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CONFESSIONS OF A MORTGAGE INSIDER

*The Highlights, Lowlights and Insights
of a Twenty-Year Mortgage Veteran*

DENNY ANDREWS

Confessions of a Mortgage Insider

The Highlights, Lowlights and Insights of a Twenty-Year Mortgage Veteran

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This book is dedicated to:

My sister Tracy the bravest girl I know and the inspiration for this book. If not for her I'd still be thinking about writing a book someday.

My Father, Denny Andrews, the best western writer in the world and my best friend.

My Mother, Lorna Andrews, far and away the best mother in the universe and the most outstanding human being I've ever been lucky enough to know, let alone be related to.

My sister Sally and brother Bob, my nieces and nephews, without their love and support I wouldn't even be here let alone have written a book.

My clients, Thank you for your support and friendship.

You the readers, may this serve as a blueprint to help you protect yourself in dealing with anyone, and everyone in your business transactions.

Finally to my publishing coach and eye opener, Patrick Snow.

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1

Unbelievable

It was a typical blustery Seattle day. Rain pelted the windows, only to be pushed further downward by the wind. From his plush office inside the twenty person mortgage company he was running, Rick gazed briefly out the window and then back at Doug, the smiling, overweight, red-nosed lender representative seated across from him. “Let me see if I understand you,” Rick said. “The borrower doesn’t need a down payment.”

“That’s right,” Doug replied with confidence.

Rick continued, “And the borrower doesn’t need a shred of proof to verify income, not even one cent.”

“That’s correct,” replied Doug.

Rick continued, “And the borrower doesn’t need any assets whatsoever, with the exception of two month’s worth of monthly payments.”

“Right again,” Doug replied with a smile.

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Rick looked at Doug, a shark smelling blood in the water grin slowly growing across his face. Rick Agnew was 5'10" and 185 compact pounds – not far off his competitive wrestling weight. His blue eyes sparkled as his mind raced with the possibilities. If this was true, he could really help a lot of people that sorely needed it. However, he had heard tall tales from lender reps before that turned out to be bullshit, so he turned to Doug and said, "Get your boss on the phone. I want to get this from the horse's mouth."

Rick didn't hold back and lit up Doug's boss right out of the gate. "There is no way in hell you can make this loan. Okay, hold on. Let me focus. I want to give you my undivided attention." Rick paused to gather his thoughts.

"I know we have stated income loans, where the borrower's income is just stated on the loan application, and that's what we use to qualify the borrower, but the income is never verified.

"And I know we have zero-down loans, where there is a first mortgage and second mortgage closed together so no down payment is needed from the borrower.

"And I know we have no asset loans, where the seller can pay all the closing costs, the borrower brings in nothing at closing and only has to show two month's payments in the bank.

"And I know we have jumbo loans for loan amounts over 417,000 dollars.

"But you're telling me that I can do a stated income, zero-down, no asset, jumbo loan up to 1,600,000 dollars – one point six million," Rick said, trembling with anticipation.

"That's right," said Doug's boss as Doug nodded his head with a smile. Doug was a good lender rep – a sales representative for the bank and its lending products.

It was hard for him to contain his excitement as his body started to tingle, but Rick kept the phone glued to his ear. He asked, "So what do I put on the loan application, since we're not verifying anything?"

Chapter 1 - Unbelievable

“Well,” answered Doug’s boss, “Ask the borrower how much he makes and write that in the income section of the loan application. Then get verification of his assets. Let’s see, the monthly payment on this is about 13,000 dollars a month, so two months is 26,000 dollars. So I’d verify 30,000 dollars in cash just to be safe.”

Rick started dancing and was about to jump up and down as he asked, “So let me get this straight, I’m making two points on this deal, which is 32,000 dollars. That’s more money than the buyer needs to have in total assets to buy this one point six million dollar home – without showing one red cent of income.”

The lender rep said, “That’s right.” Rick dropped the phone and got to work putting the loan application together.

Wait. Hang on a minute. I think it’s only fair to you that we start at the beginning. I wouldn’t want to give you the wrong impression...much.

In this book, the names have been changed to protect the innocent and the guilty. Well, come to think of it, just the guilty, I don’t remember there being any innocent.

We’ll start at the beginning, which was a little more than 20 years ago, 1986, when Rick was still in college, finishing his finance and economics degrees and just getting his start in the financial services industry...

2

College Daze

Rick entered the office of the head of the school's finance department for a meeting. Most college students hated to meet with department heads, but Rick didn't mind. In fact, he and the department head had a great relationship. The professor turned to Rick and asked, "So, is your resume important to you?" Rick looked at him with, "What the hell are you talking about? Of course it is," running through his mind. He replied, "It's very important, in case I decide to go to a big corporation when I graduate."

Rick was a finance major and loved it. The only reason he had minored in economics was because it went right along with his finance major and only required a couple of extra classes. The finance professor, who was also chairman of the department, turned to him and said, "Okay, then. Here's what we can do. I know you would rather not tutor this economics course for me, especially at a 101 level, but I'm stuck and I need your help."

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“If you’ll tutor this weekly class for me, I’ll sign substitution forms so that the last four finance classes you took will also apply to an economics degree. Just tutor this one class and when you graduate next year, it won’t be with a major in finance and a minor in economics; it will be with a major in finance and a dual major in economics, completed in four years. How do you think that will look on your resume?” Rick took the deal. It would have been foolish to have turned it down.

Rick didn’t completely dislike economics. As a matter of fact, some of the best times of Rick’s life resulted from an epiphany he had during an economics class. The professor was covering cost benefit and best case, worse case analysis when it came to making economic decisions. During that class, a light went off in Rick’s head, along with an ear to ear grin across his face. He couldn’t wait for the class to end so he could rush back to his apartment and talk to his roommates about his latest brainstorm.

Rick’s roommates were more like brothers to him, as they’d been best friends since they were all in the sixth grade. People had told him not to room with his best friends. They said it could ruin their friendship, but as usual, Rick paid no attention to what people said. He raced back to the apartment. Well, it wasn’t really an apartment – it was better. It was the center unit in an apartment complex. It had been converted from the recreation center. It had three bedrooms, a large living room, kitchen, fireplace, front door, side door that exited from Rick’s room and a huge sliding glass door that exited out to the courtyard.

Rick grabbed his two roommates with excitement and enthusiasm and seated them around the kitchen table. He took the floor immediately, “Okay...I just studied best case, worst case decision-making in economics and got a brilliant idea. We’re going to buy a keg and have a ‘girls drink free’ party. We’ll charge the guys three dollars

Chapter 2 - College Daze

instead of the usual two and tell them they have to be gentlemen and pay for the girls' drinks."

"Best case: If we only have girls show up, we'll eat the 35 dollars for the keg and get drunk with a bunch of college girls. Worst case: If only guys show up, they'll all pay three dollars and we'll make some money."

Rick's roommates caught on right away and they were in. They spread the word around campus that the party would be Friday, just a couple of days away.

The party was huge. It was such a blowout, in fact, that they had to send someone to get another keg four different times during the night. The next morning, the three blurry-eyed, smiling roommates faced each other in the living room, thinking how perfectly everything had gone – without even one hitch. Their smiles faded quickly, though, when Dick lifted his foot and stomped down on their shag carpet, creating a wave of beer that splashed up and covered their feet and shins. Sure, they'd made money, even after paying for five kegs. The problem was that they had to spend their all their profits to rent carpet cleaners and then spend all the rest of their weekend getting the carpet to not squish when walked on or smell like stale beer. James and Rick approached campus Monday morning with their minds made up. No more parties.

Then, something magical happened. The moment they stepped onto campus and the whole time they walked to their classrooms, girls came out of the woodwork, literally. They were sitting on benches, riding by on bikes, coming out from behind trees. "Hi Rick. Hi James," they said with cute little smiles and waves. After about the twentieth rock-star type greeting, Rick slyly turned to James, looking not just like the cat that had eaten the canary, but more like a cat that was about to be put in charge of an entire canary ranch and asked with a sly pleading grin, "Just one more party?"

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Now, Rick was a pretty sharp guy, especially when it came to something he was passionate about. So for their future parties, he came up with a few ground rules: One, girls could always walk right into the party without waiting in line. Two, they would keep the ratio as close as possible to more girls than guys, even if it meant that guys had to wait in line outside. The third, and most important, rule, especially to Rick, was that every girl who came to the party had to find Rick and introduce herself before she could get a free cup to drink from for the night. After a week or two, this slowly morphed into “Introduce yourself to Rick *and* give him a kiss on the cheek before you get your free cup.”

This paid off in ways Rick never would have imagined. So much that instead of just one more party, Rick and his roommates held their party every Friday night (and into early Saturday morning) for ten weeks in a row, all the way through the fall quarter. Oh, where did that quarter go?

The parties were so popular that when the roommates didn't have a party on the last Friday of the quarter because they needed to study for finals, they spent most of the night turning disappointed people away, often hearing, “Of all the times we need a party, it's now, right before finals.” One amazing fact, for as big and popular as these parties were, there were very few problems.

Of course, Rick had all the bases covered. He had it set up so the apartment manager had a pitcher of beer delivered to him every hour as long as the party went on or until the apartment manager passed out, whichever came first.

Another benefit the apartment manager had was that Rick purchased a commercial stand-up video game and had it installed in the laundry room. It was a great idea because whenever he or his roommates needed to do laundry, there was no scrounging for change. All they had to do was grab the key to the game, open the machine and,

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voila! They had all the quarters they needed. The apartment manager loved playing this game, so Rick made a deal with him for looking the other way every Friday night. Rick told him to put a big red "X" on the quarters he used when he played the video game and Rick returned those quarters to him any time he wanted them. This effectively allowed the manager to play all he wanted for free! This was a small sacrifice by Rick and his roommates for the ability to host their weekly beer and cocktail bash without the manager's interference.

The only real issue was the size of the party. There would be 30, 40 – even 50 guys waiting in line at the sliding glass door. The line extended all the way out into the courtyard with guys just begging to pay 50 percent more for beer than they would at any other party on or around campus and actually thanking Rick and his roommates for the privilege to do so. It was amazing to note how every guy in line was all of a sudden Rick's best friend. "Hey Rick, we have philosophy class together." Or, "Hey Rick you're my tutor in econ class."

There never really was a problem, but by the third party, Rick thought it was a good idea to put someone at the door with some authority. He knew just the man for the job. Rick was tutoring 400 level finance and in one of his classes was a brick wall named TT. He was a 6'4," 400-pound Alaskan Indian, 27 years old and an aggressive student. TT and Rick hit it off right away and became good friends.

Rick called his friend. "Hey TT, I need some help." TT replied immediately, "Sure, Rick. What's up?" Rick explained about the parties and their incredible growth and popularity. Then he said, "I just need you to come and stand at the door. I'll give you all the beer you can drink, I'll pay you 20 bucks and I'll introduce you to any girl you want to meet at the party because I'm on a first-name basis with all of them." It didn't take much convincing; TT was in!

Rick later learned that the reason TT was in school at age 27, which seemed ancient to Rick at the time, was because TT had spent

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most of his early twenties as a body guard for gangsters. TT eventually decided that he wanted to use his brains, not his brawn, to get through life and he disagreed with almost everything his bosses did, so he wanted to get out. TT explained that it took him some time to get out, because when you are working for these guys, you don't just walk away. He needed to save enough money to buy his way out, and at 27 years old, he finally did it. It didn't hit Rick until much later that not only did he have a weekly party that everybody talked about and would die to get into, he also had a former gangster bodyguard watching the door.

Thankfully, Rick never needed anything more from TT other than his presence at the door. Well, except for one time. The party was in mid-swing and about 30 guys stood in line to pay three dollars for a cup and to get inside the door. Out of nowhere a guy came right up to the front of the line and tried to walk in. Rick stopped him short and said, "Hey, there's a line for guys and all these guys have been waiting." The guy turned to Rick and said, "Do you know who I am?" Rick lied and said, "No. Do you know who I am?" The school quarterback, who was a jerk anyway, said, "Yeah, I know who you are, but my girlfriend is in there."

Rick smiled and said, "There are a lot of guys' girlfriends in there. I'll tell you what, pay the three bucks and you can cut the line and go in." The quarterback looked down at Rick and said, "I'm just gonna go get her and we'll leave."

"Bullshit," said Rick. "You'll go in there, find her, she'll give you her cup and then she'll come give me another kiss on the cheek and get another cup." This guy was used to doing whatever he wanted, so he started to push right by Rick and walk in, as though Rick didn't even exist.

All of a sudden, out of nowhere, what looked like a tree trunk came flying over Rick's right shoulder, wrapped itself around the

Chapter 2 - College Daze

quarterback's throat and effortlessly lifted him into the air and smacked his head into the ceiling. Then came a deep, pissed-off roar of thunder from behind Rick that said, "You listen to this man!" Rick spun around, more shocked and scared than the quarterback, until he saw TT standing there with a scowl. Rick smiled at TT and as he suppressed his laughter, turned around and said, "Yeah, three dollars, asshole." The quarterback immediately reached into his pocket and pulled out three dollars, then walked into the party after pleading "no hard feelings" a couple of times. Nobody wanted any hard feelings with TT, and now, with TT and Rick. The police always stopped by at least once a night, but Rick was on a first-name basis with them and actually thought they just came by to check out the hot college girls.

Before he knew it, Rick's first tutoring class was scheduled. It kind of snuck up on him. His previous tutoring experience consisted of two or three students at a time, sitting around a table asking questions about finance. This time he approached the room on the appointed date, looked in the door at the classroom and saw what looked like a thousand students. Rick swallowed hard, stepped back into the hall and looked at the room number, hoping he had the wrong room. The classroom was set up theater style and sloped up at an angle with seating for about 80 to 90 students. With the way students were scattered throughout the room, it looked full, but only about 60 students waited for him.

Still, the room looked full and the only time Rick had spoken to a group larger than ten was to quiet down a drunken party of about 200. And in that instance, Rick was half drunk, the police were out front, and someone was throwing up on the lawn.

After checking again to make sure he had the right room, Rick walked into the room, looked around, took a deep breath, approached the front row and asked the person closest to him, "Excuse me, what class is this?" The student turned to Rick and said, "Oh, this is the

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economics tutor class, why?” Rick replied quickly, “Oh, no reason.” He then turned and ran from the room in a complete panic.

The nearest door was the men’s bathroom. Rick opened it and ducked inside, only to face himself in the huge wall mirror. After staring into his own eyes for a while, he finally reached down, turned on the faucet, filled his hands with water and splashed it onto his face. “Get a grip,” he yelled at himself. “All those people are in that class because they are stupider than you.” After about ten minutes of this “self-therapy,” Rick decided to take the bull by the horns and go back to face the classroom.

Rick’s plan was to do the best job he could at making economics easier to understand, when it hit him. When you only have a couple students sitting around a table, you can just take questions and go through the answers. When you have a classroom filled with 60 students, you need to have an entirely different plan. Rick had nothing of the sort that day. All he had was frazzled nerves and simmering panic, so he figured he’d start with something he knew well.

He walked back into the classroom with as much authority and confidence as he could muster and stood behind the podium, holding onto it like he was holding a life preserver in stormy seas. “Hello everybody,” he began, hoping the students couldn’t hear the trembling he felt in his chest and throat. “I’m going to be your economics tutor this quarter, but before we jump right in I want to cover a few tips on how to attend classes and study. This may help you enough to where some of you won’t need to come back here next week.” Boy, did he hope a lot of them wouldn’t be back the next week!

When it came to learning and getting the most out of a class and its professors, Rick had it down to a science. He had learned this early on, and he credited his parents for his success. Their parting words to him as he left for college had been, “If you party and get bad grades first quarter, you will pay for the second.” Those words stuck with

Chapter 2 - College Daze

him and inspired him to figure out how to do well in school and still be able to party.

He shared his best tips with the class. “Always read the chapter in the book before the class when the professor is going to cover it. Force yourself to raise your hand and ask five to ten questions every time you are in a class. While reading the book, always write down notes from the book and be sure to put the notes in your own words so you’ll understand. A monkey can copy text from a book, but to put it in your own words, you need to comprehend it. When you go back to study for your exams, it will help to review concepts and information in your own language.”

Rick continued in front of the class with his topic, “How to learn in a college atmosphere,” until finally the hour concluded. Even though he hoped his lecture would shrink the size of the class, it had the opposite effect. Word spread that he was a great tutor and students filled his classroom week after week.

Rick’s methods of teaching, although loved by his students, were not very popular with the faculty. One example of his unpopular teaching style is the analogy he used to help everyone get a grip on the theory behind a supply and demand curve. For the horizontal axis, he used the number, or *supply*, of beers consumed at one of his parties and the vertical axis was the *demand* the party guest had for another beer. Even though not popular with professors, every student understood how it worked when they were taken through the demand curve of someone at a keg party.

Starting with low demand upon entering the party, demand increases after the first and second beers, as the buzz and confidence of the party-goer begins to increase. Then demand reaches a maximum as drunkenness finally begins to take over. The demand curve then actually drops and becomes negative upon the party-goer’s over-indulgence, sickness and eventual hangover. This was definitely not

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the most academic of tutoring metaphors, but every student in that class left understanding the theory and mechanics of a supply and demand curve. They all loved Rick for teaching it to them in such a fun and memorable way. Rick ended up putting a lot of time and work into those classes to spruce up a resume that was never really going to be put to use.

3

Worked

Graduation was approaching and job fairs began to spring up on campus. The term “job fair” is what the school called them because if they were called “sales pitches by trained bullshit artists,” no one would show up. Rick walked through a job fair feeling like quite a hot commodity with two tough degrees in four years, one of which he had actually earned.

He walked from booth to booth, always getting right to the point. “What’s the starting salary and how big is the company? Tell me about advancement opportunities.” That’s how he met Rocky – in a job fair setting.

If all the people staffing the other booths were bullshit artists, Rocky was Rembrandt. “What’s your starting salary?” was answered with, “How much you are worth?”

“How big is the company?” was answered with, “In the U.S. or worldwide? And do you want me to include all of our affiliate companies?”

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“Tell me about advancement opportunities,” was covered by, “The opportunities will be different depending on if you will be happy with a six or seven figure income.”

Rocky played with Rick like a cat playing with a brand-new ball of yarn. Rick didn't admit it at the time, but he was sold and this became his first job out of college. The reason he had busted his ass for four years to have a great looking resume was to become a straight commission salesman of life insurance and related products – or, as Rocky put it, “a financial planner.”

For Rick to get his start with the company was easier than you might imagine. First, a college degree wasn't even required. However, Rocky was no fool and went fishing in the pond with the most potential – college job fairs. All that was required was passing the state's insurance test and becoming licensed.

This was a complete joke. In order to become licensed, you take a test prep course that basically covered all the questions on the test. They sent in shills every week to memorize the tests, then provided all the questions and answers from the past couple of months' tests. Rick had just graduated from college. This was not learning a subject, it was learning a test. And Rick knew the difference.

Rick, along with everyone else from the test prep course, passed the test with ease and immediately went to work. He had his suits and ties, his insurance license, business cards that said “financial planner,” and a pretty big company to back him. Remember now, this was straight commission – no sales, no check. Believe it or not, at 22 years old, right out of college, it was difficult to get people to trust him with their cash or lifetime retirement accounts!

Rick busted his tail, spent time around the other agents, paid attention and went to company meetings. One meeting was particularly confusing. The leader of the meeting stood up and said, “Okay, this

Chapter 3 - Worked

month we are selling all Benefits Life products, so put all your clients into that.”

Rick nudged Rocky and said, “Why would we do that? Aren’t we supposed to shop around and find the best insurance products for our clients?” Rocky gave him a quick look and said, “After the meeting.”

So after the meeting, Rick cornered Rocky and said, “Explain this to me.” Rocky sat Rick down and explained the entire insurance compensation structure in about two minutes. “This is how we make money,” he said. “You sell a life insurance product where the buyer’s monthly premium is 200 dollars. That’s a 2,400 dollar annual premium you just sold. As an agent, you get between 10 percent and 100 percent of that whole first year’s premium paid to you up front. So let’s say you sell a policy with a 500 dollar monthly premium with one of our companies that has a 50 percent split. The first year’s premium would be 6,000 dollars and your 50 percent would be 3,000 dollars.

“Annuities have the same payment structure as life insurance has. It’s all based on the monthly payment the client pays.

“A lump sum deposit is where someone wants to deposit cash, or roll over, or move money from their current company to us, move or roll over to an existing IRA, company retirement or other large financial asset. On a lump sum deposit, we can earn between one-half percent to four percent of the entire amount being rolled over. On a 100,000 dollar roll-over, that’s between 500 and 4,000 dollars in commission to you.”

Rick jumped in, “Okay I got it, but what about what they said in the meeting?”

Rocky replied, “The reason they said to just sell Benefits Life products this month is because this month Benefits Life has raised its commission to a level higher than any other company. The more Benefits Life products we sell, the higher our commissions and the more money we’ll make.”

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Rick was going to repeat his question about doing what's right for the client, but he knew he already had his answer. With all that cleared up, Rick was reluctantly ready to go to work, but he still had that little problem of where to find clients.

Rocky noticed Rick's frustration and said, "Here's a way to make some money. Have you ever heard of TSA's?" Rick thought, "Oh shit, was I supposed to have read about those?" but answered, "Yeah, I think I have, but remind me." Rocky explained that TSA's were tax sheltered annuities, available to teachers and most government workers.

