they can secure from a reverse mortgage depends upon the borrower's age and the amount of equity available in the home.

Seniors can receive funds as a lump sum or monthly payments or a credit line. Once the loan is secured, they no longer have a mortgage payment and the only time the loan has to be paid off is upon death or if they permanently move from

This program is ideal for seniors who are downsizing for retirement with capital gained from the sale of a previous home.

the home. Yes, there are fees associated with the product, but not as onerous as detractors like to point out. The costs are certainly commensurate with the benefits gained.

I strongly believe that reverse mortgages are outstanding product offerings for any mortgage professional. And even better since recently enacted legislation expands the product's reach to include the purchase of a new home.

With the FHA HECM home purchase program, qualified homebuyers will never have to make a mortgage payment on eligible property types. They will simply need to make the qualifying down payment from an eligible funding source per FHA guidelines.

Closing costs and fees are included in the financed amount. The amount of the down payment is based upon age and the appraised value of the home, just like a regular reverse mortgage program. The home is titled in their name, just like any other mortgage with the only difference of not having a mortgage payment by using the reverse mortgage option.

This program is ideal for seniors who are downsizing for retirement with capital gained from the sale of a previous home. Those with the capital on fixed incomes can save the rest of their net worth to fill in gaps in their retirement plan and enjoy the rest of their lives never having to worry about making another mortgage payment

To qualify for a Reverse to Buy HECM Mortgage you must be 62 years old or older, the home must be a primary residence in which the individual(s) reside a minimum of 180 days per year, the property must meet certain qualifications and the down payment must come for an allowable funding source.

The schedule of allowable and ineligible funding sources plus additional information on the reverse to buy HECM mortgage program can be found at www.reverseultra.com and www.reverse2buy.com.

Interestingly, one of the few bright spots in the real estate industry is the development of senior housing. The convergence of this with the new reverse to buy program presents an outstanding opportunity for those mortgage professionals who see the diamond in the rough aspect of the reverse mortgage product.

Hopefully enough mortgage professionals will take a closer look at all aspects of reverse mortgages and just maybe one day, they might become the fair-haired, favorite child of the industry. ✦

Madhav "Max" Sattanathan's interest in the reverse mortgage industry began when he joined Allied Mortgage Group as general manager of Florida operations. Max created Dania Beach, Fla.-based Reverse Ultra, where he now serves as CEO and president.

Back To Basics

Updating Your Plan for Success

By Gary Opper

A well-crafted business plan is more than a one-time product. It's your chance to step back, examine and organize your thinking about your mortgage business, and make sure you've charted a successful course for the future.

Some brokers discard their plan after they get started, but by keeping the plan up-to-date going forward, you can turn it into a valuable business tool, especially during times like our industry is facing right now.

Bringing your plan up-to-date forces you to step back from the day-to-day chaos and make sure the big picture still makes sense. Once things are underway, you discover which assumptions were right and which were wrong. Did your markets actually materialize? How about competitors — did you anticipate them correctly? A second pass at your plan helps you revisit all the issues and decide whether or not you're on track.

Your Plan

Your original business plan should have included most of the following areas and I will point out what should have been included in each section of your plan.

- Table of Contents
- This Is Us
- Executive Summary
- Goals
- To Do List
- Schedule and Timetable
- Marketing Plan
- Research and Development Plan
- Production Plan
- Organization and Management Plan
- Financing Plan
- Financial Plan
- Time Management Plan
- Rewards
- Future Issues
- Appendix

Table of Contents

Of course, the Table of Contents is a listing of the topics discussed and the page location.

This Is Us

The "This Is Us" lists the name, address, telephone and fax numbers, e-mail address, owners of the company and the types of licenses held by the company and the principals. This includes your current position consisting of your market niches, your strengths and your weaknesses.

The business plan must be flexible and be periodically updated to reflect changes in the company, the principals, the market and the economy, which we all know has changed dramatically over the past few years.

Executive Summary

The Executive Summary provides a summary of the history of the company and the principals. State the environment of the company including the economic, legal and demographic environment and should be updated on annual basis.

