

Hey Mortgage Fans!

Volume 10 issue 2 – Jackson 5

Valuable Mortgage Information



and a lot of other really Cool Stuff!

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When Dave Letterman was on NBC he had a segment called Viewer Mail where people would write him letters asking questions and he would answer them on the air. (For my clients born after 1986: letters were something you would write on paper, place in an envelope, and – hang with me here because this will sound far fetched – take a stamp which was like a special form of money that the post office invented and lick it. Yes, you heard me right – you would lick this currency so it would stick to the envelope, and then you'd drop it into something called a "mail box" where it would be magically picked up by someone wearing blue socks up to their knees¹ and delivered to most destinations in 3-7 days.) It was a fun segment that I made a note to copy one day if I ever had my own talk show. However, my talk show dreams went up in smoke when I realized I'd have a hard time getting viewers if I can't even get my wife and kids to pay attention to me most nights. But... through the wonder of email I do get plenty of questions about loans, the economy, and home prices. I thought it would be good to share the most common questions with my viewers... I mean clients. Here we go:

How do I remove Private Mortgage Insurance?

I shouldn't start this newsletter with a question that doesn't have a great answer, but first let's dive into what PMI really is. PMI works like this: buy a property and put less than 20% down and you will pay PMI which is basically an insurance policy for the bank. On average the PMI payment is anywhere between \$75-\$300 per month. By law the PMI has to be removed once you pay your loan down to 78% loan-to-value (this means you have 22% equity in the home). However, the banks have found loopholes around the law. First, if the bank does a BPO² (Broker Price Option, this is like their version of an appraisal) and finds the value of your home has decreased from the original purchase price they will not remove the PMI. Second, some banks are saying that the automatic removal of PMI at 78% LTV only applies to the original amortization schedule (meaning the automatic removal only applies if the borrower is making scheduled payments, not prepayments of equity). So just how the heck do you remove PMI? Following are two ways: Once the bank does their BPO and it comes in low, some banks will let you challenge that with your own appraisal (although this is a longshot).

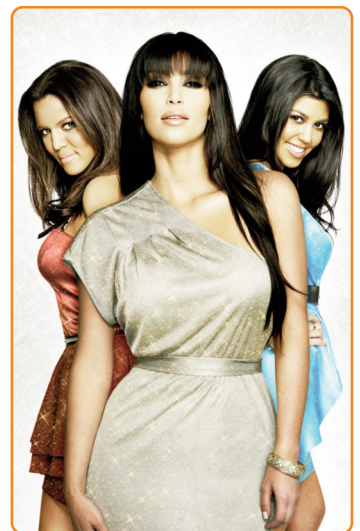
If rates are lower now than your current rate refinancing will do the trick as long as the appraisal shows 20% equity.

Is there a way to refinance now without having to pay PMI if I have lost equity in my home?

Absolutely. If you had at least 20% equity the last time you bought or refinanced your home and now you have less than that you can still refinance without having to pay PMI. This unique program (called HARP) was recently updated on October 24th but still has its flaws. First, your current mortgage had to be sold to Fannie Mae or Freddie Mac by May 31st, 2009. Second, an automated underwriting system analyzes your application and spits out either an approval or denial for this refinance program. It doesn't matter about your home, your credit, your income, or your love of 100 calorie Dorito packages. There is no rhyme or reason to the approvals (which we get about 6 out of every 10 that are run through the software).

Is it true that it's a lot harder to buy and sell condos than it was a few years ago?

Yep! This is good for buyers and bad for sellers. In the good ole days of 2007 banks didn't care about where they lent money, who they lent it



Get us off this newsletter! We don't have a mortgage, nor do we know what a mortgage even is.

to, and what building the money was going to be tied to. On top of that the Kardashians weren't invented yet – what a glorious time to be alive! But... with that carefree attitude came trouble. Banks never thought to check how many units were rented, how much the association had in reserves, and if there were any special assessments. As a rule now here's what the banks want to see with the condo buildings:

1. At least 70% of the condo units need to be owner-occupied. (Banks care about this because rented units tend to be foreclosed on before units that the owners live in).
2. No litigation/is anyone suing the association? Banks don't want the

1. In the 5th grade the Cub Scouts threatened to kick me out of the troop if I didn't wear my blue socks all the way up, but that was not cool and girls wouldn't like it. I consistently scrunched them down or didn't wear any socks at all. In the end it didn't matter though. Dude Lesson #42: women are attracted to a man in uniform unless it's a Cub Scout uniform.
2. Not to be confused with 70s super- group BTO who ruined their song *Takin' Care of Business* by selling the rights to Office Depot. Note to Corporate America: taking great songs and using them to sell your products only turns people off and at the same time ruins the songs (with the exception of Dr. Pepper using Meat Loaf's *I Would do Anything For Love* which was a horrible song to begin with).



association to be liable for a big dollar amount which would lead to special assessments.³

3. A healthy amount of reserves.
4. No one person or entity can own more than 10% of the units.
5. None of the residents can have *I Gotta Feeling* by Black Eyed Peas on their iPod. (Banks are really, really sick of this song and feel it ruined last year's Super Bowl halftime show.)