He handed Rick a teacher's handbook from a local elementary school. It contained the names, addresses and work and home phone numbers of all the school's teachers. "If anybody asks where you got their name or phone number, make something up, but never mention that you have a copy of this handbook," Rocky sternly instructed.

Rick looked at him a little puzzled, "What do you mean if anybody asks?" Rocky explained, "You need to call every person in this book and try to get an appointment to go over their insurance needs. Just follow the script. Good luck!" Rocky handed him a piece of paper. "Oh yeah, the best time to call is between five and eight at night."

Rick was lost. He thought, "Three months ago I was looking at corporate careers and now I'm getting ready to work during the day and cold call - call people who don't want to be called - at night."

It turned out Rick had cause to be wary. Cold calling was much easier said than done. It reached the point where Rick took a six-pack of beer with him to the office at five, started cold calling and every time someone said, "Screw you, never call here again." or "Where'd you get this number...?" or even, "Die," he took a drink. It didn't actually help in getting appointments, but halfway into the calls, Rick didn't care as much. He had some success, closed some sales, but found the whole thing rather disgusting.

Chapter 3 - Worked

Rick realized that even the guys who were really successful didn't know much about financial planning. They were just great salesmen. Feeling not totally, but fairly, disillusioned, Rick decided to try to put his college degrees to work. He began talking with representatives from some big companies again. Through interviews and looking around, he found a company that looked great. The job would be salary plus commission, with good benefits, regular hours, a regular work week and it offered the ability, real ability, (or so Rick thought), to help people with their finances. So Rick took a job with one of the larger finance companies in the country, Homegate finance company, or Homegate for short.

4

Usurious

Rick showed up at Homegate as excited as he'd ever been, ready to begin his new career and really help people. Half-way through his third day there, some clients were coming in to sign their loan. Rick asked if he could sit in on the signing. The manager said no, but that he could read over the loan documents after the signing. The clients came and went and Rick read the loan documents. About five minutes in, he stopped, confused, and asked his manager, "Something doesn't seem right here. Does this document say 33 percent?"

"That's right," responded the manger. Once again, Rick saw the ugly underbelly of another business. He asked, "Doesn't Washington have usury laws to protect people from rates this high?" The manager answered confidently, "Oh, in order for a loan to break usury laws in the state of Washington, the rate must be higher than 36 percent." Rick mustered all the sarcasm he had and said, "Oh, well it's a good thing we aren't breaking any laws."

5

With Friends Like This

Now that he was commuting to work and had a steady income, Rick decided it was time to get a car. He should have known better, after witnessing how the financial planning industry and Homegate operated. However, it didn't even cross his mind to watch his ass when he went to Hound Pre-Owned Vehicles to buy his first car.

Charles, the salesman, was a personable guy and he and Rick became friendly right off the bat. Rick found a car he liked, especially after driving it – a navy blue Toyota Supra five-speed. He and Charles discussed financing and then Charles left Rick in a small room while he went to talk to the finance manager. Charles came back and said there were some “issues” with Rick’s financing, but he was working on it and would be right back.

Charles went back and forth for the next couple of hours and every time, the price and payment seemed to change and never for the better. Finally, Charles walked in and said everything was fine

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and all Rick had to do was sign and take the keys. Of course, the payment was quite a bit higher than where they'd started and the actual purchase price was nowhere to be found.

You'd think with his finance degree and background, Rick would have been smarter than this, but he had been played by a trained expert and really, he never had a chance. By the time it was over, Rick actually thanked Charles and was thrilled to drive away in his new car.

Rick and Charles kept in touch and occasionally went on drinking and hunting expeditions. To Rick and Charles, "hunting" meant chasing skirts. One night after a few drinks, Charles turned to Rick and said, "Hey man, I really owe you an apology." Rick asked, "For what?" Charles looked down into his drink and said sheepishly, "I buried you in that car."

"What are you talking about?" asked Rick. Charles elaborated and said, "I could have given you that car for thousands less and at a much lower monthly payment, but I wanted to make more money. You couldn't sell that car now for what you owe on it to save your life. See, we get paid more if we can sell a car at a higher price. Then we can earn extra commission if we can sell the buyer on a higher payment, too. If I had known what a cool guy you are, I never would have screwed you and buried you in the car that way, but that's how Hound Used Cars trains us."

Rick forgave him almost instantly. He figured, "Who am I to get pissed? I work at Homegate and sell interest rates in the 20's and 30's with much higher than normal payments. I can't really get mad."

6

Go to Your Bank

Working at Homegate was a pretty good job with the exception of sticking it to unsuspecting people. Of course, this was nothing compared to the level of dishonesty and deception Rick would discover across various industries in the future. At one point, Rick even had to fess up as Charlie had done with him and apologize to his own parents for getting them an Homegate loan.

Then one day, Rick was at his desk and an elderly couple came in and sat down. They wanted to borrow 30,000 dollars against their home. Rick interviewed them, pulled their credit and reviewed their assets and income. They were perfect borrowers. However, at Homegate a perfect borrower meant 21.9 percent instead of 29.9 percent. Rick felt ill at having to sell the nice old couple a 22 percent interest rate when they deserved nine percent. He looked around, leaned forward and said, "Okay, listen to me because I'm only going say this once and then I will deny I said it. GO TO YOUR BANK! You can get

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nine percent at a bank and the best rate I can give you is 21.9 percent.”

The elderly couple smiled, looked across the desk at Rick and said, “We just love Homegate, they’ve been taking care of us for years.”

Frustrated, Rick ran the numbers and said, “Do you love Homegate enough to pay an extra 322 dollars a month for the same loan and amount of money that you could get from your bank?”

Expecting to see them get up and leave, Rick was shocked when they said, “We have been dealing with Homegate for years and they have always taken good care of us. We’re comfortable getting our money here.” As Rick helped them sign the papers, he couldn’t stop thinking, “Wow, a brand name and customer loyalty really carries a lot of weight.”

Just about the time Rick was ready to walk away, Homegate transferred him to another branch. A new office, new waitresses, oh wait, new restaurants for lunch, and a much shorter commute. It didn’t take long for the newness to wear off, though, and then it was just the same knee-capping interest rates and loan programs as before.

Right about then, something very interesting happened. Rick was at his desk one afternoon and a man walked in, dressed to the nines in a pinstripe suit and floral print tie. He dropped a bar napkin on Rick’s desk. He looked at Rick and said, “These people need a loan. Give them a ring.” Regardless of Homegate’s high interest rates, Rick was aggressive and contacted the lead immediately. He took the application, handled the credit, appraisal, title and loan conditions and brought the people in to sign their closing documents. As Rick looked over the closing documents (by now he was accustomed to ignoring the interest rate), he looked at the closing costs section, and noticed that there was a mortgage broker fee of a thousand dollars. It

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took Rick half a month to make a thousand dollars, so he was rightfully indignant when he went to his manager and said, “What the hell is this?” The manager turned and said, “Oh, that’s the mortgage broker’s fee.” To which Rick replied, “What mortgage broker? I handled every aspect of that loan from start to finish.” The manager replied, “You know the guy who brought you the lead?” Rick, in a controlled scream, said, “You mean that guy who spent 30 seconds at my desk and dropped off a bar napkin?” The manager quipped, “That’s right.” With his mouth, Rick said, “Oh, okay.” But in his mind, he thought, “If mortgage brokers get a thousand bucks for a bar napkin with a name and a number, then I’m gonna be rich.”

7

The Triple Interview

Not being one to waste time, Rick immediately hit the phones and called every decent-sized mortgage company within ten minutes of where he lived. Now, the mortgage business wasn't the rotting cesspool it is today and for Rick to get hired actually took some real effort. But after many phone calls, he managed to secure an interview with a senior loan officer at a good-sized company ten minutes from his house.

On the day of the interview, Rick pulled up to a gorgeous building, and took the elevator up to the mortgage company. Keep in mind that Rick was used to getting up in the morning, putting on his suit and tie and driving to his storefront office in a strip mall. Walking into this place was like walking into Disneyland. The waiting room had gorgeous leather furniture, coffee and tea and a stunning receptionist. She was so hot that no one cared if she could type, or even answer the phone for that matter. Rick was so excited he could barely sit still on

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that leather couch and kept thinking to himself, “If I could just work here every day, my life would be perfect.”

He was so deep in thought that it startled him when a man standing about five feet away said, “Hi Rick, I’m Ernie, follow me.” Rick got up and followed Ernie right past the receptionist, where he had to exercise extreme discipline not to stare. They walked into a beautiful executive conference room with floor-to-ceiling windows and a conference table that would easily seat 20 people.

Rick and Ernie began to talk and the conversation seemed to be going well. Ernie said, “So Rick, tell me about your experience.” Rick responded with his practiced answer, “I have two degrees – one in finance and one in economics. I can open and close a loan from start to finish and I can pick up new concepts very quickly.” He thought, “Perfect, I delivered that just like I practiced, I’m a shoe-in here.”

Interrupting Rick’s pleasant thoughts, Ernie asked, “What do you know about purchase deals?”

“Nothing,” said Rick.

“How about FHA loans?”

“Nothing.”

“How about VA?”

“Nothing.”

“How about Jumbo loans?”

“Nothing.”

Rick interrupted Ernie’s questions, now that his thoughts of a perfect interview had gone right out those beautiful windows. “Look, I realize I don’t know this stuff, but I’m a quick study.”

Ernie’s response was less than enthusiastic. “Thanks. We’ll call you.”

Feeling that the interview could have gone much better, Rick left, but he was far from discouraged. He kept seeing that office, that

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receptionist, that boardroom in his mind and called every day for weeks until they finally gave him a second interview.

The day of his second interview arrived and Rick was psyched, not just to see the office or that receptionist again, but to get this job. The second interview was with the vice president. Rick thought it was going great. Then all of a sudden, those same dream-killing questions started. “What do you know about purchase deals, what do you know about FHA, what do you know about VA? Thanks, we’ll call you.”

Frustrated again, but undefeated, Rick went back to work at the strip mall and continued to call every day. It may have been because he was getting used to thinking about dating that receptionist or because he just really wanted that job, but he wasn’t even close to giving up.

Through dogged determination and a miracle, Rick got a third interview, this time with the company president. She was an attractive thirty-something woman with a trim figure and a focused stare. Rick was having another great interview with her when all of a sudden the other shoe dropped and she said, “So, what do you know about purchase deals?”

That was it. Rick lost it and asked *her* a question instead. “Who is the next biggest mortgage company in this city?” She looked a little puzzled and asked, “Why?” Rick responded, “Look, I know all the questions you’re going to ask. I’ve answered them for two of your subordinates and the answers are the same; I know nothing. So please just tell me who the next biggest mortgage company is because I am going to go work for them and kick your butt!”

With that, Rick stood up and started to leave the room. The president stood up and said, “Wait a minute.” Rick turned his head to her and said, “I think we’re pretty much done here.” Before he even finished his sentence, she interrupted him with, “When can you start?”

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Rick was surprised, happy and filled with the confidence that comes with knowing he had nothing to lose as he asked, "You mean someone has to come in here and swear at the president to get a job?" She answered with a chuckle, "No, but because of your age, it's going to be difficult to get people to trust you with their money and finances unless you have a real attitude and you obviously do. So when can you start?"

Rick was shocked. He'd been totally caught off guard. To give himself some time to get organized, and oh, quit his current job, he said, "I need two weeks. I can't leave Homegate short-handed, so I have to give two weeks." She simply said, "See you in two weeks, then."

Rick was on cloud 209, that's 200 levels above cloud nine, as he walked past the knockout receptionist, rode down the elevator and walked out of that beautiful building, now *his* beautiful building, where he would be arriving for work in two weeks.

8

The Copier Guy

The next two weeks seemed like two years and Rick must have driven by his new building at least a hundred times. As much as he wanted to leave Homegate short-handed and get started immediately in his new position, it wasn't in him to leave the company under-staffed and just walk out. Finally, the two weeks passed and the first day of his new job, or *career* as Rick now saw it, arrived.

The two weeks seemed to pass so slowly that Rick worked to find every piece of information available on mortgage banking and mortgage brokering and there was nothing available. Walking into his new office on the first day was as exciting as he had imagined. He had played the scene over and over in his head during the past two weeks. Just pulling into the parking lot was a great experience compared to pulling into the strip mall where his Homegate office was located.

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Walking into the new office was thrilling and scary at the same time. Looking around the lobby at the beautiful furniture and art for the fourth time, and then towards the very cute and now attainable receptionist was a great way to start any day. Then, after a couple of deep breaths, it was time to head back to the bullpen, meet the staff, loan officers and management. This was a medium-sized company, as mortgage brokerages go, with about 20 loan officers and ten other people in management and support positions.

Rick's nervousness turned to excitement. He became more certain he had made the right decision as his co-workers greeted him. He was at least six years younger than the youngest loan officer, but still felt extremely welcomed and right at home. "Anything I can do to help?" or "If you have any questions, don't hesitate to ask," were repeated by all the loan officers. Even though technically they were in competition for commissions, it didn't seem that way, well at least not yet, because this was Rick's first day.

After the pleasantries, Jan, the vice president, took Rick into her office and began to explain how things worked. She was very businesslike, and the way she wielded her authority made her seem kind of sexy to Rick. She wasted no time and said, "Let me explain how you make money here and what's expected of you." Rick was amazed that he could go from feeling like the most popular guy in the room one minute to worrying about keeping his job the next.

Jan explained, "We are a mortgage brokerage, which means we find borrowers who need a mortgage loan. We originate the loan, put the loan file together as beautifully as possible, then send it, or 'broker' it, to a lender where we have a pre-arranged relationship. In most cases, the lender sets the interest rate and charges a one percent loan fee. That's one percent of the loan amount to underwrite, approve and fund the loan. For example, on a 300,000 dollar loan, the one percent fee would be 3,000 dollars.

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“You’ll compete with banks more than other brokers, so let me tell you how to explain to your clients what we do and what we charge for. If a customer walks into a bank, the bank charges a two percent loan fee. That’s two percent of the loan amount. One percent goes to cover the loan costs and one percent goes to cover origination and office costs, including commission to the loan officer.

“We do the same thing, except instead of your client being stuck with just one lender or bank, we have dozens of lenders and financial institutions that we can send or broker the loan to.

“If your customer walks into a local bank, there’s no way a loan officer in that bank would say, ‘The best rate we have is 6.75 percent, but if you go down the block, another lender is offering 6.25 percent.’ When your client has us working for them, it doesn’t make any difference to us which lender we send them to. It’s all about finding the best interest rate and the smoothest deal.

“Let’s say you find a client who needs to borrow 200,000 dollars. We process the file, do the research to find the best deal, send it to the lender and then help them, along with the escrow company, get it closed. At closing, one percent, or 2,000 dollars, goes to the lender and the other one percent, or 2,000 dollars, goes to our company. You’re on a 50-50 split, which means that you receive 50 percent of all the loan fees you generate for the company every month. In this example, you’d get 50 percent of the 2,000 dollars – or 1,000 dollars in commission.”

Rick’s head was spinning, because he was used to closing 20 to 30 loans a month at Homegate, where he was paid 1,500 for the month plus 20 to 30 dollars commission for each loan. If he could even do 20 percent of that number of loans now, he’d make three times what he made at Homegate, not to mention the other benefits that came with this new position.

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He turned his attention back to the vice president and asked, "What's the best way to get started?" She gave Rick the best advice she had, which was, "The most successful loan officers develop relationships with real estate agents." Working with real estate agents was a joy that Rick knew nothing about. Jan continued, "Use the copier and colored paper to create and print up fliers. Pick a dozen or so real estate companies and start wall-papering them twice a week."

Rick did exactly that. Every morning he went into the office and made a couple hundred multi-colored fliers. Then he hit the streets. This was how he got his first taste of working with real estate agents. Rick was amazed at how realtors could be so ignorant about financing, some almost to the point of incompetence, yet still have egos the size of Donald Trump's.

Once at a business seminar, the speaker had written a book with a chapter comparing realtors to the Ku Klux Klan when it came to their control of information. The speaker suggested that control of information was how realtors and the KKK gained and held onto the majority of their power. He said that when his book was released, he received hundreds of calls from realtors, indignant and pissed off about being compared to the KKK. The most surprising thing for him, though, was the fact that he didn't receive any phone calls from the KKK! The whole room broke up laughing.

Up to this point, Rick had faced plenty of rejection through cold calling to sell insurance policies, working at Homegate, trying to get this job in the mortgage industry and of course chasing girls. Still, he was not prepared for being treated like a second- or maybe even third-class citizen by an entire industry of realtors simply because his business card said "mortgage broker."

Being very determined, though, he continued with the copier and the fliers. He spent so much time at the copier that at the company Christmas party, people who worked for an affiliated escrow

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company in the same building, on the same floor asked, “What’s the copier guy doing at the company Christmas party?”

The flier strategy wasn’t working very well for Rick. It generated a few leads, but the leads it generated were often terrible because they had been turned down by every other lender and only came to Rick as a last resort.

Rick decided to try the phones. He had lots of experience there and figured it couldn’t be any worse than what he’d been through with the realtors. Remember, this was almost 20 years ago, so not only was it still respectable to be a mortgage broker (at least to everyone except realtors), and difficult to get a job in the industry, but the office phones rang fairly regularly with people calling for interest rate quotes or to have various real estate and mortgage questions answered.

Rick didn’t get to answer the phones right away due to his lack of experience, but after getting his teeth kicked in by a bunch of realtors, he finally got his chance. First, he spent time listening to the more experienced loan officers taking phone calls, “Hello. Yes, today’s 30-year fixed interest rate is, uh, let’s see ten-and-a half percent with a two percent loan fee. Okay, thanks for calling.”

Believe it or not, this method actually pulled in a loan or two on occasion. When Rick started on the phones, his method was quite a bit different. He’d just come from Homegate and was used to selling interest rates between 21.9 percent and 33 percent. The last thing he would do there was quote an interest rate over the phone. At Homegate, if someone called looking for a rate quote it was his job as a loan officer to get an appointment. If he ever said, “We can offer you 26 percent today for four points,” the next sound he would hear would be a dial tone.

Rick showed up eager for his first day on the phones. The first call came through to his desk, “Good morning, this is Rick,” he answered

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confidently. “What is your 30-year fixed rate today?” the caller asked. As opposed to offering up the interest rate, Rick responded with, “Is this a purchase or refinance?” as though it made a difference. He kept answering questions with questions until he was able to schedule a face to face appointment. His Homegate training worked well and really paid off. So well in fact, that all of the friendly, helpful fellow loan officers he’d worked with for the past couple of months changed and even disappeared overnight. Rick couldn’t get any help to save his life, except from management. They were thrilled with his success.

It really bothered him that no one liked him anymore. Then came the monthly companywide meeting. Rick hoped that maybe something would take place during the meeting to raise his standing and make him a part of the group again. The meeting did raise his standing, but not in the way he had hoped. At one point, the owner of the company took over and said, “For those of you who haven’t met him, I’d like to introduce Rick to all of you. Rick, please stand up. At some point over the next two weeks I want every one of you to...” Rick was hoping for, “...take him to lunch, or get to know him better, or share some of your experience with him...” But no! The owner continued, “...spend at least an hour sitting next to his desk and listen to him handling phone calls from rate shoppers.” Rick thought to himself with an apologetic smile on his face, “Oh yeah, this is going to help my relationships with the more experienced loan officers tremendously. Why didn’t he just say, ‘Ask him to tell you what you’re doing wrong and how you can be more like him?’”

As difficult and, even hostile, an environment as it could be, it was still a great spot for Rick to get his start. He learned about all the programs, 30-year fixed, 15-year fixed, jumbo loans, FHA loans, VA loans and all the different ARM programs available. Lenders mailed their rate sheets weekly. These provided all the interest rates, pro-

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gram and fee information for loans they offered. It also meant that interest rates only changed once a week.

Rick often looked back fondly on this time, especially when he had one of those days later in his career where lenders changed their interest rates four times in one day by email. Back then an average borrower needed to put down 20 percent, credit scores didn't exist. The borrower just had to have a very clean credit history with a credit letter written to address every single late or derogatory comment that showed on the credit report. Rick started a file, saving the better reasons for late payments as very often borrowers had no idea why they'd been late and needed examples for writing their credit letters. Every loan needed to be fully documented with the borrower's paystubs, W-2's, tax returns, bank statements, divorce decrees and every other piece of financial information the borrower had. Debt to income ratios, the combination of the borrowers' monthly payments divided by their monthly income, were always calculated and if they didn't fit in the guidelines – no loan. There were just no other options.

As Rick got going in his mortgage career and started to have some success, different wholesale lender and title representatives wined and dined him, looking to have Rick send his clients to their companies. The most common thing about lender and title reps was that they were either extremely attractive, but clueless about loan programs or title insurance, or not so attractive, but knowledgeable. Rick always leaned toward the attractive reps when it came to females and the knowledgeable reps when it came to males.

With the limited success Rick had with following the crowd, it became clear that being a follower wasn't the best strategy for success. At this point, Rick started looking for ways to take the lead instead. He began looking for a way that wouldn't just help him and his customers, but everyone he did business with.

9

Who Needs Leadership?

Rick continued to study and look for ways to help not just his business and personal life, but everyone he did business with, the more Rick read and researched, the more he became aware that everything pointed to one word that was absolutely necessary to create lasting change and accelerate the business process: **Leadership**. It didn't matter if you were talking about a business, a company, a church, a family, an entire industry or just a personal relationship – nothing changes for the better without someone taking the lead.