Goals

Your qualitative and quantitative financial and non-financial goals could include:

- To increase net income by 25 percent in each of the next three years
- To have the company's mortgage brokers solicit six Realtors a day
- To increase and to enhance my and my family's quality of life

To Do List

The "To Do" List states all the actions necessary to accomplish your goals. This also changes on a daily basis and needs to be updated occasionally.

Schedule and Timetable

The Schedule and Timetable give dates that the items on the To Do List should be accomplished.

Marketing Plan

For each market niche, the potential clients of the niche should be profiled. Develop a strategy to market to these niches.

Research and Development Plan

Discuss in the Research and Development section the following:

- The future needs of the mortgage market (products to offer)
- The prices and costs to offer these mortgage products that are fair

This section keeps you always looking ahead to the future

Production Plan

In the Production Plan section, the current and future needs of the following are discussed:

- Equipment
- Software
- Office Space
- Branch Offices

This is where you state the items needed to make your goal a reality.

Organization and Management Plan

The organizational structure of the company is reviewed in this section. Should another organizational arrangement be considered? Would any of the employees perform better in another position, either promoted, demoted or moved to a different function?

A flowchart or narrative of the different "cycles" should be prepared and dissected to develop improvements and innovations in your systems. Your cycles could include:

- Obtaining and qualifying leads
- Processing the leads
- Finding the lenders
- Closing the loans

If your company is large enough or you have several people performing the same function a partial or complete operations manual should be prepared.

Also, the company may want to have forms for repetitious acts. The training programs for employees should be developed in this section. The quality control plans and the legal compliance plans should be developed. Other items that should be discussed in this section are personnel, insurance and security.

Financing Plan

If an outside source of capital is needed in the future, the plans for obtaining this capital are discussed.

Financial Plan

The Financial Plan will quantify the business plan and its potential financial success with realistic pro-forma financial statements.

Your original business plan should have addressed the funding of retirement, keyman insurance, disability and life insurance for the owners. All this may have changed since you originally wrote your business plan.

Time Management Plan

This section should address time management items and time saving ideas. In this section, address the maximum time allowed for running the business, so that you may enjoy a good quality of life.

Rewards

Don't forget to reward yourself and your employees for the achievement of your goals.

Future Issues

Future Issues may include items that are beyond the time horizon of your business plan or are so grandiose or unrelated to the present business plan.

Appendix

The Appendix should include all your support for your business plan including:

- Magazine articles
- Excerpts from books
- Flowcharts and forms

Of course, you can get many of these same effects through strategic planning off-site, good project planning and ongoing employee training. But you've already written a business plan that brings all these benefits together in one place. Keep the plan current, and you'll get the most from it by turning it into a document that helps run — rather than simply sell — your business. ✦

Gary Opper is president of Approved Financial Corp., based in Weston, Fla. Opper has been a mortgage lender and note buyer since 1984 and he also does mortgage consulting. He may be reached at (954) 384-4557 or e mail opper@approvedfinancial.com.