What do banks have in common with my wife's favorite college earrings? Big, crazy loopholes, so there is a way to skirt around these rules: have excellent credit and put 20%-25% down and there's a chance they will look past the above conditions.

Q: Is it true you really saw Black Swan last year?

I was tricked because my wife said Natalie Portman was naked in it. With apologies to Natalie Portman it still wasn't worth it⁴ as this was the most overrated movie of 2010.



Don't cry, Natalie. I think Barry's newsletters are overrated too.

Q: Where do you see rates headed and what do I look at online to see if rates are going up or down?

Whoa, slow down there, dude. I don't remember allowing compound questions in this newsletter, but I'm in a decent enough mood to answer it. Let's start with the first question. I want you to think of the economy as if it were the Olive Garden restaurant. You keep thinking with each course of food served it will eventually get good even though it never does⁵. Now I want you to think of their never-ending bread basket as today's interest rates because that's about the only positive you can take out of a bad situation. As a general rule of thumb: the worse the economy the better the rates will be. So where do I think rates are headed? They will stay low for a while until we see consistent signs of our economy becoming better. The rates can still fluctuate wildly, so enjoy them while you can. Part 2: The government came in last year and made sweeping changes to the mortgage industry because many aspects of it confused consumers. Our friends who made these changes made the horrible mistake of not policing the rates that are advertised on the internet. Imagine the plot of *Top Gun* if Iceman had been grounded while Maverick⁶ was free to fly around and do whatever the hell he wanted. That's exactly what is going on with real rates versus internet rates, so I would ignore sites like - BankRate.com as they will just confuse you. I like to look at Finance.Yahoo.com to measure rates. On that site you'll see 10-year bonds (which are around 2.0 now).

How will people know true rates once the internet is invented?



When that yield goes down rates should follow. When the yield goes up rates will go up.

Can you rank your five favorite elves?

In descending order they are:

5. Crackle (from the famed Snap Crackle & Pop team). The easy way out here would be to call it a three-way tie but I dig Crackle best because he's a bit of an underachiever. Snap is a baker, and Pop wears a military uniform, and Crackle? He wears a stocking cap like he just got out of bed. Also, here's some history I picked up from Wikipedia that I thought you might like to know. First, in Denmark they are called Pif! Paf! Puf! Second, in the 1950s there was a fourth brother named Pow who represented the explosive nutritional value⁷. Pretty neat, right? No? Okay, read on...
4. Hermie the misfit elf. In 1964 he appeared in Rudolph the Red-Nosed Reindeer claiming his fame by basically saying 'I'm

tired of clocking in and working on assembly lines. I want to be a dentist.' I kind of relate to him because he has unrealistic dreams too.

3. Buddy (from the movie Elf). This was a cute 2003 Will Ferrell movie that could've been a lot better had Natalie Portman ballet danced in it.
2. Jenna Elfman (actress). She's not an elf, but she's got elf in her last name and she's cute so that's good enough for me⁸.
1. Ernest J Keebler - the head of the Keebler Elves. Nobody comes close to being as great as an elf who makes cookies inside of a tree! Love it. In second grade my sister put some cookies at the base of the tree in our backyard and convinced me it was the Keebler tree. I would spend hours outside staring at and talking to that tree. Not by coincidence it was around that time my parents signed me up to talk to the school shrink three days a week.

3. I always thought it was a bit of an oxymoron to match the word 'special' with 'assessment'. Isn't 'special' supposed to refer to something fun or great? I learned long ago the abuse of this word when the school bus would drop me off at my special-ed classes.
4. In the one in three-hundred million chance that you are reading this Natalie, I want you to know it was worth it. I was just trying to be funny. I will try to make it up to you later in this newsletter.
5. I was going to use Karate Kid 2 for this analogy because when you watched it for the first time you kept waiting for it to get better and it never did. Even the soundtrack underachieved, but in the end I thought it was more fun to make fun of the Olive Garden.
6. If the rumors are true that Tom Cruise is gay then the love scene between him and Kelly McGillis (who came out of the closet in 2009) is the greatest acting performance for a love scene in the history of cinema! This is a fantastic example of what is called method acting. Mortgage Fans, as McGillis most likely imagined she was with Goose's wife and Cruise imagined he was with Goose.
7. Nutritional value? I think Kellogg's came to the conclusion that unless kids were sprinkling broccoli on top of the krispies POW would have to be killed or placed for adoption.
8. Yeah, I know I'm stretching it here but have you ever tried to come up with a list of famous elves? There aren't as many as you think. I wish people would stop asking me this question.