Rick studied leadership and noticed patterns and qualities that the most influential and effective leaders shared. He reflected on times in his own life when he had exercised these same characteristics. Now came the task of personalizing this information and coming up with a system to not just help himself understand and develop these qualities, but a system that was simple enough so that even people who hadn't studied or done the research could also be helped.

Rick was reviewing his notes one afternoon when he thought of something. Most of the qualities and traits he saw could be covered by ten powerful concepts, each with its own skill set.

1. Listening Skills

Building and consistently using high level communication abilities may be the most important skill great leaders possess. These abilities include everything from active listening, to body language, to using empathy and intuition. The skill sets that Rick needed to learn in order to master listening skills included conflict management, active listening, questioning skills and listening in the present.

2. Ethics

When people think of ethics, they usually think of choosing right from wrong, but when it comes to leadership, it has a very different meaning. Ethics refers to leading by example, keeping your ideals and standards – regardless of the situation, not to mention emotional strength and strength of character. The skill sets that Rick needed to learn in order to attain high ethics included building strength of character, establishing and maintaining credibility, leading by example and building emotional stability.

3. Attitude

Nothing inspires and motivates people more than being led by someone who exhibits and maintains a positive attitude. This includes affecting those around them with the same attitude, being positive about what's going on in the present and being positive about the future and how they are going to get there. The skill sets that Rick needed to learn in order to master a positive attitude included developing passion, positive attitude exercises, optimism, risk-taking and motivational management.

4. Develops Leaders

Developing others is a true sign of an exemplary leader. This comes from mastering a variety of behaviors and skill sets such as focusing on the strengths of others, instilling leadership skills in others and sharing not just information, but authority and power. The skill sets that Rick needed to learn in order to develop other leaders included coaching success, sharing authority, building a leadership culture and instilling leadership in others.

5. Effectiveness

Effectiveness is important at all levels of an organization, but never more important than when you aren't just responsible for yourself, but for everyone on your team. The skill sets that Rick needed to learn in order to be more effective included being proactive, delegating, providing clear direction and executing on time.

6. Responsibility

Great leaders carry so much responsibility that they need to make this trait second nature. This includes owning their decisions, being accountable, maintaining energy reserves to recover rapidly from problems and admitting mistakes. The skill sets that Rick needed to learn in order to be more responsible included accountability, owning decisions, admitting mistakes, skills development and refinement and supporting goals.

7. Strategic Focus

Thinking and planning strategically is not only a necessity for great leaders, but for everyone on the team. This includes, but is not limited to, using teamwork to create the values, mission and vision for the organization and detailed SWOT analysis. The skill sets that Rick needed to learn in order to be more strategic included creating

values, mission and vision statements, team-building, using SWOT analysis (strengths, weaknesses, opportunities, threats) and building SMART goals (specific, measurable, attainable, realistic, timely).

8. Honesty

Honesty is always important, but never more than when you are leading people. Honesty is more than just telling the truth. When leading people, it includes showing loyalty, trust, high ideals and discipline, whenever it's needed – not just when it's convenient. The skill sets that Rick needed to learn in order to be more honest included loyalty, straightforwardness, giving and earning trust and sharing discipline and rewards.

9. Influencing

Influencing skills come into play daily. This is more than just impacting people. It's moving them in new and often uncharted directions, managing relationships and experiences, inspiring others to motivate themselves, to find meaning in their work and to expand their horizons. The skill sets that Rick needed to learn in order to be more influential included expanding others' horizons, moving people with emotion, managing relationships and experiences and providing meaning.

10. Priority Driven

Defining the purpose and priorities for your organization – not to mention communicating them with a sense of urgency, creating and maintaining momentum and providing systems to track and guarantee results – is absolutely crucial. The skill sets that Rick needed to learn to be more priority driven included managing change, putting first things first, success driven by results and using momentum to drive priorities.

Chapter 9 – Who Needs Leadership?

This list doesn't even scratch the surface as far as what it takes to develop a leader, but Rick found it to be a great start. The ten qualities together spell **leadership**. Rick designed it that way to help him remember as he was trying to develop these qualities and skill sets. It would take a week-long seminar or a series of books, and many have been written, to do this justice, but keeping this in mind when looking at new skill sets to learn or develop helped Rick to stay focused on where to spend the majority of his time.

- L – Listening Skills
- E – Ethics
- A – Attitude
- D – Develops Leaders
- E – Effectiveness
- R – Responsible
- S – Strategic Focus
- H – Honesty
- I – Influencing
- P – Priority Driven

Working on his leadership skills helped Rick in all aspects of his life, from his family relationships to the clients, business partners, and lenders he did business with.

10

Liar Loans

Rick became good friends and drinking buddies with Anson, a lender rep. Anson was a little older than Rick and had years of experience in the mortgage industry. He took Rick under his wing and helped him a lot early in Rick's career. A couple of times Rick called Anson with a borrower's loan file details and scenarios and Anson said, "Here's what you need to do to get the file approved, but once you do, send it to a lender other than me."

During one of their many nights out drinking, Rick and Anson were talking shop when Anson said, "Hey, you're not going to believe this. We're coming out with a new loan program that doesn't require one shred of proof to verify the borrower's income. It's called a 'stated income' loan because the borrower literally just states their income on the loan application and it is taken as fact."

Rick had his full attention on Anson now with a growing excitement. He'd had hundreds of clients he couldn't help and loans that he'd been unable to close due to an inability to verify or document the

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borrower's income. Rick was totally focused on Anson and said, "Explain this to me one more time. What do you mean by stated income?"

Anson explained that it was a loan program for self-employed borrowers only. They simply stated their income on the loan application and it was taken as fact throughout the whole process. Rick was like a dog on point now. The thought of all the loans he had lost because of income documentation problems raced through his head. It was just too good to be true. He would never have believed it if had it come from anybody other than Anson.

Rick finally said, "Why would a lender do that? What's the catch? Something like this must have other rigid stipulations."

Anson replied, "No, not really. It's like this; say your borrower's business grossed 80,000 dollars on his tax return last year. After deductions, it only showed 20,000 in net taxable income. In addition to that, his business is increasing and so is his income. With standard guidelines, there would be nothing you could do for this guy because you'd be required to use the 20,000 as his annual income. With the stated income program, you simply ask the borrower how much he is going to make this year and write it down on the loan application. If he tells you, 'I did 80,000 dollars in income last year and this year I'm at 120,000.' You simply put down 120,000 dollars in annual income or 10,000 dollars per month. You don't even need to look at the borrower's tax returns, and as a matter of fact, it's probably better if you don't. The loan was designed to take the borrower's word and we won't ask for the tax returns or anything else to confirm what the borrower has put down on the application as income."

All of a sudden the number of people who could qualify for mortgages and real estate financing jumped way up. It wasn't about analyzing or averaging tax returns anymore. If a person was self-employed or just had a business license, now that person could

Chapter 10 – Liar Loans

qualify for just about any size loan. All a person had to do was state a high enough income when the mortgage broker or loan officer asked.

These loans quickly became known as “liar’s loans” throughout the industry. Rick thought about this new program a lot, but hadn’t had the opportunity to see if this type of mortgage loan would actually get approved – let alone close. Then it happened. Christmas and New Year’s Eve hit on the same day in the form of two different borrowers, both required loans of a half-million dollars, both were self-employed and both needed to use the stated income loan program.

Rick was so excited, he could barely dial the phone as he called Anson to beg for assistance and to tell him about the million dollars in loans he needed help with and was about to send over. Rick was still a little apprehensive, as he had never closed a loan before that didn’t require income verification, let alone two of them at the same time, for a million dollars total.

As he talked to the borrowers, Rick explained that chances were slim that their loans would actually close due to it being a brand-new program, but he’d do everything he could. Working with Anson, Rick confirmed everything he put on the loan applications. At one point, after figuring out what his commission would be – close to 12,000 dollars – what had taken more than six months to make on his last job, he said to Anson, “If you get these deals closed, I’ll take you up to Canada on a Saturday night and not just pay for dinner and the hotel suite, but the strippers, too.”

No one in Rick’s office believed that either of the loans would close, let alone both of them, and Rick had started to feel pretty unsure, too. Who in their right mind had ever heard of filling out a loan application and just putting in whatever value the client wanted or stated as their income? Of course, the client wanted whatever income number was needed in order to get the loan.

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Despite the negative attitudes and Rick's own personal doubts, both loans were approved and funded! Rick received his five-figure check and danced all the way to the bank to deposit it. He pulled out more than a thousand dollars in cash for his overnight trip to Canada with Anson. It would have taken Rick more than six months to earn 12,000 dollars just a year or two ago and here he'd just done it in a matter of weeks. He was thrilled!

The trip to Canada was everything they had expected and then some. If it wasn't for the police showing up at their suite a couple of times it would have been perfect. Keep in mind that if it weren't for the stated income loan program, neither of Rick's borrowers would have been able to get loans and Rick wouldn't have been able to get his commission. As aggressive as the new stated income loan programs were, they were still only for a very select borrower. The borrower had to be self-employed, have perfect credit and have a minimum of 25 percent to put down.

11

Time to Move On

In about 1992, the industry started to come out with other changes. Par rates became available. This meant that instead of lenders charging their one percent loan fee to the borrower, they waived it in exchange for giving the borrower a slightly higher interest rate. This did a couple of things. It made loans a little more affordable on the up-front costs and it allowed mortgage brokers and mortgage bankers to make more money. The mortgage broker's wholesale price of their product was cut to zero, which some brokers passed on to their clients and some didn't. The timing was perfect to go along with the new stated income program.

Rick had started to make some real money, which meant nicer suits, a new car and a new cell phone – which, at the time was the size of a brick with the best plan available being about a dollar a minute. Rick's use of his cell phone dropped dramatically after he got his first bill and it was almost a thousand dollars for one month! That wasn't much less than what he'd made in a month just a couple of years earlier.

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As Rick became more successful, other companies contacted him with job offers. Well, they weren't really job offers because the jobs were exactly the same, the only difference being the split. What these companies were really doing was making split offers. "Rick, you're only getting 50 percent of the loan fees you generate. Think about your commissions for the last month, but instead of using 50 percent to compute your commissions, use 70 percent."

Rick had grossed about 20,000 dollars in loan fees the previous month and had made 10,000 dollars with his 50 percent split. That was pretty good income, but it hit him that for the same work, at 70 percent he would have made 14,000 dollars, an extra 4,000 dollars for just changing offices and getting new business cards.

Rick decided to make a move. He'd already slept with the two girls in his office who he was really interested in and one that he wasn't. It was time to move on. Another reason to make a move was to help a good friend from college who had been trying to get a shot in the mortgage business, but to no avail. Rick had brought his attention to the business while his friend was making a living laying carpet. Rick said, "Hey Sam, you've got to take a look at this mortgage business. There's a lot of money here and you really get to make a difference in people's lives," as if that was important to most loan officers. What was important was the fact that by this time there were absolutely no barriers to entry. A person could be laying carpet one day and handing out business cards to help people with the largest financial transactions of their lives the next.

Sam was more than enthusiastic about the opportunity, but couldn't find a company that would give him a shot. Rick managed to make it one of the conditions of his agreement with the new company that not only would he receive the higher splits they promised, but they would also give his totally inexperienced friend Sam a job, too.

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Rick took Sam under his wing and they went to work, chasing down and originating loans by day and chasing down girls in the industry by night. The mortgage industry does have a couple of distinct honors. It has, on average, the best looking girls of any industry, except maybe modeling. Of course, the girls in the mortgage industry can read and write. Also, it has the best and most frequent parties. The only other industry that compares when it comes to parties would have to be the entertainment industry with all of its awards events, celebrities patting each other on the back every chance they get.

You would think the money and fame would be enough, but one thing that was clear to Rick was that deep-rooted insecurity knows no bounds. Mortgage companies had parties, real estate companies had parties, wholesale lenders had parties, escrow companies had parties and many clients had parties after closing on a new home. When the mortgage industry threw a party it didn't fool around. Open bars with high-end liquor and beer, catered food, live bands, entertainment, limos – well, you get the picture.

The industry's annual trade shows always turned into huge parties, too. These worked great for wholesale lenders, banks, title and credit companies. Rick, however, had to change his thinking a bit to really make trade shows work for him.

12

Out of the Box Thinking

One of the least productive marketing strategies Rick tried was renting a space and setting up a booth at local home or industry trade shows. Still, it was fun. He loved being around all the attendees and activity, not to mention other business people who rented booths, looking for new clients and business partners.

Home shows present a couple of obstacles that make them a little tougher than you might think for drumming up business. One is the fact that it's very rare to actually get a deal during a home show. You just get contacts for follow-up, so most of the work doesn't even start until after the show. That's when chasing down the lead comes in, and you have to be relentless with a system that you know will work for you. It's especially tough because you aren't the only one trying to follow up with the attendees after the show. The other obstacle applies mainly to mortgage lenders or realtors, but the problem is the same. Your booth is far from the only one at the show offering almost the same services.

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Rick stood in his booth at a home show, smiling and trying to make eye contact with people as they walked by. He was sure he must have just been thinking negatively, but it seemed that people actually hurried up to pass his booth. Curious as to what was going on, Rick decided to make the rounds of the show to see if his suspicions were accurate. There were at least 20 other mortgage companies with booths. Most people had been beaten up so badly that by the time they got to Rick's booth, the last thing they wanted to do was talk to another mortgage company, even with Rick smiling and making eye contact. It was time to start thinking out of the box, so Rick relaxed in his booth, paid attention to what was going on and let his mind wander. One thing that stood out to him was that many of the couples who were walking through the show together had kids with them. Rick saw that the kids were bored, looking for something – anything – to amuse themselves. Then it hit him.

The minute the show closed that first day, Rick took off and went straight to a toy store. He already had a big treasure chest with decorations all over it, so all he needed was inexpensive toys to fill it.

The next morning, as he got his booth ready, he put the treasure chest on the floor in front of his booth with the lid closed. The day started out just like the day before, except this time when a family came by, Rick asked, "Would your children like to look through the treasure chest? There might be something in there to entertain them for awhile." The parents were often as happy as their children at the thought of something to hold the kids' attention. The kids threw open the treasure chest and looked through the contents. The parents, who just the previous day had increased the pace of their steps to get by the booth, now stood face to face with Rick as their children took their time looking through the treasure chest. More often than not, eventually one of the parents smiled and said, "So, what interest rates do you have today? And thanks for the toys, by the way." It was like a

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whole new show, compared to the brush-offs and indifference Rick had experienced the day before.

Another example of thinking a little bit differently to make a booth pay off was at a trade show for the mortgage industry. Rick rented a booth. In doing the rounds of the other booths, Rick noticed how incredible and elaborate they were. Some had easily cost 10,000 dollars just to set up for this one show, let alone what they had cost to produce. While Rick had nowhere near that kind of budget, he ended up with one of the most popular booths at the event. He had hired a professional shoeshine guy, Shoeshine Joe, to come in and set up inside his booth. Shoeshine Joe was a hit because he was as much an entertainer as he was a shoeshine guy. It was a business event, so everyone was professionally dressed, wearing nice shoes – and most needed a shine. This strategy worked so well that there was a non-stop line of people waiting to get a shoeshine. Once they climbed into Shoeshine Joe's chair, Rick had five to ten uninterrupted minutes to talk to them and pitch any product he wanted. If it's possible for an idea to work too well, then this one did. As Rick walked around the show, everybody talked with him about his booth. He and his booth were known as the "shoeshine booth," not the spreadsheet software and marketing booth. Still, with the hundreds of thousands of dollars other companies had put into their booths and displays, Rick's one inexpensive idea trumped them all.

13

The Elephant Man

Rick was still working with his friend Sam, helping him to get his start in the industry, when all of a sudden he got a call from his little sister Patricia, she needed some help.

Rick had always been there for his family and friends and this case was no different. Patricia was recently married and had just had a beautiful baby girl, Gorgeous. Patricia, her flake of a husband and Gorgeous were living in a house when the jerk decided to split and go to California. Rick rented a three-bedroom house and moved into it with Patricia and Gorgeous.

It never failed to amaze Rick that no matter how bad of a day he had had or how many loans he'd had turned down that day, his mood could easily be shifted. Walking into the house and seeing that beautiful little girl look up at him from her crib and smile or waddle up to him for a hug when she was learning to walk made him forget about everything. It all just melted away. That experience of living with Patricia and Gorgeous was one of the greatest in Rick's life for a

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number of reasons. The top two being the bond and relationships that he formed with Patricia and Gorgeous and the time Patricia saved Rick's life.

It was a Friday night and Rick and his college roommate, James, headed out for the evening to hit some bars and go to a mortgage industry party and casino night. Rick wasn't sure how it happened, but somehow they forgot to stop for dinner. Could have been all the cocktails, but that would just be a guess.

The next morning when they woke up at James' place on opposite couches, they were ravenous. They both felt too lazy and hung over to actually get up and make something to eat. However, within reach of the couch on the coffee table was a bowl of smoked almonds. That would have to do. Rick was into his third or fourth handful when all of a sudden he started to feel kind of itchy. James had a few dogs, so Rick thought maybe it was the dog hair and walked upstairs to the bathroom. At that point he felt his face getting warm. Then his eyes started to itch and when he looked in the mirror his face had started to get a little puffy. He yelled down the stairs to James, "Hey man, I'm out of here, call ya later," and he took off.

Rick raced home by way of a convenience store to get some anti-itch lotion and drops for his eyes. He was in the shower to wash off the dog hair and shake that strange feeling a split second after parking in his driveway. He seemed to feel a little better, so he went to his room and jumped between the sheets thinking that it would all be over when he woke up, now that the dog hair was gone.

That was pretty close to the truth. It would have been all over alright. Rick wasn't sure how much time passed, but not much before his sister Patricia came down the hall, kicked Rick's door open and yelled, "What's the matter, hung over?" Patricia had become used to the rock star partying that went along with being in the mortgage business and never missed a chance to give Rick a hard time. Rick

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rolled over and said, “Get the hell out of here!” She let out a scream when she saw his face. It was so swollen that his eyebrows touched the skin under his eyes and he could barely see. Once Patricia stopped screaming, she couldn’t let a chance go by to give Rick a hard time and asked, with a slightly concerned grin, “What’s the matter? Did you hook up with the wrong skank last night?” Once she finished laughing at her own joke, she insisted they go straight to the emergency room. Rick repeated his previous greeting and said, “Get the hell out of here!” and told her that there was no way in the world he was leaving the house right now. She won out eventually by threatening to call their mom and they headed for the emergency room at the nearest hospital.

It was Halloween night. Rick suggested that Patricia stop at a bar along the way that was having a costume contest. He said, “Just pull up. I’ll run in, grab first prize for the Elephant Man and then we can continue on to the hospital.” She didn’t think it was funny. Rick was wearing a baseball cap, a hooded sweatshirt and sunglasses, so when they sat down in front of the nurse and she asked, “What seems to be the problem?” it was easy for him to say, “I think my sister is having a nervous breakdown.”

Once again, Patricia found no humor in what he said and with one swing of her arm landed a hard slap that knocked the sunglasses, baseball cap and hood right off his head. Once the nurse actually saw his face, she started ringing alarms and the next thing he knew he was on a stretcher with an IV in each arm. By that point Rick’s skin felt like it was on fire. When they hit him with the IV’s it was like someone had just covered him in ice. When the doctor came in, he explained that Rick would have had about another 30 minutes and his throat would have swollen shut like his eyes had, closing off his airway and ability to breathe. That nap that Patricia kicked in his door and interrupted was a nap that Rick would have never woke up

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from. Rick learned two things that day, one; he was allergic to almonds and two; he knew he owed his sister a debt that she would never let him forget.

14

The Scumbag Jump

While Rick was fitting into the mortgage industry like a hand in a velvet glove and partying like a rock star, the industry continued to change and new fee structures and loan programs emerged. On the fee side, par pricing, the practice of raising interest rates to borrowers in exchange for lowering the fee to zero, went over so well that lenders introduced something even better. Well, at least in the eyes of mortgage brokers. It was called “rebate,” or “yield spread,” pricing. This allowed the mortgage broker or bank loan officer to raise the interest rate even higher than it was raised to get to par pricing. The higher the interest rate sold to the borrower, the higher the points the lender would pay back to the broker or loan officer. Initially, there was no evidence of this anywhere in the paperwork. The points were percentage points of the loan amount paid back to the mortgage broker, referred to as rebates or yield spread premium.

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For example, a lender charged one percent for a 6.5 percent interest rate and the broker charged a total of two percent, paying one percent to the lender and keeping one percent for the broker. On a 400,000 dollar loan, one percent would be 4,000 dollars. If in addition the broker raised the rate to 6.75 percent, the lender would waive its one percent, allowing the broker to take both points for itself, which would be 8,000 dollars, or it could give a discount to the borrower.

With rebate pricing, in this example the broker could raise the interest rate from the initial 6.5 percent to 7 percent and not only would the lender waive the one percent it normally charged, but it would also pay a one percent fee back to the broker. In the case of a 400,000 dollar loan, borrowers were used to paying a two percent fee, or 8,000 dollars, with 4,000 dollars to the lender and 4,000 dollars to the broker. With lenders now offering rebate pricing, the broker could raise the interest rate to not only have the 4,000 dollar, one percent fee to the lender waived but to also collect a one percent fee, or 4,000 dollar rebate paid back to them by the lender.

