



# In the Loop Realty Newsletter

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## *YOU CAN'T FIX STUPID!!!!*

by: Albert M. Cerone, IFAS, FELLOW

**STUPID IS AS STUPID DOES**— And you just can't fix it. Ken Bruce a Merrill Lynch analyst recently went on the record as putting a "sell rating" on Countrywide Mtg.; and used the "bankruptcy" word in his statement. He actually set off an international financial panic in the world credit markets. As Paul Muolo said, "My guess is that Mr. Bruce will not be attending the next "Investors Day" analyst's meeting hosted by Countrywide."

Just how deep in the whole is Countrywide? I don't have a clue and I doubt anyone but top echelon execs at Countrywide know that. Yes, they recently borrowed \$11.5 billion to bolster their cash flow and supposedly to actually pay operating expenses. About a week ago, BoA bought 15% of their stock for a cool \$2 billion. Now, Last week it was announced that Countrywide is no longer the largest lender in the U.S. They fell to 3rd place behind...guess who! Right! BoA and in second place is Wells Fargo. It

appears as if the banks are back in the foreground of lending; and, maybe...just maybe, it's about time. The public always felt more comfortable with their local bank, albeit there aren't many left. But maybe that will be the next surge. The American public is scared to death of fast talking mortgage people who created this entire credit crunch and foreclosure frenzy. Yeah, well it may not be true but it's the perception and as the adage goes, "perception is often truth".

**WANT A MORTGAGE?** - Well, the last couple of weeks it was nearly impossible to get one. Because of the liquidity crunch, lenders found every excuse imaginable and some even Steven Spielberg couldn't have conjured to deny a loan. The insiders will tell you that they have to wait and see how much more the falling subprime market will impact cash positions of the investors. So, in lieu of saying lenders are closing the doors,

they are just excusing themselves out of the vast majority of deals brought to them. We have experienced at our firm the ridiculous demands made by take outs, as Countrywide. Just this week, they demanded an additional comparable. There aren't any but they advised the poor mortgage company that the deal is dead without one. So, we provided a sale and clearly said, it's not a comparable and we aren't relying upon it and it's only supplied as a mandate by the "take out". You guessed it. They accepted the appraisal which means they don't have a clue what they're doing and obviously their astute underwriters are clueless of the English language. Now, you can see how the country got into this mess in the first place.

**CERONE'S RULE**— For years I've preached this rule in every seminar and class I've lectured or taught. It says, "When you don't know what to do, do something; however, never assume any-

-anything." Give this statement serious thought. For so many of our readers who live in and around the real estate market. There are other venues which if pursued intelligently, can become an excellent avenue of financial enhancement if not salvation.

1.) *Reverse mortgages*-. The largest single market in the US today is the senior market. Many are in a position to want to, if not have to, take advantage of their equity position in their homes to insure their continued life-style. It's a great market and easily tapped.

2.) *Money Merge Accounts*— I only first heard of this today from a very astute professional entrepreneur, Kari Schneider. It involves helping people manage their money and utilizing a home equity loan as the pass through. It also involves a software program. The interaction of a person and software is

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intriguing. The program alleges to help those who can't seem to help themselves to become debt free. I'm optimistically cautious but I have confidence in the lady who is arranging it. If you are interested, call me @ 732-286-3000 and I'll put you in touch with her. She can also help you enter this new arena of entrepreneurial effort.

3.) *Residential to Commercial*- This concept is fabulous for residential lenders which because of the present conditions can move into commercial loans. Yes, but you don't have the experience or know where you can place a loan and how do you get help. Wow! That's a mouthful! Well, earlier today I told this lady, Ms. Jackie Weed, that I only admire 5 people in this world...and she's the 5th. Her key to success is she re-invents herself to counteract what life brings that's not good. She's a true executive who headed the most successful division of a major national mortgage corporation. Because of the failing of the parent corporation's executives the other divisions failings forced the closing of the company and the loss of about 5,000 jobs. Ms. Weed recently accepted a position with Silverhill Financial. She is responsible for establishing the national sales force and the sales and marketing of their service. They have a program to provide residential mortgage lenders the opportunity to direct their efforts to the growing commercial mortgage market and continue a strong income stream for their company. This business executive doesn't fail. When asked about her capable-

-ities recently, I told the truth. She has only one flaw.... she cares about people. And, if that's a flaw I could only hope we all have it. If any of you mortgage people or mortgage brokers may be interested call me @ 732-286-3000 and I'll see you have an opportunity to speak with her.

4.) *Mortgage Problems Intervention*- I wrote about this once before and it is worth repeating especially in this segment. It was reported that over 60% of the people who are having a problem paying their mortgages or can't see or refinance because the downtrend in the real estate market has eaten away their equity position are either too embarrassed or too timid to call the lender and try to work out the problem. You bankruptcy attorneys, real estate attorneys, mortgage people and real estate brokers can provide a service to represent these people and negotiate for assistance in dealing with the present lender. Many of the lenders are agreeing to "short sales" and some are waiving a portion of the principal up to \$50,000 +/- just so they don't have to carry the property as an REO. So, if you speak well and can write well, get a contract prepared for intervention and get in the business.

**FIGURES LIE AND LIARS FIGURE-** If you've paid attention to the National Association of REALTORS economists and the soothsayers from the mortgage industry you've heard that there isn't a demonstrative drop in housing prices. Well, this past week the statement was made that from August of 2006 to present there has been a steady decline in housing prices. The general drop including inflation can be as much as 16%. Now, you can take figures and let them talk any way you want. That's what's happened over the past few years. Now, as the American public is actually feeling the financial im-

-pact, they are doubting so much of what has been spewed. Let's see what some said. Greenspan, former Fed chairperson said the housing market was not susceptible to bubbles, in part because every local market is different. Ben S. Bernanke, former Bush advisor and now Fed chairperson said, "strong fundamentals" were the main force behind the rise in prices. "We've never had a decline in housing prices on a nationwide basis." And, Freddie Mac via it's index started in 1950 has said there's never been a decline in housing prices and NAR got on the bandwagon and said it has never experienced a downturn either. Now, some of the studies only use single unit housing as the gauge. Some include multi unit dwellings but omit condos. Others include condos but omit multi units. So, liars figure and figures lie. What's the truth. Ask your neighbors, friends, co-workers and family members. See what they say. The upper economic levels may not feel the affect as much albeit they bear a good portion of the foreclosure pressures. As corporations and businesses fail; and, more people are out of work, the ability to pay mortgages and other incurred debts because the American public used their home equity positions to fund the "wants" of life, the scenario will worsen. But this too shall pass. It takes hard work and diligence. Maybe there's a way to help this public as people like Kari Schneider and Jackie Weed have found a way to maintain their successful entrepreneurial ways by helping others find their way through the uncertainties of the financial chaos surrounding not only those of us in the United States but throughout much of the world, because the US is truly the focal point.