The Reasons Why

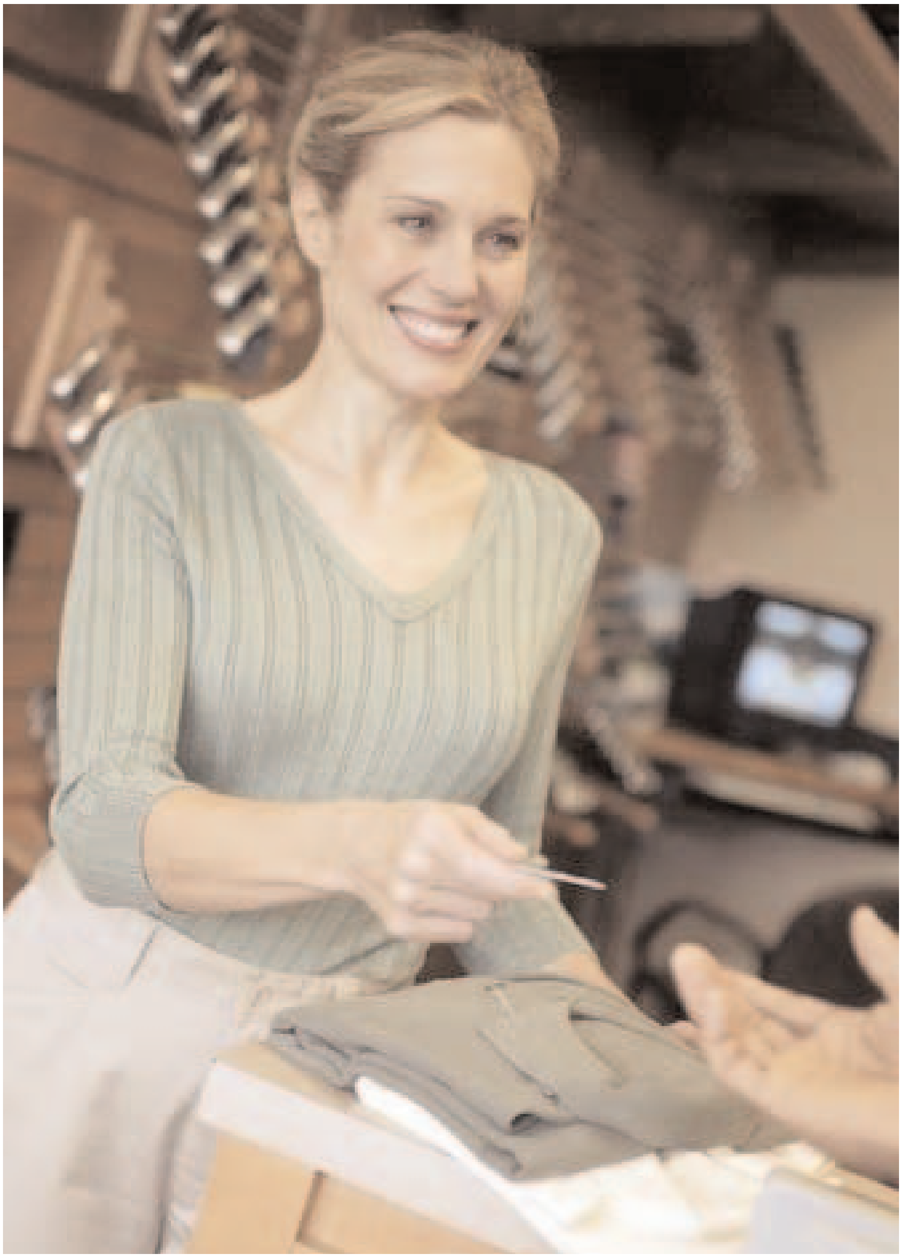
Membership in UMBA is for individual mortgage brokers under an Individual Membership, and for mortgage brokerage firms under a Company Membership.

In order to be a member an Individual Member of UMBA, the individual must meet all of the following requirements:

1. Pay the membership dues, as established by the Board of Directors of UMBA.
2. Post the Upfront Mortgage Broker Commitment on the member Web site. It is not required that the UMB Commitment be located on the member's home page, but the Commitment must not be more than "one click" from home page.
3. Adhere to the terms of the UMB Commitment when dealing with consumers.
4. Post the UMB logo on the member Web site home page.
5. Create a link to the UMBA Web site **www.upfrontmortgagebrokers.org** from the member Web site.

An individual website must be utilized in those situations where the mortgage broker works for a mortgage brokerage firm and not all the mortgage brokers who work for the firm are Upfront Mortgage Brokers. A company/firm Web site may be utilized if all the mortgage brokers who work for the firm are Upfront Mortgage Brokers.

As an Individual member, the person will be listed in the UMBA Web site search feature.



Credit Means Everything

Helping your customers attain good credit — what they need to know

By Edward Jamison, ESQ

A lot of consumers have the mind set that making your payments on time automatically equates to good credit and credit scores. Unfortunately, this couldn't be further from the truth. While paying your bills on time accounts for a large portion of your credit score, there's still a lot more to it. In fact, paying your bills on time only drives one-third of the points in your credit score, which means that two-thirds of your score has nothing to do with making on time payments.

Working with your clients and letting them know what it takes to have good credit, is important an important part of your job that you might not have ever considered. Therefore, here are five main categories that go into an overall credit score calculation. Let's briefly review each category and how much they count so that you can have credit-informed buyers.