In the past, the brokers' commission earned on a typical 400,000 dollar loan was one percent, or 4,000 dollars. Now on the same loan, by simply convincing the borrower to take a higher interest rate, the broker could make their one percent fee, the lender's one percent fee and get the lender to pay an additional one percent fee. So the usual commission of 4,000 dollars could increase to as much as 12,000 dollars.

This was one of the major changes in the industry that caused every greedy scumbag in the world to jump in and start originating mortgages. Not just originating mortgages, but using the mortgage business to stick it to everyone they could convince to do business with them. Rick loved these new changes because he used them to help his clients. With the lender rebates now available, he could

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literally do a mortgage for a client and completely waive his fee to the borrower and have the lender pay it on the borrower's behalf as a rebate.

There was one other fee change that started to gain wide popularity about this time and that was lenders offering prepayment penalties. Prepayment penalties are not difficult to understand when explained properly or actually when explained at all. A clause was added to the closing documents that would prevent the borrower from refinancing or, in some cases, selling the property for any reason for a certain number of years. This is great for the lender, but very limiting for the borrower. If something happened where the borrower had to refinance, such as needing a lower payment or some cash, or if the buyer was transferred and needed to sell the home, they would have to pay the lender a penalty, usually equal to about six months worth of monthly payments. For example, if the borrower had a 3,000 dollar monthly payment and if they wanted to get out of the loan before the prepayment penalty period was up, they would have to pay a prepayment fee of approximately 18,000 dollars, that's six months times the 3,000 dollar payment, to the lender, before the lender would give them a release of title, required to sell or refinance.

Why would a broker ever put a client into one of these terrible situations? Why else? Money. The lenders would pay the broker larger rebates – or more money – for getting the borrower to accept a prepayment penalty. The longer the penalty, the more the lender would pay the broker. If the broker gives his client a 12-month prepayment penalty, he can make an extra point, for 24 months he can make an extra 1.5 points, for 36 months he can make in some cases as high as two to three points, paid by the lender to the broker at closing. Of course, he's going to have one pissed-off client when the client realizes what type of loan they received. Or after they find out that it was total bullshit when the broker told them the lender re-

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quired a prepayment penalty. However, so many brokers were in it for the short term and had no concern for the client that they just didn't care about pissing anybody off.

It wasn't just brokers who abused the public with these new programs. Some companies had it down to a science. One of the things Rick disliked most about his job, even more than the totally ungrateful assholes he had worked his butt off for and taken great care of, were the people he couldn't help. You know the 80-20 rule, where 20 percent of your clients will be appreciative and just generally great people and 80 percent won't. Rick slowly learned that the 20 percent who are generally great tend to associate with and refer other great people. This made it very important to take fantastic care of these people and one of the best ways to do this was by going above and beyond mere customer service.

15

Customer Experience

Rick found that the customer's experience was the new battlefield, especially in service industries like the mortgage or real estate industry. Customer service was just the price of admission. If a company didn't provide customer service, it may as well close its doors. Companies that succeed, even in slowing economies, are those that move beyond just serving the customer, and seek to manage the customer's entire experience with the company.

Rick found if his mortgage business didn't plan, produce and manage the customer's experience, the customer would come up with an experience on their own. The customer's perception of their experience with his company was their reality and that is the only reality that matters. Customer's interactions with a company's employees determine their feelings about that company. Customer's feelings determine their impressions. Their impressions directly influence their loyalty, repurchase and referral decisions. It doesn't matter what kind of product or service a company is selling. It all

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comes down to what the customer's experience is with that company's employees (as well as the actual delivery of those products and services by that company) that determines the level of success over the long term. Rick thought back to his experience at Homegate and the loyalty its' clients exhibited.

Rick wondered what made his clients go somewhere else. He learned on average one percent die, three percent move out of the area, five percent are attracted to better technology, nine percent are driven by price and 14 percent had a bad experience with the company. These customers will tell more than a dozen a people, but they'll never tell the company. Even more important, 68 percent simply felt they didn't matter – to the company or its employees. This feeling of indifference won't cause customers to complain; they will just quietly take their business elsewhere.

Rick started searching to see how successful companies put this kind of customer experience management in place. He thought, "How can I set up customer experience management (C.E.M.) and keep from losing customers?"

The single biggest mistake Rick and his staff made was not communicating effectively and frequently enough. Staying in touch with his customers could actually change the transaction from just providing a mortgage to a relationship-building experience.

Rick learned through experience that relationships are measured and defined by the perceived value of the quality and quantity of contact between his company, his staff and his clients. It was his job not to just increase the quality and quantity, but to manage the relationship perfectly.

Customer experience management began with the first moment of customer contact and continued through the entire relationship. The customer experience takes into account every interaction the customer had with Rick and his company, whether it was the initial

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phone call, a presentation or simply his office calling for a needed document. He found a need to identify all “touch points” then, manage, monitor and review them and include every contact with his customer. His goal was to take each person from prospect to customer, to loyal customer. He needed to manage that person’s experience and the relationship, to be able to move him and his company from a customer’s head to the customer’s heart.

Here are a couple of ideas that Rick thought seemed to make a difference in his business and his management of his customers’ experiences.

- Rick made a list of every time there was the potential for him or his company to have contact with a client. These were the “touch points.” He pictured each of them handled perfectly and the customer thrilled after each. What took place? How were they handled? Following is a road map he started from when trying to design his customers’ perfect experience.

- When Rick met with his customers, he wouldn’t move on until he found a way to connect with them. He discovered this was his highest and best use as a problem solver, which of course is the basis of what all great business people are. He took the time to identify his customer’s needs, fears, concerns, frustrations, desires and gaps, (the distance between where the customer is now and where they want to be).

- He created a pre-communication plan. Before he met with or returned a phone call to a customer, he went to the customer’s web site or Googled™ them. Solid questions create solid relationships. He found something to ask them about. He learned to ask questions so artfully that he could get his customer to give him the information he needed. His favorite questions were, “What was the best experience you’ve ever had with any company, and what made it that way?” or

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“What’s one idea you could give me in working with you that would cause you to say ‘great job’ and earn your loyalty as a customer?”

□ Rick found the best definition for quality communication is, “Wherever you are, be there.” This means when he was talking with a customer (or anyone for that matter), he gave that person his full attention, making the person feel important. If the communication he was going to have wasn’t worth his full attention, then he wouldn’t have it. This caused the most immediate and lasting change in Rick’s client satisfaction and repeat business.

□ Rick changed his thinking about customers and his business a little bit. Some of the most successful touch points Rick developed had nothing to do with the mortgage business, but everything to do with thinking about the customer. One year at Mother’s Day, Rick purchased 300 orchids that would normally sell for 15 dollars each, but because he ordered them two months in advance and in bulk, they cost only three dollars each. He then got a deal from a delivery company to deliver them all on Mother’s Day weekend to every mother in his database. So for a six-dollar expenditure, every mother with whom he had done business received an orchid. The response was fantastic, with the exception of a few phone calls from husbands who gave Rick a hard time for trying to show them up. The thank-you emails far outweighed the joking husbands, especially those from mothers who had actually been forgotten, and it made their day. Rick even got a call a couple of years later for a refinance and all the caller wanted to know before he made his application was...interest rates? No. Closing costs? No. It was, “Are you the guy who sent out those orchids a couple of years ago?”

□ Another idea that worked especially well was the cookie boxes. When Rick got a new customer, he had a box delivered to the customer’s place of work, with a tin of fresh gourmet cookies, a few of his business cards, and a Mylar balloon filled with helium, with no

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string attached to it. When the customer took the box back to his desk or workspace and opened it, the balloon went straight to the ceiling, remember, no string. The customer's co-workers would come over to see what was going on and the customer would be standing there holding a tin of fresh cookies and a stack of Rick's business cards. The only real complaint came from one of his customers who worked in a warehouse. The ceiling was sixty feet tall and the balloon stayed up there for two months. All Rick said was, "Damn, I should have had my logo on it instead of thank-you."

16

Ameripigs

There were three different types of people Rick couldn't help: those who simply couldn't afford anything, those whose credit was shot and those who had been completely taken advantage of by another lender.

One day, Rick was in his office grinding out phone calls, research and endless paperwork when a nice older lady showed up for an appointment and hopefully a refinance. She was a sweet lady with a trusting smile that reminded Rick of his grandmother. Rick immediately thought, "Man, I'm glad she came to see me because someone else could really take advantage of this poor gal." Rick escorted her to a seat, spent some time listening, then asked, "If the sky was the limit, what would you like to see happen and how can I help you?" She smiled and very sweetly replied, "Well, I owe 200,000 dollars on my home and am paying 7.5 percent. Is there anything I can do to save money and lower my monthly payment?" Rick smiled back and said, "Let's take a look."

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This was the part of the job he loved, when he could help someone who was so sweet and knew she would really appreciate it. He pulled her credit report, only to find that the loan balance it showed was not 200,000 dollars, but 250,000 dollars. Rick turned to her and asked, already knowing the answer, “Are you sure you don’t owe more than 200,000 dollars?”

She said, “Yes, I’m sure. Why do you ask?” Rick ignored her response and asked another question, “Did you bring all the documents from your last couple of loans with you, like I suggested when we spoke on the phone?” She answered him by reaching into her cute little cloth knitting bag. She pulled out the documents from her past two refinances. Both of them had happened in the past year and were only seven months apart. Rick just about jumped over his desk. He grabbed the documents from her like a cop grabbing a criminal he’d caught running from the scene of a crime.

He looked through the documents and found Ameripigs Mortgage was the culprit. You remember Ameripigs, the mortgage company of major league baseball. Who knows how many little old ladies they had to financially destroy to pay for that publicity? The paperwork showed she had indeed owed 200,000 dollars – a year ago, before her first refinance with those pigs. When they did her first refinance, they charged her 20,000 dollars in loan charges and added a 10,000 dollar prepayment penalty. Not to mention that it was at an interest rate of 8.5 percent when market interest rates were closer to six percent. This poor trusting lady was now paying 8.5 percent on 220,000 dollars instead of six percent on a loan amount of 200,000 dollars.

Ameripigs, those lowlife snakes, still weren’t finished with their victim just yet. She was much too vulnerable for them to just leave her alone. Six months later, they called her back and said, “Great news, we can now drop your interest rate a full point down to 7.5 and

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we will take care of everything. All you have to do is sign the paperwork we send you.” Not knowing any better, she signed the paperwork and not only was she charged another 20,000 dollars in loan charges, but to add insult to injury Ameripigs also paid off its own 10,000 dollar prepayment penalty that it had put on her refinance just six months earlier. So now she was paying 7.5 percent when market rates were still floating around six percent and the loan amount was 250,000 dollars, up from 200,000 dollars six months earlier.

Rick was so upset at this point he couldn't see straight. He looked up from the paperwork and said, “I'm sorry to be the one to tell you this, but you have been completely taken advantage of by Ameripigs.” Homegate looked like saints compared to these pieces of crap, Rick thought to himself. “I can put a refinance together for you with no fees and still drop your interest rate more than a point.”

Of course Rick was going to make a little money in rebate, but that would be it. Rick started trying to help her at least get to a market interest rate and then it hit him. He thought to himself, “Oh no, I bet these lowlifes put another prepayment penalty on her current loan, too. I'm sure they weren't happy with only stealing 50,000 dollars from this woman when they could get 60,000 dollars.” The fact that he was exactly right gave him no satisfaction. Especially due to the fact that if Rick refinanced her, she would have to pay them another 10,000 dollars on top of the 50,000 dollars they had already stolen from her in the past six months. He couldn't help her.

Rick lost it! He immediately called a friend who was also a top-notch real estate attorney and told him the story. “This is the most obvious and clear-cut case of ‘equity stripping’ I have ever seen,” he exclaimed, partially upset by the fact that it happened so often there was a term for it. “Ameripigs just stripped 60,000 dollars of this women's equity, not to mention the additional money she was paying

them in inflated interest charges. We have to help her, and get this unethical company to pay for what they are doing to people.”

“Wait a minute,” the attorney interrupted him. “Who did you say the mortgage company is?” Rick replied, “Ameripigs, and man, are they scumbags. We have to stop them from screwing with people this way.”

The attorney paused and said, “Give it up.”

Astonished, Rick said, “What, no, wait. I have all the documentation, all of the proof, the closing statements, the overcharges, the prepayment penalty documents.” But before Rick could really get going, his attorney friend ended the conversation with, “Look Rick, Ameripig’s whole business model is built around fleecing and screwing the public. This isn’t the first time I’ve come across them. If they have a loan closing in Washington, they will draw the loan documents in Florida and overnight them to Washington for the signing. That way, if any litigation comes up, it has to be taken to Florida. If someone is mad enough to take the lawsuit there, Ameripigs has a team of lawyers waiting in Florida to drag it out for months, if not years. Does your little old lady have a hundred thousand dollars to go to Florida, not to mention the time it will take to get this to court?”

Rick, so mad he could spit, but at the same time feeling totally helpless, said, “No, not now she doesn’t, but she had it, at least in equity, before they stole 60,000 dollars of it from her.”

Even though many other mortgage brokers may have still done a refinance for this sweet lady and just paid off the 10,000 dollar prepayment penalty, Rick ran the numbers and knew that with the penalty, it just didn’t pencil out. So instead he gave her some instructions. “With that penalty, it just doesn’t make sense for you to refinance right now. Even though we could bring your interest rate down a little, the savings won’t come close to the 10,000 dollars that would be added to your loan amount to pay off the prepayment penalty.

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Don't talk to anyone else either, because I don't want you to get taken advantage of again. Let's just wait the couple of years it will take for the penalty to drop off and then we can take care of you and make it right."

17

Willy

With Rick's professional attitude and ethics, it didn't take long for him to start closing more loans, lots of them. As that continued, so did offers from other mortgage companies trying to lure him to greener pastures. He liked where he was working, good solid owners to work with, very experienced people who really cared about what was best for the clients. What are the words, oh yeah that's it, high ethical standards.

This was when Willy entered Rick's life. Willy and his partner Mary Kate owned a mortgage company. Willy was in charge of sales and the loan officers' production, including his own, and Mary Kate ran the entire office. Mary Kate literally did everything else, including acting as a substitute mother to whoever needed one. If Mary Kate was the mother, then Willy was the mischievous, extremely horny (and a little weird) uncle.

How did Willy get Rick to jump ship? Simple. He just showed Rick his most current paystub. It was halfway through the year and

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Willy's paystub was more than 300,000 and actually closer to 400,000 dollars. That was just his commissions; it didn't include any of his company ownership income. Well, at least that's what he told Rick. Willy explained, "I will make close to a million dollars this year and I can show you how to do the same thing. Are there any loan officers at your company who are even making half this much?"

Rick was sold. Willy was a great loan officer or mortgage broker. Well, he was a fantastic mortgage broker, but not much of a person. Everyone in the office thought he was paying kickbacks to realtors for sending their clients to him because they were so loyal and he could charge huge loan fees without taking any crap or losing clients to cheaper brokers. No one knew that part of it was the fact that he was fooling around with some of these realtors in their client's empty homes, well at least the attractive female ones. Marital status never bothered Willy; he was married himself. Willy gave Rick the game plan he followed when it came to screwing around on a married partner. He said, "If you're going to cheat and screw around, always do it during the day and you'll have a much lower chance of getting caught. It's the idiots who come home really late or stay out all night that always get busted."

Another part of the mystery was revealed to Rick one day as he sat in Willy's office shooting the bull when the phone rang. Willy picked it up and explained to a borrower how they had been turned down by their first choice lender and may not be able to purchase the home they so desperately wanted, but that he was working his butt off to secure them an approval elsewhere. Rick had had many conversations with borrowers like this himself, so he grew kind of bored just sitting there. He started reading one of the loan approvals sitting on Willy's desk, the Thomas approval. Then Rick heard Willy say, "I understand your concerns, Mr. Thomas, and am sorry our first choice didn't work out, but let me see what I can do".

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Rick, thinking he would save Willy from this painful conversation and Mr. Thomas a lot of stress, very excitedly took the loan approval and said, “Willy, Willy, put him on hold,” as he pushed the approval documents in Willy’s face. Willy covered the phone, looked at Rick and said angrily, “Shut the f@#& up and listen!” He went back to his call. Finally Willy said goodbye and hung up. Rick, a little pissed after being told to shut up and being treated like a rookie, said, “Look you dumbass, his approval is right here on your desk. You didn’t have to freak him out.”

Willy looked up, smiled like he was talking to a five-year-old and said, “You’re the dumbass! When you have someone giving you a bunch of shit, bitching about the fees and just generally being a big pain in the ass, tell them their loan has been turned down. Do it once, or if you need to, do it twice. They’ll never bitch about the fees again. As a matter of fact, once you tell them that you finally have them approved, not only will they pay whatever you tell them, you’ll still get to be the hero.”

Rick’s ethics, combined with his impatience for sharing good news with clients, made this a lesson from Willy that he never put to use. Willy was an ass, but he had some great stories about empty homes – whether the sellers were out of town or had already moved to their new homes – many of these homes had their bedrooms, showers and in some cases kitchens or garages “tested.”

Willy wasn’t stupid though, because as gorgeous as the lender and title reps that came strutting their stuff in the office every day were, he steered clear. Even the slightest rumor in the mortgage industry spread like wildfire. Industry reps went from office to office and loan officer to loan officer, most of the time conducting much more small talk and gossip than actual business.

Willy was so much fun to talk to that Rick and the eight to ten loan officers he worked with would’ve probably stayed longer if Willy

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hadn't jumped at another opportunity. Willy had made plenty of money and was ready to head to Arizona to just play golf, but he wanted to cut one last deal.

Never one to miss out on a buck, Willy found a bank, a big well-known national bank, to give him some cash to take all his loan officers to them and get them going before he split town. So Willy basically sold the loan officers, since they and their clients were the only real assets the mortgage company had.

Rick had never worked for a bank, so he was skeptical. He had brokered to plenty of them, but never worked for one. He did, however, know a lot of bankers and figured this wasn't for him. Willy persuaded the bank to pay signing bonuses spread out over the first couple of months to all the loan officers he brought over, not to mention the five-figure bonus he arranged for himself for setting it all up. Most of the loan officers jumped at the opportunity, but Rick was still reluctant. After being sold over and over by Willy, Rick eventually agreed to make the move with everyone else.

Rick showed up for work at the bank and was excited about the new experience and the fact that he would be working with his buddies from Willy's company. One of the promises the bank made was, "We're a bank, but you will still be able to broker your own loans and do what's best for your clients anytime you see fit." It was this promise and nothing else that got Rick to jump on board. It was the breaking of that promise and nothing else that caused him to quit six hours into his first day.

18

The Six-Hour Banker

Earlier that day, Rick had walked into his new office at the bank and gone right to work. Well, the way Rick went at it, it was as systematic as work. When he started any new job, Rick walked around the whole office. Actually he walked around the building and introduced himself to every woman in sight and every guy who happened to get in his way. Of course, while the men got a quick hello and a handshake, he took more time with the women, especially the attractive ones. He checked them out, not just for their looks and figures, but also for as much information about them as he could get. He had it down to a science. He looked for wedding rings, pictures on their desks or even car keys – anything to give him a small edge or something personal to talk about. Once Rick made himself known to all the women in the office, he went to his desk and set up for work.

After his desk was set up, the first order of business was a purchase loan for a client and friend. It needed to close within a week or

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his friend would have no place to live. Rick grabbed a copy of the bank's rate sheet, a schedule of the bank's interest rates and fees, to find the interest rate the bank could offer his client. As he reviewed the rate sheet, he noticed that the bank's interest rate was almost a half-percent higher than a lender right down the block. This would translate to about a hundred dollars a month more on his client's monthly payment. He grabbed the file and went to his new assistant, "I need you to copy this loan file and send it to the lender down the block for closing. They have a much better interest rate for the client."

Rick was almost too angry to speak when he learned he couldn't broker the loan to another lender and it had to be closed by the bank. He took a deep breath, trying to remember that the assistant probably didn't know what he had been promised. He said, as nicely as he could, "We were promised before we came that we would be able to broker loans out to other lenders anytime we wanted, even with the fact that this a bank and it would be preferable to keep the business in house."

Rick's new assistant answered him with a smile as if nothing was wrong and said, "Oh yeah, you can broker out any loan you want, as long as we turn it down first. If it's a loan that we can approve and close, then it must be closed through the bank. Don't worry. We'll do a good job with the file."

Competency at handling the file wasn't what Rick was worried about. He was worried about the fact that for no reason at all except his new employer's greed, his client and friend would have to pay an extra hundred dollars a month for the life of his loan.

Rick made a beeline for Willy's office. He thought, "I knew this wasn't a good idea, signing bonus or not." Rick walked into Willy's office and ripped into him immediately, "Willy, what the hell is going on here? I just tried to broker out a loan for a friend and I found out we can only broker loans that the bank doesn't want to make anyway

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– loans the bank has turned down. This is bullshit! I’m not going to make my client pay an extra hundred dollars a month because I’m stuck with this bank’s loan programs and interest rates.”

Willy looked up from his desk and said, almost rehearsed, as though he’d been expecting this, “Is there a way you can get the bank to turn it down so you can broker it out?”

Rick stared at him and, trying to hold himself back from screaming, said, “Yeah, sure I could have gotten the loan turned down easily when it first came in the door, but I did my job. I addressed every issue, documented the crap out of the file and got letters from the client to cover where I couldn’t get documentation. Any bank would want to make this loan now, not to mention the fact that these people need to move into the house in five days. I don’t have any time to waste!”

Willy shyly replied, “Let me see what I can do.”

Leave it to a big, top-heavy, over-managed bank with lots of people trying to justify their jobs to literally call three meetings over the next four hours to finally agree that Rick could broker out that one loan.

During that time, Rick sat at his desk, secretly cleaning everything out and putting it back in the box he had unpacked just six hours earlier. Just then, the bank’s vice president walked by in his banker’s “uniform,” a dark suit, white shirt and patterned tie. He stopped to smile at Rick as if he had just done him a huge favor. “Hi Rick. Looks like we got everything taken care of for you on that loan.”

Rick looked up and smiled back, “Oh yeah, everything got taken care of just fine. Thanks for showing me how to get things done around here and for all your help.” Rick knew he would be out the door within the hour. However what was the point of having three more meetings about it? So he stayed silent.

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What bank management didn't know was that while they had been meeting during the past four hours about his loan, Rick had been on the phone talking to mortgage brokerages. He'd been offered a position by every company he called. He took one with a large company, Northern States Mortgage, that only brokered out mortgages. Additionally, there was no split. Rick would get to keep 100 percent of the loan fees he generated and just pay the company a flat fee per deal. So not only was Rick able to close the loan on time and save his client a hundred dollars a month, he also made an extra couple grand by not having to pay a split to the bank. By the time Willy showed up at Rick's desk to give him the "good news," Rick not only had a new job with a mortgage brokerage, but had switched the loan file over to them and was working with them to get it closed within the five-day time constraint, right on time.

Rick looked at Willy with more than a hint of pleasure after being lied to about the ability to broker and said, "Look Willy, I'm no banker. I have been brokering loans since I started and I just can't switch to being a banker. I certainly don't have time to process two different loan files for every client, one to get turned down by the bank and one to get approved with the best-priced or most competitive lender. I already have another company to go to and I'm out of here. Right now! I appreciate the opportunity, but it's not for me."

Willy replied, "Why don't you at least stick around for the next two months and collect your entire signing bonus?" Rick figured Willy's bonus somehow depended on keeping everyone around for at least the first two months, so he wasn't surprised in the slightest by this suggestion. Matter-of-factly, Rick said, "I'll make triple that signing bonus by moving to this new company and getting a 100 percent split, not to mention the ability to broker loans. See you around."

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Later, Rick found out just how untrustworthy Willy was. Rick learned that Willy had been trying to make daytime appointments with his girlfriend almost from the day Willy had met her.

19

Vampire, Clown and Spiderman

Rick loved his family more than anything in the world. His mother, a gorgeous woman, even more beautiful on the inside than out, raised four children while getting a nursing degree. She eventually received an MBA and never let one of her four children feel neglected, unimportant or unloved.

His father, the most confident and formidable former Air Force officer you would ever meet, had the biggest heart of anyone in the world, if you were lucky enough to get close enough to see it. If not, you might see one of his fear-inducing piercing stares, eyebrows furrowed, blue eyes flashing, or a middle finger if you drove like an idiot or cut him off in traffic. If you happened to really be in the wrong place at the wrong time, you might even see a bullet whizzing past your head if you were stupid enough to threaten someone he cares about, not literally, well, maybe....

As close as Rick was to his entire family, he never missed a chance to be a part of the lives of his nieces and nephews. Every time

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he had the chance, he showed up at their birthday parties or school events in an outlandish costume, usually with something wild planned. Rick often showed up at their school Halloween parties in costumes so elaborate that even his nieces or nephews didn't know who he was. Once, he showed up at a Halloween party in his niece Gorgeous' classroom wearing a vampire costume, complete with makeup. He made his way around the classroom, handing out Halloween candy and little toys and Gorgeous didn't recognize him. After embarrassing her in front of the class, he sat down next to her and whispered in her ear, "Hey little girl, you sure are pretty. How do you like your uncle's latest costume?" Gorgeous looked at him in shocked surprise, trying to find one thing that could identify him as the uncle she loved so much. Then she saw a twinkle in his blue vampire eyes and started laughing.

Rick's sister Patricia called to tell him that his four-year-old niece, Sweetheart, had changed the location of her upcoming birthday party because the first choice didn't allow adults to enter. If her Uncle Rick couldn't be there, then Sweetheart wanted to have the party somewhere else. Rick was beyond touched when he got a phone call from Sweetheart, "Hi Uncle Rick," she said sweetly. "Hi honey," he replied.

"I'm having my birthday party at "Kate King" ("Skate King" was a nearby roller skating rink) and I want to know if you're coming," asked Sweetheart. Rick answered her immediately with, "Of course, I wouldn't miss it!"

Then Sweetheart asked, "Would you come dressed up like a clown?" This wasn't out of the ordinary for Rick, but he didn't have a clown suit, so he answered, "Well honey, if I come dressed like a clown I won't be able to skate." Sweetheart answered him and left him no choice when she said very innocently, "I'll hold your hand."

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Rick went to work. He called all over town and found everything he needed – not just a clown suit, but the makeup, wig, honking nose, even the squirting flower for his lapel. When he showed up at the birthday party, no one could tell who he was, until he smiled and let them in on it.

As Rick skated by the eating area, he noticed a table of seven-year-old boys eating cake and ice cream. Immediately they started taunting, just as he knew they would. “Hey stupid clown.” “Hey dumb clown, nice nose.” This was just what Rick wanted. He skated up alongside their table with a sad look on his clown face and said in a deep, gruff voice, “You talking to me?” At the same time he reached into his pocket and squeezed his squirting flower bulb. The flower perfectly shot sprinkles of water all over the table and every kid sitting there. Without missing a beat, the kids dropped their spoons into their ice cream and took off after Rick.

Rick was a good skater from his high school days and jumped onto the rink where none of them had a chance of catching him. He let them get close enough to keep them interested for a couple of laps, then took off and left them behind. When Rick jumped off the rink, a man stepped out and stopped him. Rick was thinking maybe he’d upset one of the kid’s fathers, so he asked very nicely, “What can I do for you?” The man replied, “Do you have a business card?” Never one to miss an opportunity Rick asked, “Why, do you need a mortgage?”

“No,” replied the man. “You’re one of the best clowns with kids I’ve ever seen and I’d like to hire you in the future.” Rick thanked him and even though he was flattered, explained that this was a one shot deal, or so he thought.

Pictures of Rick as a clown found their way to the Internet and one of his clients and very good friends called him. His friend was going to be out of town on business and would miss his daughter’s birthday party. He called Rick and asked if he would go to his daugh-

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ter's party as the clown and explain that Daddy was so sorry that he couldn't make the party. There was no way Rick could turn him down. Coincidentally, the party was at Skate King the following week.

Rick got up that Saturday morning and started in with the different colored makeup, wig and costume. He was in the parking lot finishing his preparations when a couple of employees from the skating rink walked by. Rick was putting on his wig while sitting in the front seat of his Mercedes convertible. He couldn't help but laugh when he overheard one of them comment, "Hey, I guess this clown thing doesn't pay too badly, huh?"

Rick entered the skating rink for the second time in as many weeks dressed as a clown and found his friend's daughter's party. His friend's wife, Betty, was blown away as there was no way to tell that it was Rick. He was almost too good, as some of the younger girls at the party got scared. But Rick was careful to make them all comfortable by blowing up balloons and acting silly. Well, all but one. Betty had brought her sister, Leslie to help with the party. Rick knew Leslie, but she had no idea that Rick was the clown. This was too much of an opportunity for Rick to let pass, so he slowly started messing with her. He skated up to her and whispered in her ear...telling her how hot she looked...and how much he liked what she was wearing. He then asked what she was doing later. Rick was having a blast until Betty came up to him and said, "Leslie wants to call the police to keep you away from her and all the young girls at the party."

Rick immediately went to apologize. Betty stopped him short and said, "No, no, no - I love it Rick! Skate up and whisper something else in her ear, something really crazy. Don't worry, I'll stop her before she calls the police."

Rick was fully aware that he was on roller skates and was afraid Leslie might just knock him out, or at the least knock him off his skates if he did that, but he agreed to say something suggestive as he

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skated by. Rick got his nerve up. It didn't take much, and as he skated by, he asked her to meet him outside to help him take off his clown pants.

Well, she lost it! "Get out of here you f#\$@ing clown! Who the hell do you think you are? You'll never spend another second around children..." Right then, Rick interrupted her. He didn't say anything; he just looked at her with an ear to ear grin and his twinkling blue eyes. She recognized him immediately and grabbed him to keep from falling off her skates because she was laughing so hard.

Rick loved getting to know the families he'd helped with mortgage advice and financing. Another time, a client and friend asked him to appear at his son's birthday party as Spiderman. Rick apologized and assumed he was off the hook when he explained he didn't have a Spiderman suit, but his friend had already rented one and had it waiting at the party for him. It looked like Rick was stuck in the web he had spun for himself.

20

Negative is Right

It was about this time that lenders continued to show their creativity by introducing more new and aggressive loan programs. The latest program to gain popularity was a negative amortization loan (like anybody, including most loan officers, even knew what amortizing a loan meant, let alone negatively amortizing one).

Amortizing a loan means creating a payment for a loan that, when paid over a certain number of months, will pay the loan off. This is done by making the payment large enough to pay off all the monthly interest due and a part of the principal every month. The principal balance continues to drop every month and the interest charge drops along with it because the interest charge is computed on the principal balance. As the amount of the payment that is applied toward the monthly interest decreases and the amount that goes towards principal increases, this continues until the balance is zero. A 30-year fixed loan is paid down to zero the last month of

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the 30th year. A 15-year fixed loan is paid off the last month of the 15th year.

A negatively amortizing loan does the opposite. For example, on a 200,000 dollar negatively amortizing loan made at six percent, the monthly interest due is 1,000 dollars. In the case of an amortizing loan, the payment might be 1,300 dollars a month with 1,000 dollars to interest and 300 dollars to pay down the principal. With a negatively amortizing loan, the payment may be set at 400 dollars a month, less than a third of a normal 30-year fixed payment. So not only does nothing go toward the principal every month, the borrower actually borrows 600 dollars every month just to cover the 1,000 dollars interest due each month. The 600 dollars borrowed every month is added to the principal balance. So instead of the principal balance going down every month, it actually goes up. It doesn't just increase by the amount borrowed. At the end of the first month, the borrower owes not only the 200,000 dollars, but also the 600 dollars that was borrowed.

Now, when computing the interest charge the next month, it is on the balance of 200,600 dollars. Every month the borrower makes this payment, the loan balance increases and the monthly interest charge goes up. In some cases, the loan balance can go up so fast that the lender puts a loan amount cap on the loan of, let's say 120 percent. If the principal balance goes up to 120 percent of the original balance, in this case from 200,000 dollars up to 240,000 dollars, the lender won't loan the borrower any more money and the borrower must pay all the interest due every month, possibly tripling the payment overnight.

The theory behind this loan was that the property would appreciate and the property value would increase much faster than the loan balance would increase. Mortgage companies, realtors and borrowers liked it because borrowers could afford much higher loan

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amounts and therefore more expensive homes, which provided much higher commissions.

Banks liked the loans because interest charges to the bank were much higher than with more conventional type financing. The biggest problem with these loans was the fact that most loan officers and mortgage brokers didn't fully understand how they worked, let alone the borrowers who were committed to paying on them.

Another problem was that eventually lenders started offering rebates to mortgage brokers to sell this product. Then came larger rebates for adding prepayment penalties. The longer the prepayment periods, the bigger the rebate, or commission, paid back to the mortgage broker at closing. This is very nice for the lender. Think about it – a negatively amortizing mortgage loan that the borrower can't pay off without a five-figure penalty added to the balance. A nice bonus, added to all the additional interest that's been added to the loan balance throughout the term of the loan, at least for the lender.

21

A Broker Again

After Rick's half day at the bank, most of which he spent waiting for meetings to end, he was in heaven at his new mortgage brokerage company. It was a machine for brokering and closing loans and had relationships with at least 60 different lenders. Also, when he had completed his female introduction ritual, Rick had identified at least two to three "potentials" who deserved further exploration.

There were lots of great reasons to work for this company and only one real drawback – the company's reputation in the industry was less than stellar. The reason was that at least half of the 60 to 70 loan officers who worked there were part time and only closed one loan a month, if that. In Rick's opinion, most of these people would have been working at a fast food restaurant or selling shoes or used cars, if not for their part time mortgage businesses. They would have been making 24,000 dollars a year, maybe, at a regular job. They could make that in the mortgage business even if they only closed one

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loan every other month, so due to a lack of options, or motivation, they stayed in the business.

Rick closed 10 to 15 deals per month and flourished in this new environment, becoming one of the top loan officers in the company fairly easily. One afternoon Rick was talking to a friend who attended a local community college. Rick asked him about his classes. His friend Ron replied with enthusiasm, "I love my astronomy class. We get really stoned, then we lie on the floor and they turn off all the lights. All the stars show up on the ceiling. How cool is that?"

Rick had already figured Ron wasn't serious about his education and this confirmed it. Rick decided to make him an offer. "Forget about taking bong-hit astronomy 201 next quarter. Take the quarter off and come to work for me as my assistant. I'll pay you 1,500 dollars a month and teach you the mortgage business inside and out. Even if you decide the business isn't for you, you will have made a little money and you can always start back up at school the next quarter."

Ron took him up on his offer and took to the business like a fish to water, or in mortgage terms, like a realtor to a free lunch. Rick cared about Ron and wanted to see him succeed and get out on his own as soon as he had enough experience. So after a year of them working together, Rick talked with Ron over lunch. "Ron you're doing a great job and I would love to have you working for me for the next ten years, but I think you can do a lot better than that on your own. With the experience from the broker side you have now, any lender would hire you as a lender representative. That will give you a chance to see the business from another angle. It will also give you a chance to meet and work with different mortgage brokers from all around the area. This will give you a good idea who your competition will be when you eventually come back to work with me as a broker."

Ron agreed and Rick was correct. The experience he had gained made a big difference and he got a job easily. Rick gave him just a

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couple pieces of advice as he left to start his new job as a lender representative. “Okay, Ron, remember these two things and you’ll be one of the best lender representatives in the state in a matter of months. First, always return every phone call within ten minutes. Even if all you can say is, ‘I got your call and still don’t know anything about your file yet,’ the important thing is to make sure that everyone knows that you will always call right back. Second, never – and I mean never – tell anyone what you can do on a file until you have it in writing from your underwriter. There are too many times when either you won’t have the full story from the broker or the details will get mixed up and after your underwriter says it sounds fine, the file will come in and get denied.”

Rick had gone through way too many experiences where a lender rep said, “I just talked to my underwriter and we can close the deal for sure.” Then later when he sent in the loan file, he received a denial from the underwriting department with some lame excuse from the lender rep. It wouldn’t really matter, even if the excuse was a great one. Rick’s clients trusted him and saw him as the lender, so the responsibility rested with him, no matter what the outcome.

Ron followed Rick’s advice to the letter and earned a reputation as a fantastic lender rep in no time. In fact, Rick sent as many loans as he could Ron’s way and enjoyed doing business with him.

Ron had been on the job for less than a month when he called Rick and said, “Hey Rick, I always knew you were good as a mortgage broker and easily the best in our office, but after being out in the field and meeting other brokers, I really see how fantastic you are.”

Ron told Rick stories of mortgage brokers calling him with more than just program and rate questions. One broker had even called Ron and asked, “How do you compute loan to value? Do you divide the house value by the loan amount or the loan amount by the house value?” Ron said he had to hold back his laughter and simply re-

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sponded by saying, "Divide the smaller number by the bigger number." Ron wanted to finish his answer with, "You moron," but held himself back.

After about a year, Rick and Ron were talking and Rick said, "Well, it's been a year and I think you've gotten a really good education on what the business looks like from the lender representative side. Isn't it time for you to come back to work with me?" Ron looked at Rick with a satisfied smile on his face and said, "I made almost 100,000 dollars in the last year and I'm on track to make double that next year." That was about ten times what Rick had paid him just a year earlier. Ron continued, "I think I'll stay on the lender rep side of the business, but I appreciate all your help." Rick was thrilled about Ron's success and had never doubted his potential from the first moment he'd made him that offer to come work with him.

22

Forget Time Management

A couple of great lessons came out of Rick's six-hour stint as a commercial banker. One, he found out he never wanted to work for a commercial bank again and two, he gained a new appreciation for the proper management of time. Witnessing and being involved in the way the bank's management completely wasted hours by pointless meetings, and needless group discussions, to arrive at one simple decision showed Rick that the value of time was completely disregarded.

As Rick became more successful, he also seemed to experience a complete time vacuum different than that of the bank's mismanagement of time. It seemed that the earlier he got up and the harder he worked, the less time he had. He tried all the time management systems available, but realized that time can't be managed. Everyone gets the same 24 hours a day, seven days a week and no one has any more time than this. The more successful Rick became the more

responsibilities he had and the fewer priorities he was actually able to manage or accomplish.

Because he was so busy, Rick desperately searched for anything that might help him get a handle on his day and what he could accomplish during his 24 hours. It seemed like there was plenty of time, but by the end of the day Rick was always further behind than when he'd started. It finally came down to the fact that trying to manage time was a waste of time! What Rick really needed to manage were his priorities. There's no magic way to manage priorities, but Rick came up with some exercises that were a good start for him and he shared them with others who were also strapped for time.

The Vacation Exercise: One tool that worked well for Rick was the Vacation Exercise. He would pause for a minute in the middle of his day and think about going on vacation. How productive he was the day or two before he left? Everything he'd been putting off got done. So every day, Rick took a minute or two and put himself in that mode of pretending he was leaving the next day for a three-week vacation. And what got done was the important stuff. After doing this consistently he saw how much more of the important stuff he did and how much of the unimportant stuff he was able to avoid.

The Not-To-Do List: Many times Rick became so overwhelmed that there seemed to be no end in sight. There were so many things on his to-do list that he had to take the opposite approach. He sat down and made a list of everything he had to do during the day that didn't improve his relationships, directly bring in business or get him closer to his goals. This became his "Not-To-Do List," and this is stuff he now either hired someone else to do or things he only did when all of his real priorities had been handled. Keeping a running list of "Not-To-Do" items helped him focus on what was important and just the process of being aware and looking for these items helped him clean up his day.

Clear the Clutter, A B C D: Often it wasn't just Rick's to-do list that became overwhelmed by the magnitude of it all, it was his mind as well. He needed to clear the clutter from his mind. He knew his mind and thoughts are the most important real estate there is and usually the last things he would protect. He began to do the "A, B, C, D test" on every thought that tried to enter.

- A** - Ask yourself: Is there any point to this thought? Does this even deserve my attention? If no, dump it. If yes, go to B.
- B** - Is this any of my business? If yes, dump it. If yes, go to C.
- C** - Do I have any control over this matter? If yes, dump it. If yes, go to D.
- D** - Am I really going do something with or about this? If no, dump it. If the answer is yes, then this is a thought that is worthy of my attention?

Rick found that this skill is much easier said than done, but with practice it made a huge difference in his ability to concentrate about what's important.

The 4 D's: Rick began to monitor his inboxes, on his desk, his mail, email, and voicemail. It quickly became apparent that anything that didn't get handled immediately often didn't get handled at all. It was impossible for him to remember every detail or even the big things when he had 60 or 80 loans in process.

There is a concept known as "psychic tension." It refers to the many, sometimes hundreds, of thoughts we have running through our heads all the time, thoughts that on occasion keep us up at night. Any time we need to remember something, our brains fire off impulses to hang onto that memory. The more we put things off, the more memory is required and the more our brains keep firing off impulses. This is probably one of the most common causes of sleepless nights and waking up in the middle of the night for no apparent

reason. Rick struggled with this often and even more during particularly stressful periods, every night.

Eventually Rick found a process that seemed to help quite a bit in handling the constant flow of information. Any time something came to his attention, he would handle it immediately in one of four ways:

1. **Do it.** Do it now and be done with it.
2. **Delegate it.** Direct someone else to take care of it with a deadline.
3. **Designate it.** Add it to the schedule for later, but put it down.
4. **Dump it.** Admit that it isn't important and toss it!

He only touched things once. After he learned to do this, he reduced his psychic tension, or the need for his brain to keep firing impulses over and over, and dramatically relieved the stress and anxiety he felt.

The Timing Issue: In the middle of a typical workday, all of the constant interruptions and to-do items seemed incredibly important to Rick, at least at that moment. An exercise that Rick learned to practice helped keep things in perspective about their actual effect on his future. Everything he did seemed vitally important to him at the time, but in reality, 80 percent of what he did was not vitally important in the long run.

A good way to keep things in perspective is to try the following series of questions. How is this decision going to affect me and my life in the next...

- Ten Minutes?
- Ten Weeks?
- Ten Months?
- Ten Years?

Chapter 22 – Forget Time Management

It takes practice, but this was an excellent way for Rick to keep things in perspective, no matter what kind of pressure or stress he was going through at that time.

Rick found there is no magic bullet for getting a handle on time and priorities. It takes working through a group of ideas and exercises find what will work.

The last exercise Rick used, which was the most effective, but also the hardest to implement, can be summed up in one sentence: **Never start your day until you have already finished it in your mind and put it on paper.** This means that every morning before he jumped into the routine chaos of his day, he'd stop, close his eyes and picture himself at the end of that same day having accomplished everything as if his day had gone perfectly. Then he wrote this down and carried it with him all day. Any time he felt like his day was spinning out of control, he pulled out his notes, read them to see if what he was currently doing was getting him closer or further away from the perfect day he had envisioned. Then he'd get back on track.