Payment History - The most important category. This category is pretty self-explanatory. It doesn't take a rocket scientist to figure out that if you pay your bills on time, you'll do well in this category. Likewise, if you have a history of late payments, collections, charge-offs, public records, etc. - you're not going to do so well in this category. In addition, the number of negative items on your credit reports is important. The more incidents of credit transgressions, the more your score will suffer. And if you have recent negative information that will punish your scores more than if they are several years old.

Debt - A very close second. The most important non-payment category in your credit score is, by far, the amount of debt that you carry. And while your installment debt (auto loans and mortgages) are factored into your scores, it's really your credit card debt that's most important. This includes anything from Visa, MasterCard, Discover, American Express, gas cards and/or retail credit cards such as Macy's or Target.

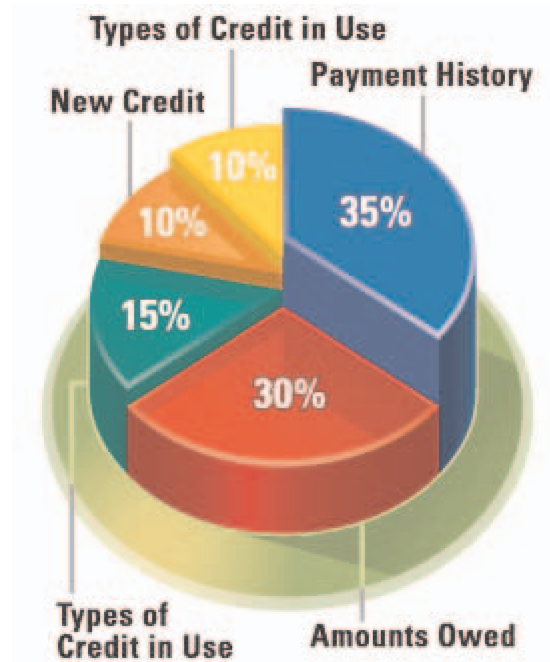
The balances that you carry on your credit cards can affect your scores almost as much as whether or not you make your payments on time. This category calculates the proportion of balances to credit limits on your revolving credit card accounts - also referred to as "revolving utilization." Simply put, the higher your revolving utilization percentage, the fewer points you will earn in this category.

How you pay your bills and your revolving utilization are by far the most important factors used to determine your credit scores. They account for two-thirds of the points in your score. That's a hefty chunk! Needless to say, if you don't do well in both of these categories, your scores aren't going to be very good regardless of how you do in the remaining categories.

While the remaining categories are worth fewer points, they are still very important for consumers who want to earn the highest scores possible, certainly a requirement in today's difficult credit environment.

The Age of Your Credit History - Secondary category. Don't confuse this with your age. It's the age of your credit reports. Basically, the score is looking to see if you have a lengthy history of managing your credit obligations. The age of your credit history is determined by the "date opened" on the oldest account listed on your credit report. The older your credit report, the more points you will earn in this category. There's really not much you can do in this category except wait it out. As your reports get older, you will gradually earn more points. This means that you should never try and get old, good accounts removed from your credit reports. You want the history!

New Credit/Inquiries - Secondary category. When you apply for credit you are giving the lender permission to pull your credit reports and credit scores. Each time this happens, your credit report will reflect what's called an "inquiry." To perform well in this category, you should really only apply for credit when you need it.



Credit Mix - Secondary category. What types of accounts do you have? You will do well in this category if you have a nice diverse list of different types of accounts in your credit report. This includes mortgages, auto loans, installment loans, credit cards, etc. If your credit report is dominated by one type of account (or lack of others), this could negatively affect the number of points that you earn from this category.

That pretty much covers the factors that are used in determining your credit scores. Let's do a quick recap:

How you pay your bills - on time is good, late is bad

How much you owe your creditors - keep your credit card debt low (10 percent utilization is optimal)

How long you've had credit - the longer the better

How often you apply for credit - apply only when you really need it

Account mix - diversity is good

There you have it. If you can have your perspective homebuyers stick by these five key principles, they should be well on their way to healthy credit and credit scores and into the house of their dreams. ✦

Edward Jamison, ESQ, is the founder of CreditCRM and The Jamison Law Group. For more information please visit www.creditcrm.com or jamisonlawgroup.com.

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