23

The Greed Alliance

Ron was visiting Rick in the office one day when an older gentleman named August stopped by to meet with Rick. Rick included Ron in meetings whenever possible, so both of them sat down with August, who had been referred to Rick to have some closing documents reviewed. August had just signed closing documents with a mortgage company from California. He was uncomfortable with the whole thing, so a friend suggested that he talk to Rick.

Rick didn't charge any fee to help people with this type of thing. It was enough for him just to save people from being screwed over or taken advantage of by unscrupulous brokers or lenders. It was especially satisfying to Rick when he caught something that saved a borrower tens of thousands of dollars, while at the same time taking money out of a scumbag loan officer's or mortgage broker's pocket.

Rick and Ron reviewed the closing documents for August. This California-based mortgage company, Greed Alliance Mortgage, had

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stuck it to August, but good. They were charging him six points and multiple other fees totaling more than 20,000 dollars on a loan where he should have paid 5,000 dollars at the most. There was also a vicious prepayment penalty that would cost another 10 to 15 thousand dollars if August wanted to refinance any time in the next five years.

Luckily for August, the loan hadn't closed yet. August was still within the rescission period. A rescission period is the three business days after the day the closing documents are signed on any refinance. This is a time the borrower can cancel, or *rescind*, the signed documents and cancel the transaction. The rescission period is federal law and it cannot be waived. It came into effect decades earlier to protect consumers against high pressure door-to-door salesmen.

For example, vacuum cleaner or aluminum siding salesmen found people at home and gave them the hard sell. Homeowners, not fully understanding, signed purchase documents under pressure from these salesmen, and didn't review them until the next day. When they realized they would be paying 3,000 dollars for a 400 dollar vacuum cleaner, or 15,000 dollars for aluminum siding, they wanted out and refused to pay. What they didn't know was that hidden on the documents they had signed was the fact that the sales company could place a lien their home, or place a second mortgage on their home, for the full amount of the contract. If they didn't make payments on the contract, the sales company could literally start foreclosure proceedings! Eventually the federal government stepped in and said that no one can record a lien against someone's primary home until that person has had three business days to review everything and cancel the transaction if they should change their minds.

August was in the second day of the rescission period, so Rick explained how lucky he was, and that he would help him get out of the terrible loan and contract he was about to get into. August signed

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the rescission document and Rick faxed it immediately. Then they Federal-Expressed it to Greed Alliance Mortgage in California, with a signature receipt required so August would have proof that the document had been delivered and accepted within the three-day rescission period. Rick told August again how close they'd come and how happy he was to have been able to save him – or so Rick thought. Greed Alliance Mortgage was so accustomed to ignoring mortgage laws and screwing people over that for them the rescission period was just another rule to be ignored for their benefit – and to the detriment of the borrower. They didn't show any ethics in most of their transactions, so why start now? They ignored the rescission document that their receptionist had received and signed for on the third day and closed the loan anyway.

This was blatantly illegal. Rick flew off the handle and immediately got on the phone. "What the hell are you guys doing? You are in the United States, aren't you? We're all under the same federal mortgage laws here. You need to reverse this closing immediately! The borrower rescinded, we faxed it, Fed-Exed it and I called and told you that we have a signed receipt verifying that you received it!"

"Well, we didn't get it," said the totally nonchalant manager on the other end of the phone two states away.

"Really? Then who is Sarah Stevens?" asked Rick, as he felt the joy of having this guy's throat and life in his hands.

"Oh, that's our receptionist, but she's not authorized to sign for deliveries," the manager replied snidely, as if that had anything to do with the issue. Rick was about to jump on a plane and show up there just to look this guy in the eye. It's amazing how arrogantly people can behave over the phone, but the moment they have to face someone in person, they become very cowardly and even helpful. As much as Rick wanted to do that, this was an issue that needed to be dealt with immediately.

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Rick responded with hatred in his voice, “Look, you need to reverse this closing immediately. You have the rescission document. It was there within the three-day period and I have proof!”

“I’ll have to look into that and get back to you. Bye,” the piss ant manager replied and then hung up the phone.

Rick knew his client’s home would be in foreclosure before that piss ant ever called him or his client back. Feeling helpless, but at the same time far from ready to give up, Rick contacted the Department of Financial Institutions, the governing body for the mortgage industry in the State of Washington. Rick had never dealt with this agency before, but had heard they were tenacious about going after lenders and brokers that took advantage of the public. Rick made such an issue out of it that the Department sent out an investigator the next day. That’s where the whole thing turned to crap. If Greed Alliance Mortgage had been located in Washington, there would have been all kinds of repercussions. But because the company was in another state, the Department of Financial Institutions didn’t have the resources to handle it. Rick was very careful about how he chose his words because even though the agency was limp when it came to helping this client, it could still put a dent in his business if it chose to do so.

The way things eventually worked out, August was stuck with a loan that he had legally rescinded and Greed Alliance Mortgage, the unethical scumbags, was under investigation. Sometimes all’s well that ends well, but that’s not how the mortgage business always works.

24

The Human Touch

As he watched the way other companies treated people, Rick always looked for ways to improve himself, his customer relationships and his business. One of his favorite methods was to surround himself with like-minded people by attending workshops or weekend events. Not the kind that covered industry regulations or loan programs, but the kind where the speakers opened up about goals, fears and attitudes and encouraged attendees to do the same.

Rick sorted through his mail one morning while standing over the trash can. He'd discovered this was a good way to "prioritize," as he could easily discard 90 percent of it, which was nothing more than garbage. However, amidst all the blur of advertising and various crap, something caught his eye. An international conference was being held at Disney World in Florida, covering a multitude of business topics, including customer service and exceptional management practices.

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Disney World was one of Rick's favorite places. As a teenager, he told his mother he wanted to live there on Pleasure Island. The three-day conference seemed like a perfect excuse to take a trip. The conference looked perfect. There were about 60 different one-hour sessions to choose from and they all were worth attending. Rick got busy right away, trying to get the most out of the weekend. He selected all the sessions that really interested him quickly before they filled up and ended up getting everything he wanted. There was one hour in the middle of the day, however, where none of the sessions intrigued him. Rick registered for a session that sounded the least boring. It had something to do with showing love in the workplace.

He arrived at the large conference room early, as he always tried to do, and took a seat in the front row. With love in the workplace being part of the session description, Rick expected to hear about sexual harassment, but thought there might be some good stories about bosses getting in trouble for nailing their secretaries or support staff. The speaker took the stage and caught Rick's attention right away. He was younger than Rick expected, and with the way he was dressed and the length of his hair, looked like anything but a corporate executive.

He opened with some humor, obviously an experienced speaker, and made a joke about the area and the craziness of Disney World in general. Rick looked up from his notepad and thought, "This might not be so bad. At least this guy can handle himself in front of an audience." The speaker, we'll refer to him as "Stud," because on that stage he was one, started into his topic. His topic wasn't so much about love or even sexual harassment, but more about connecting with people in what was becoming a more and more impersonal workplace. Later in Rick's life, he would learn about the importance of using stories to make a point or as a way to help institute change,

but nothing taught him as much as the way Stud used a story to impact the whole audience that day.

Stud, after warming up the crowd, told a story that Rick never forgot, one that helped him throughout his business career and his entire life. Stud talked about another event where he had spoken and when he closed that talk, he told everyone in the audience to go back to their staff, put an arm around each one of them and tell them eye to eye why they were important to them and to the company. He said that after he returned to his office, about a month later, he received an email from someone who had been in the audience that day. It knocked him off his chair.

The attendee had done just what Stud said and had gone to every person in his department, put his arm around the person and told them how much they meant to the company and to him personally. In this particular company, personal contact was minimal and even performance reviews were done through email.

The next morning when the person showed up at his office, he found a brand-new X-Box video game system sitting in the middle of his desk. No card or note, just the video game system sitting there. His department had experienced cutbacks and salary cuts, so he knew he couldn't keep it and inquired about who'd left it there. It didn't take long to find out who'd left it and he called a relatively new employee, a young guy, into his office. "I can't accept this," he started right away. "I appreciate it, but I can't take it from you." The young employee responded and said, "Look, I really want you to have it, so please just keep it."

"Why?" asked the department manager. The young man looked at him sheepishly and said, "It's kind of a long explanation." Without hesitation the manager almost sternly replied, "Take a seat and let's hear it."

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The young man told him what had transpired. “I started working here nine months ago. I moved here from four states away and I didn’t know a soul. Every day, I came in here at seven in the morning and worked on my computer until seven at night. Then I went home, ate, watched TV and went to bed, only to do it again the next day. After this went on for three or four months, I started to feel so lonely and isolated, I didn’t know what to do. After another month, I didn’t know how much longer I could take it, so I started visiting suicide chat rooms online. This went on for the next couple of months and I continued to feel more depressed and worthless.

“Eventually I found the courage to go and buy a gun. I continued to visit the chat rooms and slowly was able to actually load the thing. Another month went by and I was able to put the end of the gun into my mouth. According to the chat rooms, this is the most effective way to use a gun for suicide. I didn’t have the courage to actually put my finger on the trigger yet, but I was working up to it. Then yesterday you came up to me and put your arm around me and told me how lucky the company was to have a programmer like me and that you sleep better at night knowing that I am on your team. After that, I knew I wasn’t going to need that gun anymore. I’d overheard you talking about wanting an X Box but that your wife is pregnant and with the cutbacks you have to save every penny for the baby. I went and sold the gun and took the money and bought you that X Box and I really, really, want you to keep it.”

When Stud finished his story, you could have heard a pin drop in that huge conference center. He had made his point. Personal contact is vital in any organization and even the slightest gesture can have dramatic, and in this case, life saving results.

25

The Fleecing

Rick's business continued to do well and he sent as many loans as he could to Ron and Ron's wholesale mortgage banking company. Even though Rick was flourishing, the industry was in a rapid decline. With the amount of money available, especially to people with no morals, combined with the complete lack of any barriers to entry, including educational requirements or even a criminal background check, the industry attracted more than its fair share of scumbags and quick-buck artists, many with no ethics or concern for their clients' best interests. In addition to the general level of intelligence and ethics dropping in the mortgage brokerage industry, lenders continued to introduce loan programs that these scumbags could use as scissors to fleece the public.

Take the 120 percent refinance. This was a loan where the lender didn't just loan the borrower 100 percent of the appraised value, but another 20 percent of the value on top to pay off credit cards, other debt and, of course, the mortgage broker's fees. For example, if

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a borrower had a property that appraised at 200,000 dollars, the lender loaned them 240,000 dollars – 40,000 dollars more than the property was worth. This worked great for the borrower at first, and for the broker and lender. When the loan closed, the borrower got the money, a lot more than the property would merit, the broker got his commissions and the lender got a loan with a higher than market interest rate that couldn't be paid off. Problems happened when the borrower needed to sell for some unforeseen reason. Since the property was only worth 200,000 dollars and normal selling costs are about ten percent, the borrower could only net 180,000 dollars if they sold the property. But they owed 240,000 dollars, so unless they could write a check for the difference, approximately 60,000 dollars, they were trapped in the property and couldn't sell, no matter what the circumstances.

Rick knew the industry was in real trouble as he was driving to his office one morning and heard an advertisement on the radio that made him want to throw up. “An average loan officer can make more than 60,000 dollars a year, no financial experience required, just a high school diploma or GED. Sales experience a plus. Call for an appointment and interview.”

“Holy shit,” thought Rick, as he remembered the countless phone calls, multiple interviews and generally tough hiring process he'd gone through ten years earlier. Not to mention the fact the he had two college degrees, at least on paper, and lending experience, yet still had to fight to get his first job.

26

Throw More Paperwork at It

With people being screwed left and right with no effective safeguards in place, the federal government decided to get more involved to see what it could do to help (Yep, this is going to be good). What was the government's solution? More paperwork, of course! It seemed that every time Rick turned around, there was another document or disclosure to sign, either when the borrower applied for the loan, during the loan process or at the closing of the transaction. It was getting almost as bad as what James Smith McDonnell of McDonnell Douglas said: "When the weight of the paperwork and instructions in reference to the airplane matches the weight of the airplane, the airplane will fly."

This continued until it reached the point where there was literally two to four hours of reading in just the closing documents, not including all the other documents that needed to be signed from the start and throughout the entire transaction. Not only was no one going to read all of that, but it also made it very easy for scumbags

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and rip-off artists to conceal all kinds of documents and clauses at closing. It brings back that old adage, “The very thickness of the paperwork guarantees that it will never be read.”

It would have made so much more sense, probably too much sense, to have just five or ten documents that outlined and explained all the important points. Then, at least then, when people went to closing, they would read what was put in front of them instead of looking at the mountain of paperwork and simply giving up and asking, “Where do I sign?”

The mortgage industry is not the only industry that uses paperwork and contracts to lock people into agreements and terms that, if they actually knew what they were, would never sign. At least in other industries, such as auto sales, leasing, insurance and investments, the industry doesn’t introduce new disclosures and additional paperwork on an almost monthly basis. More paperwork isn’t necessarily bad. Except in this case, more paperwork never provides any additional benefit. It drives up processing costs, adds to an already huge load of paper and increases the borrower’s overall confusion. And by the way, we’re only talking about conventional loans up to this point. You can multiply that by at least three times when it comes to government loans.

The government’s “more paperwork” campaign was so ineffective that lenders introduced rules of their own to try to protect borrowers. One of those rules was a cap on what a loan officer could charge as a loan fee. The standard cap that lenders came out with was eight points, or eight percent, of the loan amount. So on a 400,000 dollar loan, the loan officer or broker could only charge up to a maximum of eight points, or eight percent, of the 400,000 dollars. This would only be a loan fee of 32,000 dollars, only.

Rick remembers when loan officers actually complained that it wasn’t fair for lenders to cap what they could make on a loan. If it

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wasn't for the blinding amount of paperwork in the first place, nobody would have signed on a loan like this. Because of the paperwork, this along with other terms like prepayment penalties and negative amortization, got completely buried, overlooked and blown right by at the closing table.

This, sad to say, is still the standard today, with more paperwork required at every turn instead of the reverse, which would help. Limit all the paperwork to five to ten easily readable documents that outline every positive and negative about the terms and overall transaction so borrowers can understand what they are agreeing to when they sign. Spending day after day working in the mortgage business under these increasingly frustrating conditions was slowly driving Rick crazy. Discouraged by all the changes that were supposed to help people and didn't, Rick wanted to find somehow to make a difference so he decided to look away from the office.

27

Giving Back

After bonding with his niece Gorgeous, Rick realized that there was a special place in his heart reserved just for children. He also became aware of the unique gift he had in being able to connect with them almost instantly and communicate on their level. He figured it was probably because he was just a big kid himself! In fact, his family had nicknamed him Peter Pan.

Rick needed to find a way to use this gift and he needed to find a way to make a difference. So he decided to volunteer at Children's Hospital. Here were some children who really needed to feel like someone was listening and Rick had that down to a science. As much as people respected Rick for volunteering, he knew that he really reaped the most benefits. It never ceased to amaze him that no matter what was going on in his personal or business life, or no matter how terrible he felt about what was going on with a mortgage transaction, everything was immediately put into crystal clear perspective after he'd spent a couple of hours with a six-year-old

who was fighting for his life. After that, all the rest seemed trivial. Rick arrived at Children's Hospital on a sunny, clear Seattle day and went to the nurses' station to check in and get his first assignment, a 16-year-old boy named Dimitri. The cards the nurses handed out contained the child's name, hospital floor and room number, physical age and mental age. In Dimitri's case he was physically and mentally 16 years old. The nurse said, "Here's the card for Dimitri. Go and sit with him for an hour then come back." Rick asked immediately, "What do you mean sit with him?" Can't I play some games with him or at least get to know him a little bit?" The nurse replied with a slight bit of challenge in her voice, "You can certainly try, but he's been here for almost two weeks and won't talk to anyone." Rick felt excitement growing from his toes all the way up to his stomach as he held himself back from snatching the card out of her hand. Quickly and quietly he said, "Give me the card."

As Rick speed-walked to Dimitri's room, he became more excited about the challenge of helping a kid who was really hurting. In addition to the excitement was another feeling that was almost as strong. It was fear, and as much as Rick tried to ignore it, it wouldn't go away. "What if I can't help him?" Rick thought, or an even more terrible thought, "What if I make him worse?" Not one to back down from a challenge or fear, Rick did his best to ignore those thoughts by working on his game plan – from the minute he entered the room, right up to what he would say once he eventually got Dimitri talking.

Rick arrived at the door to Dimitri's room, took a deep breath and walked in. There was a curtain around Dimitri's bed, and being fully aware of the challenge before him, Rick immediately grabbed it, ripped it back like the hospital was on fire and yelled, "Are you Dimitri?"

This was the first time he had seen Dimitri and it broke his heart. Rick saw a little boy, completely bald, lying on his side with his

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eyes closed, hugging a scrunched-up part of the blanket that was covering him. Chemotherapy, Rick assumed. His raucous entrance had no effect and Dimitri just lay there, not even moving his head.

Rick was somewhat taken aback, but now more determined than ever to connect with this child. He turned to Dimitri and said, “If you aren’t Dimitri, I’m sure you would have said something, so I’m going to pull up a chair and we can get to know each other. Many people have told me I can be a bit annoying, so if you want me to leave, just sit up and tell me to go and I’m out of here.” Still nothing! Dimitri could have been asleep except for the fact that after Rick’s entrance no one could still be sleeping.

Rick continued, “Okay. Then it’s settled. I’ll sit down and we’ll talk.” Rick had spent lots of time with kids and had hours of questions on the tip of his tongue, so he let loose. “What is your favorite animal? If you were an animal, what animal would you be? What’s the most fun thing you have ever done? What’s your favorite movie, color, cartoon, book, friend, TV show, game?” Rick was relentless, but during the whole 45 minutes, not even a wink or a nod from Dimitri. Rick was starting to lose his enthusiasm and really felt bad for Dimitri. Rick thought, “If I can’t help him, then I need to go see another kid I can help. There’s no shortage of them in this hospital.”

Not wanting to give up, Rick decided to try the silent close, wait ten minutes and if there was still no response, then he would move on. The silent close is an old sales strategy where you put your absolute best deal on the table, look away from your prospect, and whoever speaks first, loses. If the prospect says *anything*, you got ‘em. But if you have to break the silence first, there’s nothing left to do but pack up your stuff and go, Rick preferred to ask questions than resort to this in business however in this case that wasn’t an option. Rick turned to the very still Dimitri and said, “Hey Dimitri, I’ve asked you every question I can think of and you weren’t interested in talking

about any of it. I guess that means you must spend all your time thinking about one thing.” Then Rick shut up and looked away.

After what seemed like ten minutes with no response from Dimitri, Rick checked his watch. Two minutes had gone by. Rick continued to wait, not looking at Dimitri or saying a word. Finally after what seemed like an hour, the clock hit nine minutes, and as bad as Rick felt about it, he started to stand up like he was getting ready to leave.

Then it happened. “What’s that?” Rick spun around, absolutely elated, only to see Dimitri still laying there with his eyes closed.

Quick on his feet, and still looking for a connection, Rick said, “Did you just fart? Because I know I heard something and you don’t talk. So, well...wait a minute. It did come from *behind* me, maybe *I farted!*”

Rick knew he had him at that point and made the same move he had made earlier. This time he heard, “No, what is that one thing?” Rick spun around again and asked, “What one thing? What are they giving you in this IV bag? What are you talking about?” He tried his best to keep this limited conversation going. Up to this point Dimitri still had his eyes closed and hadn’t moved.

Dimitri lifted his head, looked at Rick and said, “You know that one thing I spend all my time thinking about?” Rick was still trying to coax Dimitri out of his shell, so he responded with, “Well, according to your card here physically you are 16 and mentally you are six? Is that right?” No response from Dimitri, so Rick quickly backed up and said, “Oh, wait a minute, I missed it – there’s a *one* in front. Mentally you’re also 16.” Rick paused, waited for Dimitri to look up again and continued, “Chasing girls!” Dimitri was still just lying there and Rick thought he might be losing him again so he pulled out all the stops. “From looking at you, I’d have to say you like short introverted women, don’t you? You know, petite and cute and they always do what you say? Well, for the most part.”

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Dimitri, still frozen, didn't turn his head or open his eyes, but a tiny smile started to form on his face so Rick continued. With a sharp loud yell Rick shouted, "Oh no, wait a minute!" Dimitri, for the first time, turned his head, opened his eyes, and looked directly at Rick.

Rick could barely control his excitement, but continued, "I just saw a smile on your face and from that smile I can tell I was way off, you like tall, European women don't you? You know, that beautiful tanned skin and those nice long bodies that dance when they walk." Rick had him now, an ear to ear smile grew across Dimitri's face showing all of his perfect white teeth. Once again, Rick made an exaggerated motion with his body and kept talking to draw out Dimitri. "Okay, I'm sorry, but now I saw a full smile with teeth and I have to change my guess one more time. You like Swedish girls, tall, gorgeous blondes with sexy accents that tickle the insides of your ears every time they speak."

Dimitri broke into laughter and he asked Rick, "What kind of girls do you like?" "All of 'em!" replied Rick, with an ear to ear grin of his own. Rick spent his entire four-hour shift talking with Dimitri, about everything under the sun.

Once he felt he had started to connect with Dimitri and gain his trust, he finally got to the point and asked, "So what's the deal with the silent treatment for the last couple of weeks? How come you haven't talked to anybody and have been keeping to yourself so much?"

Dimitri drew back into himself a little bit, causing Rick to think maybe it was still too early to get into this, but then Dimitri started talking. He said quietly and with what seemed like a bit of embarrassment, "I've been so scared about what's happening to me and whether I'm going to make it or not – I'm afraid that if I even start to open my mouth, I might break down and start crying in front of my

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family and friends.” He paused and then said, “I don’t want to scare them or let them know how scared I am.”

It was one of those moments in life that you never forget, and it was all Rick could do to keep from breaking down himself; seeing this kid fighting for his life from a hospital bed, and still only thinking about how his family and friends felt. Rick kept it together and explained, “Listen Dimitri, you are one of the bravest people I have ever met in my life and your family needs to know this. You’re really scaring them more by not talking and not letting them know what’s going on with you than you ever could by showing them a few tears.”

At the end of the four hours, Rick hugged him and left with a feeling he couldn’t describe if he’d wanted to. He looked back from the door as he walked out and saw Dimitri sitting up in bed, covers down around his waist, talking to a nurse.

Rick made his way back to the nurses’ station about ten minutes after his shift had ended and the nurse asked, “Where have you been?” Rick replied, “I was with Dimitri.” The nurse said, “I told you to sit with him for an hour. You just sat there for four hours?”

“Just sat there?” asked Rick. “I couldn’t get that kid to shut up.”

“What?” asked the nurse. Rick explained what had happened and the nurse started to cry. Rick talked with her some more, then said as he was leaving, “From now on, save the tough kids for me. If a kid is having a really hard time, make sure that you give that kid to me when I’m here.” From that day on, that was exactly what she did.

28

Don't Pick Up the Phone

Rick found fulfillment working with children. He also found that many people behave like children when it comes to their money and finances!

Here's a hot tip from Rick's experience: If a stranger calls you on the phone, it doesn't matter if the person is selling dollar bills for nickels, tell the person you're not interested and hang up! There's a reason these people call strangers during dinner time instead of talking to referred leads from satisfied and happy customers during normal working hours – They don't have any! Usually they are 21-year-old “financial planners” with no customers of their own to plan for. This is how hundreds of thousands of homeowners were taken advantage of, and in many cases still are. This also goes for most junk mail advertising. The only difference is junk mail gets you to call *them!*

One example of this, believe it or not, is a mortgage company that only originated loans over the phone, and then it was only

refinances. Here, Rick can actually give some praise to real estate agents for a change. This particular company wouldn't do purchases because it didn't want to deal with a borrower who had someone looking out for the borrower's best interest.

This particular company also had telemarketers, or "loan agents," as they were called, who did nothing but hit the phones from three in the afternoon until nine at night, reading from scripts and looking for anyone they could take a loan application from. Then, they said whatever they had to during the conversation to gain trust and get that loan application. On average, the company, through its telemarketers, took 100 to 200 loan applications a month. It was a numbers game and they had it down to a science – "Do not call list" be damned. They discovered that if they didn't register as a telemarketing company in the first place, it lowered their exposure for complaints.

Of the 100 to 200 loan applications the company took, it lost a hundred right out of the gate when it pulled credit reports to qualify the applicants. Then, it lost another big chunk when it was forced to admit what its rates and fees were. Of the 60 to 80 loan applications left, the company could only get about 40 approved and to the closing table. It rushed these 40 applicants to closing before they had time to talk to anybody. The last thing the company wanted was to have the borrowers talk to anyone who actually knew what they were doing.

The company gave its *victims* (that's the only way to describe these people, because they certainly weren't customers), the highest possible interest rates, with the longest prepayment penalties available, while still charging the highest loan fees allowable. The loans this company forced down these poor people's throats were so bad that more than half of the victims walked out at closing. That's right, of the 40 applicants this company managed to get to the closing table, at least 20, and in most cases 30, looked at the terms and simply walked out.

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Believe it or not, here is the really screwed-up part. The company counted on this. It charged on average 15,000 dollars per loan, so even if only ten of the initial 200 victims or loans it originated that month closed, the company still grossed 150,000 dollars for the month. That's almost 2,000,000 dollars a year, with maybe 500,000 dollars in expenses.

Who said crime doesn't pay? The owner of this boiler room easily made a million dollars a year without ever talking to his victims. Seems he'd actually already lost a mortgage broker's license once, so he ran all this under a friend's name and Social Security number.

Most of the people who worked for him had no idea what was going on, as he kept them in the dark on purpose. The one thing they knew was that the whole operation was set up and ready to abandon in a moment's notice. Some knew that they were working under the premise of screwing people who either put their trust in them, or were too stupid to know the difference. Many of them would have had an attack of conscience except for the fact that they were well-paid to do it, not well-paid like other loan officers, but well-paid compared to what they would have made if they were working the next best job they could get, such as washing dishes.

There was a difference between brokers like this and companies like Ameripigs. These companies didn't go back and continue to rip off and deceive the unsuspecting and naive. Once was good enough for them, but they got 'em good before they moved on to their next victims. Ameripigs and the like kept going back until all the victim's equity was gone and then they stole any future equity by tacking on another prepayment penalty.

Never forget, any time you pick up the phone and there's somebody on the other end giving you a pitch or trying to sell you something, hang up! You are not a person to them – you are a number, or worse yet, a mark. If it sounds interesting, call a friend or someone

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you trust and talk about it. Then ask them to refer you to someone they trust. It may take a little longer to get there, but the money and time you save will be worth it.

29

My Credit is Perfect

In this same vein, you never know where the next scam artist or company trying to take advantage of you may come from, so beware. Rick reviewed a credit report as he walked into the conference room where his client was waiting. The client had told Rick repeatedly not to worry about her credit, because it was perfect. Based on what the client said, Rick made the mistake of not checking it before this. He should have known better than to listen to a client about her credit, but this client was adamant, so he waited until right before the appointment.

Her credit was perfect, with the exception of one account, which showed multiple late payments – 30, 60 and even 90 days late. This was more than enough to completely negate the interest rates and financing options Rick had quoted. Rick walked into the room a little irritated and hoped this was a credit reporting error and that he'd still be able to help his client and give her the rates and monthly payments she expected. He skipped the small talk and went right to

work. He sat down next to the client and showed her the huge obstacle they now faced.

The account was with a gasoline company and the client had only used the card once, and then paid it off in full. What the client didn't do was examine her billing statements after that. She assumed there was no reason to do so, since she wasn't using the card and it should have had a zero balance. When the card first arrived, it came with a check for ten dollars. The client thought it was a thank you for doing business with the company and had deposited it. She hadn't noticed the fine print on the back of the check that said if she cashed the check, she would be enrolled in a "shopper's advantage" program and from that month forward she would be billed ten dollars a month unless she cancelled her membership. It seemed to Rick that the shopper's advantage program was an advantage for the gas card company, so it could shop more for itself on their customer's dollar – or ten dollars every month, as in this situation.

Because his unsuspecting client had failed to review her bills, she now had a balance of more than 200 dollars, representing 12 months of shopper's advantage charges and the late fees to go along with them. She hadn't made any payments because she didn't even know she owed the money.

After a couple of months, the gas card company reported her late on the account to the credit bureaus. This was a nightmare, because even though the credit card company had literally tricked her into purchasing a service she didn't even know about, want or ever use, she had signed the agreement. It didn't matter that you would have needed a microscope to see the agreement or its details, let alone read it, the gas card company's scam had worked perfectly.

This is an example of another company out to make a quick buck by taking advantage of an unsuspecting and trusting customer. Even if it was only at ten dollars a month, it was more than enough to put a

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dent in this woman's credit report and credit score and put her purchase of a new home in jeopardy.

It wasn't the first or last time that Rick would encounter this sort of under-handed business tactic, and even though it wasn't his job, he went to work to help his client. After hours on the phone, a couple of letters and a threat of legal action, Rick got the late payments removed from the credit report, as long as his client paid the balance in full. In the end, everything worked out for Rick's client, with the exception of being blackmailed for a couple hundred dollars. Rick and his client learned valuable lessons, though. She learned to always read everything she signs, even if it's the back of a check and you need a microscope to see it. Rick learned that no matter how sure people are about their credit, never, ever quote interest rates, fees or programs to a client without first getting a look at the client's credit report.

30

Size Can Be Misleading

Rick lived in a six-bedroom mansion on a lake with five roommates. It was a mini version of MTV's "The Real World," with more parties and much more alcohol. The mansion had a couple of private docks, a huge boat house and an indoor swimming pool. With six roommates, all in their twenties, four guys and two girls, and most of them in the mortgage business, there was always a party going on. There were parties in the pool house, on the dock, in the mansion and in the boats at the dock.

Rick had just gotten home from a particularly long day. It was about eight at night when he pulled into the driveway. The place was packed. No big surprise – it was Friday night. Rick, still dressed in his suit and tie, walked into the pool area to find about a hundred people drinking, dancing and jumping in and out of the pool. Rick was ready to join the party after the week he'd just battled through. He walked about ten steps into the room and was standing by the pool when he noticed one of his female roommates being held like a baby in the

arms of some guy. They were both in swimsuits and already wet when Rick smiled at his roommate and pushed her, causing them both to go into the pool.

The guy was drunk and had about four to five inches in height and 30 to 40 pounds in weight over Rick. He immediately pulled himself out of the pool and made a beeline for Rick, snarling, "You're going in the pool next." Rick looked at the pissed-off, red faced, drunk monster and said, "Great, I'll go get my swimsuit on." The guy said, "No, you're going in right now!" Rick said, "Look, I was just screwing around. You were already wet." Then it hit him. The big asshole was doing this because he was drunk and had a one-hundred person audience. He also didn't figure Rick would give him much of a problem because he was so much smaller.

"You're going in the pool, now!" barked the big asshole. Rick stayed cool, being totally sober, and said, "Look, I'm in a suit and tie. There's no way I'm going in that pool dressed like this. If you want me to apologize to you in front of all these people for pushing you in the pool, I will. But there's no way I'm going in that pool in these clothes. I'm sorry I pushed you in the pool when you were already wet. Satisfied?" Rick said it loudly so almost everyone could hear.

But the guy was far from satisfied. He moved towards Rick with malice in his expression. Rick knew that look and he knew that the negotiations were over. It was time for action. Luckily for Rick, he had been an outstanding wrestler when he was younger. He had even represented the United States on a USA wrestling team to New Zealand. It was very lucky for Rick, not so lucky for the big asshole.

As the big guy made his move towards Rick, he surprised him and took the offensive. With both hands, he popped the guy hard in both shoulders, standing the guy straight up. This had the exact effect Rick intended. The big guy, after recovering from the shock of being popped, lunged straight at him. Rick over-hooked the guy's left arm

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and under-hooked his right. He then, almost in the same motion, snapped his hips into the jerk's, literally throwing him into the air. Rick landed on top of him with a thud as the big guy's back met the concrete pool deck. Rick had him in what's known in wrestling circles as a "head and arm." Rick's right arm was around the guy's neck and his left arm held the guy's right arm.

They were now face to face. The guy looked up at Rick, mad enough to spit and said, "I'm gonna kill you!" Rick looked down at him, in complete control, with an, "I just slept with your girlfriend" smile and said, "You're going to stand up, shake my hand, and walk away."

The guy looked at him, his face growing redder by the second, and said, "You are dead the second I get up!" Rick knew that in a straight-up fist fight, this guy would kick his butt. However, he didn't intend to ever let it get to that. He took the guy's right arm and put it across his face, covering his nose and mouth.

Rick looked into his eyes and without blinking said, "I know you can't breathe right now even though the hundred people watching us have no idea. I can hold you like this until you fall asleep in about two minutes, at which point I will roll you into the pool to wake you up or you can stand up and shake my hand."

Rick moved the guy's arm away from his nose and mouth and let him catch his breath. After he caught his breath, the guy, pissed as hell, looked up at Rick and growled, "I'm gonna kick your ass!"

"Wrong answer," said Rick as he moved the guy's arm back into the non-breathing position. He then smiled with an, "I just had your sister too" smile and said, "You screwed up now. Night-night." Rick then looked away from him as if it was all over and he couldn't care less. He looked back one last time and said, "You're going to sleep. Oh, what the heck? I'll tell you what, one last chance. If you blink your

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eyes three times very quickly, I'll let you up. You can shake my hand and walk away."

The guy just stared at Rick, with fire in his eyes. So Rick continued, "If you blink your eyes, however, and I let you up, and you come at me again, I'm gonna take a knee or an elbow. It'll be something you are going to remember for a long time. Keep in mind how easily I just threw you like a rag doll. I can do it again!"

The guy's eyes softened. Another 20 seconds went by and the fire in his eyes was gone, replaced by panic. All of a sudden, he started to blink so fast he must have blinked a thousand times in less than a second. Rick stared down at him one last time and said, "Remember what I just told you!" He released the guy and stood up ready to attack the guy's right knee if he made any aggressive move at all.

The guy was an asshole, but he wasn't stupid. He stuck out his open right hand with the look of a whipped dog. Rick shook it and the guy turned and walked away. Rick had never had a problem avoiding fights in the past, but after that demonstration, he felt a new respect from almost every guy there. After all, it's not the size of the dog in the fight, but the size of the fight in the dog!

31

The Internet Explosion

Rick was still working at Northern States Mortgage when he began to hear about a new technology that some said could change the world. The Internet was becoming popular and Rick was interested in what all the talk was about. He signed up for a class at a local technical institute and learned how to create web sites. This was before anyone had really heard of the Internet and there were only two other people in the class, both forced to be there by their employers.

By the end of the class, Rick had written his first web site and even though it left a lot to be desired, he had written it in Windows Notepad, the very basic text editor that comes with Microsoft Windows. At the time, there was no other way to create web pages. Halfway down the page was a link that read, "Time for a Snack." Clicking on this link caused the whole screen to turn into a picture of an apple! As stupid as it sounds, Rick was thrilled when it actually worked.

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That thrill was nothing compared to the thrill Rick felt when he booted up his computer one morning a couple of days later and had email from Singapore and Great Britain with questions about mortgage financing in the United States. Rick thought, “How much money would it have cost me to generate leads from countries around the globe?” He knew at that moment that not only would the mortgage business be turning to this new technology, but so would every business in the world.

It didn't take long until every lender was using email for rate sheets instead of faxing. Then they set up web sites to explain programs and eventually automated underwriting to approve loans on the spot through web interfaces. Companies developed web sites to do everything from issue credit reports to compare interest rates and fees between banks.

Then credit scoring came onto the scene. The credit score, or FICO score, is a number created to determine a borrower's credit worthiness. Hailed as the end-all for determining the probability of a loan going into foreclosure, this was really the beginning of the end for the mortgage business and real estate financing in general. The credit score considered much more than just payment history. It gave values for length of credit history, level of debt, current amount of debt, ratio of credit limits to current credit balances among many other factors.

Lenders used credit scores for everything – whether a loan was approved or not, and if approved what interest rate the borrower would get. There were problems with this, but every lender seemed to jump onboard. First, there are errors on at least half of the credit reports in the U.S. and the scoring model could not tell these errors from the actual credit. Rick assumed that eventually someone would file a class action lawsuit against the credit bureaus based on their reporting and scoring practices, but he hasn't heard of one yet.

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What most people don't understand, and maybe this is the reason for the lack of a lawsuit, is that credit bureaus are not government agencies. They are for-profit organizations, just like any other business.

Nothing demonstrates this more than one of their business practices referred to as "inquiry leads." This is the practice of credit bureaus selling people's contact information to other companies when someone has a credit report pulled. Rick found out about this when he heard from his clients that their phones started ringing with offers from other mortgage companies right after he'd taken their loan applications and pulled their credit reports. What happened was – right after a mortgage company pulled a credit report – the credit bureaus alerted other mortgage companies and told them they had a hot lead for them. The theory is that if someone has a credit report accessed by a mortgage company, then it must be because the person has applied for a mortgage and is actively looking for a mortgage loan. Rick was furious because now he had to explain to his clients every time he pulled a credit report that they would be bombarded by phone calls from other mortgage companies.

Rick contacted one of the credit bureaus to find out what he was up against and had them send him a contract. The contract stated that for 25 dollars per contact, the credit bureau would contact him within one to three days of the inquiry with the person's name and contact information, including phone number. A stipulation in the contract made it clear that Rick (or whoever purchased the information) could never tell the contact how they obtained the information. The credit bureau did not want the contact to know that their information was being sold, especially after the contact had just paid the credit bureau for their report. Talk about a conflict of interest! Rick shared this with all of his clients, as he had no intention of purchasing these leads or ever signing that contract.

32

Useful Technologies

From the first time Rick set up a web site, he was fascinated and absolutely hooked on technology. He once handled a loan for a secretary from Microsoft who had been there since the company began. She didn't make much of a salary, but she had more than ten million dollars in Microsoft stock. That made him wonder if maybe he shouldn't have followed his passion for technology. However, that wouldn't have given him the chance to meet new people on a daily basis the way mortgage lending did.

Rick kept his eyes open for new technologies to use and share with his business associates. Some of the technologies he found to be the best at saving time and helping develop relationships are noted. Don't make the mistake of letting these take the place of real face to face communication. All of these web sites have something in common, they either have free trial periods so you can try them out before you spend a dime or they are free altogether.

- Scroogle.org will save you more time on your Internet searches than all the other technologies combined. It is a search engine that does a Google search, but scrapes all of the advertising and pay per click web links out of the search results. Rick got hooked on this when he was trying to find some programming language for Excel, but kept getting one advertisement after another on Google. After a few weeks, he asked a programming buddy for help and his friend asked, “Have you tried Scroogle?” The first page of search results had three different links with the information Rick needed. Give it a try. If you want more specific information, try adding “white paper” to the end of your search parameters. Be sure to use Scroogle.org and not Scroogle.com, as Scroogle.com is nothing you will want to see. As happens with many popular domain names, someone purchased a variation of it. In this case, someone bought the “dot-com” address and posted a disgusting site. So make sure you go to the “dot-org” site.
- Constantcontact.com is a site with hundreds of newsletter templates. It includes an email database function that will sync with your Outlook. Two things with this: One, it will track every newsletter sent, whether it is opened, forwarded or just deleted and gives everyone the option to be removed from the list (required by the Spam Act). Two, it forces you to write your own newsletter. When writing your newsletter, never make more than three points. One, something personal about you (if people want business info, they can go to Google, or Scroogle if they are in the know). Two, something to help them in their lives (what causes you to worry). Three, a touching story about someone you helped (one of your business transactions that makes you really feel good about what you do and how you really helped someone).
- Gutenberg.org is an amazing site. It’s a dot-org, and it contains all the books and articles that have expired copyrights. You can

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search, read and forward entire books and articles. Sending someone a book or article about something they are interested in is a great way show people you have really been listening to them.

- Jott.com is a site where you register your cell phone by calling a toll-free number. You can then input or upload your contacts. Once that's done, you can call from your cell phone and not only will it recognize you from your cell phone number, but it will take whatever you say, voice-recognize it, convert it to text and email it to your contact's email address, your email address, along with a text to your client's cell phone number. You can also set up groups such as "Family" or "Jones transaction," and it will email and text everyone in the group. It also keeps a record of all converted text messages sent and stores them on the web site along with emailing them to you.
- Loanofficerammo.com allows loan officers to become experts in writing spreadsheets. They can upload their own or their company's photo, logo and contact info and they can create stunning spreadsheets comparing purchases, refinances, investment properties, net seller's proceeds, amortization schedules and much more. Presentations are customized with all their information and there are an infinite number of options that can be presented.
- Providesupport.com is a great web site for any company that does a fair amount of business through a web site or email. For 15 to 20 dollars a month, you get a clickable box for your website and email that says, "Click here for instant chat," or "Online help available. Click here." There are lots of options. The way it works is when someone clicks the box, it rings up to five computers anywhere in the world and whoever clicks the answer button first is automatically put into a chat room with the potential customer. It will then email you the text of the chat for review and follow-up. This is a great way to give the impression that your company is

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huge and has an online help department, even if it's just you working from one computer.

- Text Google is a free Google service you can use with your cellular phone. If you need information that can be found on Google's web site, but don't have access to a computer, simply send a text message to 466-453 (Google) asking for the information. Google will text-message you back with what you are looking for. You can request information from weather by Zip code, to flight information, to stocks, Zip codes, area codes, movie times and locations, directions, sports scores, currency conversions, web page snippets, definitions and language translation. To get started, simply text "help" to 466-453 and you'll be off and running.

Rick hopes you'll find these web sites as valuable as he has. They have saved him countless time and money over the years. For updates on technologies and web sites, visit: www.confessionsofamortgageinsider.com.

33

Brownie the Rat

Rick was making good money and even though his bank balance was going up, the hair on the top of his head was receding. Being in his twenties, he didn't like the fact that he looked like he was in his thirties. Being a huge fan of Captain Kirk who was well known for wearing a hair piece, he decided to explore his options. He met with a hair transplant specialist, and after talking a while said, "Give me the best case and worse case of a procedure like this."

The doctor looked at him and said, "If everything goes well you'll have a 'doll hair' look in the beginning, but after a few procedures, it will look natural and no one will know the difference. If the first procedure doesn't take, you could end up with scars all over your

head and may have to wear a hairpiece to cover them for the rest of your life." That was all Rick needed to hear, he was outta there.

His next stop was a company called Innvisions. He walked into the office and immediately noticed the cute receptionist and other hot girls who seemed to be busy running around the office. He didn't realize until later that they were probably all hiding from the clients. One of them escorted him into a nice office and then Oliver walked in.

After the usual chit-chat, they got down to business. Oliver explained that Innvisions didn't offer a hairpiece. Oh no, no. They offered a hair *system*. Oliver explained, "The way it works is that we have a screen that fits on your head and the only place we add hair is where you are missing it. Looking at your head, it looks like most of the hair would still be yours. You still have a lot of hair."

"Yeah, I do," thought Rick.

"When we get the screen back, we pull your hair through the screen and the spots that are scarce are filled in with human hair that matches yours."

"Well, that sounds pretty good," said Rick.

"Then once a month you come back in and we touch it up and give you a haircut so everything matches and looks good." Of course, he didn't tell Rick that these five-minute haircuts would cost 60 dollars, and at that point a traditional barber was no longer an option.

Rick was sold. So sold that instead of just purchasing one hair system, he purchased two so there would always be one on standby that looked good. Rick got a call about a month later to come in and have it fitted and attached. He was nervous, sitting in a room this time that looked more like a barber shop. As Rick looked around, a girl walked in with a can of shaving cream and a razor. "Hi," Rick said anxiously. "What's up?"

She looked at him and said, "Well, I'm here to shave your head."

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“Wait a minute,” Rick thought. Then he said, “You must be in the wrong room, I’m here for the hair system where you pull my existing hair through a screen, not shave it off.” But he could tell by the look on her face that he’d been had. She looked at him like it wasn’t the first time she’d heard this and said, “I need to get your consultant.” Rick figured they called them consultants because “totally full of shit salesperson” would have just been too honest. The girl came back about 15 minutes later and, what a shock, Rick’s “consultant” was out of town. Rick was already about 5,000 dollars into this deal, so he thought, “What the hell?” and said, “Okay, do whatever you need to do.”

She shaved the top of his head and attached a rat that had been dyed the color of his eyebrows to it by clipping it to the still existing hair on the sides of his head, and literally gluing it to his now shaved scalp.

Rick was less than thrilled as he left the office and headed straight to his parents’ house to get what he had hoped would be a favorable review. He was even more nervous now, so he stopped at a convenience store to pick up a six-pack of beer and slam a few on the drive over. He dropped the six-pack on the counter. When the clerk looked up at him, he said, “I need to see your ID.”

“My ID?” asked Rick. He hadn’t been “carded” in years and hadn’t thought about the effect the dyed rat on his head might have. “No, I’m not writing a check, I’m paying cash,” he explained. The clerk looked at him and said, “I need to make sure you’re 21.” Rick thought for a second, then started to laugh. “What?” said Rick. “Alright.” But when he pulled out his driver’s license, it showed a picture of a guy with a receding hairline. The clerk said, “That’s not you.” Rick laughed out loud this time as he tried to pull the “rat” to the side so the clerk could see the bald head underneath. “Look, it’s not real hair. I just got it and haven’t gotten a new ID yet.”

“Wow,” said the clerk as he rang up the beer. “It looks real.”

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Rick finally got to his parents' house and knocked on the door. He was surprised when the little door opened in the middle of the big door and he was looking right into his dad's face. His dad said in a very stern voice, "Yeah?" Rick laughed again, "Dad, it's me - Rick." Once he got in the house, his parents were very sweet and told him how good he looked.

The next day, he stopped by to see his buddy Doug and was surprised when it seemed like there had been a fire alarm in Doug's office. He didn't find out until later that it spread through the office like wildfire that he was there wearing "the rat" and everybody wanted to get a look.

About eight months later, Rick was on his way to Hawaii to help a mortgage company get off the ground. He sat on the plane wearing his now constant companion, "Brownie the Rat." As he thought about how much he loved Hawaii and just jumping into the ocean on a whim, "rat" issues ran through his mind, all of which he heard about after it had been attached. "Keep it out of the sun or it will bleach. If you get salt water on it, rinse it immediately or it can melt. Try not to sweat too much or it can become loose."

"Screw this," thought Rick as he went into the airplane bathroom and ripped "Brownie" off his head, never to be worn again.

As he exited the plane, he saw two men holding a sign with his name on it. Of course, all the pictures they'd seen of him were with "the rat." Rick walked up to them and said, "Who is this Rick guy you're waiting for? Sounds like an asshole." The young mortgage broker turned to Rick and said, "Oh no, he's a great mortgage broker from the mainland coming out here to help us." Rick laughed and said, "I know. It's me." The young guy holding the sign looked at Rick and said very coolly, "You look younger in your pictures." Rick very coolly answered back, "Yeah, I had a little bout with insecurity, but I overcame it."

34

Zero Down

Lenders became so dependent on and confident in credit scores that they introduced new programs they would have never offered without them. The first of these programs was known as an 80-20. This is a loan program where the lender actually makes two loans, a first mortgage for 80 percent of the price of the home, then a second mortgage for the remaining 20 percent of the purchase price. This way, the borrower doesn't have to come up with anything other than closing costs. For example, on a 300,000 dollar home, the first mortgage (for 80 percent) would be 240,000 dollars and the second mortgage (20 percent) would be 60,000 dollars, for the total of 300,000 dollars. If the seller agreed to pay the closing costs, then the buyer could close the deal without one single cent out of pocket.

This was the beginning of the end.

It became cheaper to buy a home, with zero out of pocket and a payment that did not start for, on average, 45 days after closing, than

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it was to rent a home, which required first and last month's rent plus a damage deposit. Not to mention the fact that mortgage payments are tax deductible and rent is not. So millions of people purchased homes with nothing out of pocket and no equity in the property once they moved in. This caused a huge influx of home buyers and demand for homes that hadn't existed before.

Demand for housing shot up dramatically and home prices shot up right along with it. In some areas, appreciation rates, the increase in the prices of homes, reached as high as 20 percent per year. As soon as a home went on the market, there were multiple offers, in many cases above the listed sales price.

More than once, Rick did an 80-20 loan for a buyer and less than a year later refinanced the two loans into one because the value of the property had gone up so much that Rick could combine the first and second into one 80 percent loan.

The next step was to start combining different loan programs. All of a sudden, lenders didn't just offer 80-20, zero-down loans. Now, a borrower with the right credit score could get one of these zero down loans with no income verification. That's right, not one shred of income documentation.

This added more fuel to an already blazing fire and real estate prices continued to shoot up like never before. Now borrowers who could have never purchased a home as a result of not having any verifiable income, no down payment and little or no assets jumped in and purchased homes and closed with no equity.

35

Nostate Insurance

Rick sat in his office, paperwork, phone calls and emails swirling around him, eating up every second of his day and his cell phone beeped. “This is Rick,” he answered quickly letting the caller know immediately he was busy.

“Rick, it’s Cal, what are you doing?” Rick and his friend Cal owned a boat together moored about 10 minutes from Rick’s office. Rick replied, “The usual – working my butt off and putting out fires.”

Cal said, “I’m down at the boat with two cute account reps and we’re going across the lake for dinner. Why don’t you come with us?” Of course, being the gentleman that he was, Rick worried that the girls might get bored on the way over while Cal was busy piloting the boat, so he decided to join them instead of continuing in his tornado of work.

They had a great ride over to Seattle and docked at a lakeside restaurant. The place was busy and in what seemed like five minutes, four hours had gone by. The girls were ready to get going, but Cal and Rick

weren't, so Rick took the girls out to a cab and paid for them to get back to the marina where they had left their cars.

Rick and Cal stayed at the restaurant until about 11:00 p.m. As they went back across the lake, Rick's cell phone rang. It was a friend back at the marina in a local bar with a group of people they knew. Rick hung up the phone and said, "Let's get there." They punched it and that was the last thing Rick remembered.

When Rick came to, it was as if he was waking up from a dream. He was really groggy and looked around. He was holding the back of one of the chairs and as he turned his body, he felt a slight resistance against his legs. Rick looked down and the water that was filling the boat and was just below his knees. He was instantly awake and frantically looking around. It was very dark and he couldn't see where they were or how far out they were.

He looked towards the back of the boat and saw Cal sitting there, holding his throat, repeating, "I don't want to die out here, I don't want to die." Then Cal moved his hand. The skin from ear to ear under his jaw fell in his hands and Rick could see into his throat. Rick felt himself mentally slipping away. He didn't know why, maybe shock, but he knew if he gave into that feeling, Cal would be dead for sure and probably him, too. Rick turned to Cal and shouted, "Shut the hell up so I can think!" Then he grabbed the wheel. The boat had dual outboards and one of them still worked.

Rick headed for the only land he could see and got there as fast as he could. He made it to a private dock, but had no idea where they were. He knew he had to try to tie off the boat. While Rick tried to pull the boat over to the dock, he fell into the lake. He pulled himself up onto the dock and then helped Cal. They made it up the dock and into the yard at the back of a huge house, where they banged on the big double glass door. Apparently, no one was home. If they were, they had no interest in opening their back door to one guy in a suit soaked to the

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bone and another one covered in blood. They tried to go around the house to get to the street but there was a locked gate. Rick helped Cal over the gate and they were both on the other side and crap...another locked gate. Having no choice, they went over that one, too, and made it to the street.

“Great, where are we?” Rick thought to himself. Cal sat down and Rick looked for a street sign or address. His cell phone was soaked, so he got Cal’s and called 911. Soon, fire trucks, ambulances and police cars lit up the street like the Fourth of July. The paramedics put Cal on a stretcher immediately and as soon as Rick saw that, all of a sudden he didn’t feel so good and boom...he was on the pavement.

Rick woke up the next morning in a hospital bed, not able to move his arms. He was embarrassed to admit this, but the first call he asked the nurse to make for him was to his office. “Hi, this is Rick. Look, I’m not going to be in today. Cancel all of my appointments. I’ll call back later, Bye.” His next call was to his parents. His dad answered the phone. Rick said, “Dad, I’m in the hospital.” His dad said, “Yeah, I know. I see that from the caller ID. Overlake Hospital.” Rick said, “Oh, Overlake, that’s where I am?” His dad told him later he wasn’t concerned about him not showing up for dinner the night before, but became very concerned when Rick called from the hospital and didn’t know where he was.

Rick had a cracked sternum and a couple of ruptured arteries in his chest. They thought one of them might be his aorta and they needed to do some tests to rule it out. When the nurse came in, she lifted up his gown to go up the inside of his leg with a camera or something. When she was down there, Rick, his sense of humor still intact, asked if she was at least going to buy him dinner first.

Cal ended up needing 67 stitches across his throat. His back was broken in three places. Rick’s hauling him out of the boat and over two fences probably didn’t help.

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Rick kept his sense of humor throughout. His friend James told him this later, after he was out of the hospital. James said he'd come to visit and Rick was out of it. While James was there, a couple of girls came to the hospital and when they walked into his room, Rick reached under his bed, pulled out his urine jug and said, "Who wants fresh apple juice?" James told Rick later, "It was hilarious, even though the girls didn't think so."

You would have thought the accident and the week to ten days that Rick and Cal spent in the hospital was the tough part, but that was nothing compared to dealing with the insurance company, Nostate, the slippery hands people. There was an investigation to find out what the boat had hit and how the whole thing happened. Nothing was ever decided. The investigator's best guess was that one of the local barge companies had been pulling an empty barge across the lake at night, an illegal practice, to make up for being behind schedule.

The barges were made of mostly concrete and when empty, only came out of the water about a foot or two, impossible to see during the day, let alone at night. Their boat had sustained about 65,000 dollars in damage and Nostate kept dragging its feet. Just when Rick and Cal felt that they were getting somewhere, the file would be transferred to another adjuster. Now to be truthful, Nostate never said they wouldn't pay, they just didn't pay. They shuffled the file around to another adjuster any time the current one ran out of bullshit answers. Cal was losing his mind over the whole thing and Rick was starting to get pretty pissed off, too.

After a few months and multiple adjusters, they'd had more than enough. Cal talked to Rick and said, "That's it. Let's sue these bastards. They'll keep putting us off for years if we let them get away with it." Rick was a little nervous, but equally pissed and asked, "You

want to sue Nostate, one of the biggest insurance companies in the country?”

“Hell yes,” Cal responded, “Let’s get ‘em.” Cal was a former Marine and tough as nails. A great guy to have on your side, but you wouldn’t ever want to be on the opposite side.

Rick and Cal met with an attorney and after he reviewed everything, the attorney said, “You guys have a great case. There’s no reason why Nostate hasn’t paid, except for the fact that it’s part of their business model. This claim will cost them about 70,000 dollars and the longer they can put you off, the more interest they can make. Not to mention the average person wouldn’t see an attorney and file a lawsuit. So in some cases they never have to pay the claim at all. Even when someone does sue, Nostate has an entire department of attorneys on staff to handle the huge number of lawsuits they receive. They simply look at it as a cost of doing business and with the way they do business, it is.”

Even with Rick and Cal suing Nostate, the company still dragged it out for another six months of refusing to pay. Well, they refused to pay until a court date was set. Knowing they didn’t have a leg to stand on, they settled and paid the claim and most of Rick’s and Cal’s attorney’s fees right before the hearing. Dumbfounded, Rick and Cal spoke with their attorney, and he explained, “Nostate’s whole strategy is to drag things out and avoid paying for as long as possible. They’ve done that now and the last thing they want to do is actually end up in court. When we won, and we would have, it would become public record and available to all the other attorneys Nostate is fighting right now and will fight in the future. That’s the last thing Nostate wants, so they settle.” As Rick and Cal left the office, they looked at each other. Even though technically they’d won, neither one of them felt that way. A couple of weeks later, Rick was in his office and answered his phone, “This is Rick.”

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“Hi, this is Jackass from Nostate Insurance and we’re offering free movie tickets to your clients if you send them our way for their homeowner’s insurance.” Rick, knowing it wasn’t this person’s fault, said, “Boy, did you call the wrong number today. Your company sucks so bad that not only will I not be sending business to Nostate, but I will to warn every client of mine to stay away from you guys. Good luck on your next call.”

Rick was explaining the story to one of his clients, Mark, who responded with one of his own. He had been insured with Nostate and had a ring stolen from his home. His agent told him to file a claim and even though the ring was worth 3,000 dollars, Nostate paid him 300 dollars. A couple of months later, Mark’s laptop was stolen from his car. Again his Nostate agent told him the laptop was covered and to file a claim. Nostate came through in fine Nostate fashion and paid 200 dollars for the laptop, then immediately dropped his account. Mark called his agent and told him what happened and that he had only acted on the agent’s advice. The response from the agent was, “Oh sorry”.

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The Half Million Hooker

Another example of someone who Rick just couldn't help was when a nice, dopey-looking dentist, not the clip-on tie type, but close to it, came to find out how much he could afford to spend on a home. Rick took him into his office and began by asking some questions. "What would you be comfortable with for a monthly payment?" The dentist replied, "I'd like to keep it around 3,000 dollars a month"

Rick went through the dentist's finances and was just about to break the bad news to him that the maximum payment he could afford was 2,500 dollars per month. Instead, he paused to ask one more question, "Okay, so you don't have any other monthly payments?" Then the dentist came clean and replied in the way of someone who had just remembered something. "Oh wait. I also have 2,000 dollars a month for child support."

Rick's deal went down the toilet. The 2,000 dollars had to be taken right off the 2,500 dollar monthly payment he could qualify for.

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That would leave the good dentist with 500 dollars a month for a house payment. In the market where he was looking, he wouldn't be able to afford an outhouse, let alone a real house.

Rick was a little upset, but more curious than anything else so he asked, "Two-thousand dollars a month? How many kids do you have?"

The dentist, with a look of shame on his face said, "Do you have a minute? It's kind of a long story." Rick was intrigued now, plus he realized that the next thing he was going to have to do was tell the poor guy he'd have to keep renting and couldn't afford to buy a thing, so he responded, "Sure. Tell me what happened."

The dentist took a deep breath and started, "I'm a 40-year-old dentist and I don't go out much, or have a lot of female friends, so it's rare that I get a chance to meet women.

"About two years ago, one of the most beautiful women I'd ever seen came into my office for a cleaning and routine exam. She was 23 years old, with long blonde hair, big blue eyes, a perfect smile and body to match. Her teeth didn't even need a cleaning. I usually let my dental assistant handle these appointments, but this girl was stunning. So I decided to handle it myself. We seemed to hit it off right away so I asked her out.

"We started dating and I was in heaven. This girl couldn't seem to get enough of me and I definitely couldn't get enough of her. I had more sex in the next two months than I'd had in the previous forty years of my life combined and every single time it was unbelievable. I was head over heels in love and she kept talking about us spending our lives together. I asked her to marry me and couldn't wait after she said yes. A month later, we were married and she and her 18-month-old son moved into the house I was renting.

"Everything was perfect, except right out of the gate she started pressuring me to adopt her son. I didn't see the point and explained

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to her, 'We are a family now. I will always take care of both of you for the rest of our lives. Maybe we can even give him a little brother or sister.' Well, she could have asked me to drive off a cliff and I probably would have done it, so after a couple weeks we started the adoption process. It took three months and she was great, and very affectionate, the whole time."

"On the day the adoption came through, I took off from work early, stopped for a bottle of champagne, and headed home, ready to celebrate. When I walked into the house, it was cleaned out! She was gone, the kid was gone, all of their stuff was gone and anything I owned of value was gone. That was the least of my concerns, though. I was totally in love and devoted to this woman. I was sick and depressed, trying to figure out what had gone wrong. I tried to find her. It turned out she had moved back in with her son's father. I was heartbroken, but figured I'd been taught a lesson. Even though all my possessions were gone, looking back it almost seemed like it was worth it except for the broken heart.

"I didn't realize what an expensive lesson it would be until a month later when I got served with divorce papers and there was a child support addendum. The child support papers said that based on my income, they used my gross income, not my net income after my office and employee expenses, I would have to pay 2,000 dollars a month. Child support is also tax free to the receiver. So on top of the 2,000 dollars a month, I also had to pay taxes on the 2,000 dollars, so it actually cost me more like 2,800 dollars a month. Finally, there was a clause that stated that anytime my income increased, they could call a review and the child support could increase. This gold digger's son was now two years old, so I was on the hook for the next 16 years."

"I went to court and screamed set-up. I mean I had only known this girl for six months and her son for less than that. You hear that justice is blind. Well, justice is Helen Keller because the judge didn't

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hear or care one bit. He looked down at me and my attorney and said, 'Adopting a child has nothing to do with the relationship between the parents. It says right in the documents that you will support the child until he is 18 years old and older if he goes to college.'"

Rick's jaw dropped and the first thing he was able to utter was, "Don't they need dentists in Mexico? Just because a judge says something, doesn't make it right. If I had to deal with that, I'd either shoot her or go to Mexico. Or maybe shoot her and then go Mexico. Either way, I'd do everything I could to not pay her 500,000 dollars, tax free, over the next 16 years for six months of sex, even if it was fantastic, jaw gnashing sex." The dentist conceded that Rick had a point, but said he was just going to gut it out.

"Okay" said Rick, "but thanks to her, you'll be gutting it out in a rented house."

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Getting Glasses

Just when Rick figured he'd heard enough hard luck stories and spent more than enough time in hospitals, he found out he was far from finished. It was just after New Year's and Rick woke up with a foggy head. When that started to clear, he noticed things were a little blurry out of his right eye. He figured he'd gotten too much cigar smoke in his eye at the New Year's Eve party and blew it off.

A couple of weeks later as he was coming back from church with his parents, he mentioned it to them. Well, every couple of days after that they asked if he had been to the eye doctor yet and of course, he was much too busy for that. After a few more weeks, his mom called and said, "Rick, you have an appointment with an optometrist in Bellevue on Wednesday to get your eye checked out."

Rick was especially busy that day and picked up the phone to cancel the appointment, but he didn't want to tell his parents that he'd he skipped it, so he went. He sat in the front of the office and looked at all the glasses in the case and thought, "This won't be so

bad. These glasses are kind of cool and these would probably make me look smart.” Finally, they took him to the back for his examination. The eye doctor asked when his last trip to the optometrist had been and Rick told him it was when he was six years old. Then the doctor put some drops in his eyes to dilate them and left for a while.

When the doctor came back, Rick was ready and enjoying the light show every time he turned his head. The doctor moved that big contraption in front of his face and looked through it into his eyes. As he examined Rick’s eyes, the doctor reached over and picked up the phone. Rick didn’t know what the doctor said, but he sounded very nervous and said something like, “No, it can’t wait. The appointment has to be today. Right now.”

Rick thought, “Man, I wonder who he’s talking about. Whoever it is, that guy sounds screwed.” Right about then, the doctor backed up, moved the contraption away from Rick’s face and said, “I just made you an appointment to see a retina specialist across town.”

Rick responded, “You mean that phone call was about me? I’ve never had an appointment to get glasses before, but still, this seems a little out of the ordinary.”

The doctor responded, “I wish I could fix your problem with glasses, but this is way beyond that. There is something growing in your right eye and you need to see a retina specialist right now. I just made an appointment for you across town and they’re expecting you.”

Rick got behind the wheel with his mind racing and his eyes still completely dilated, so he couldn’t see a thing. He drove back and forth between the bumps on the road, across town, to the specialist’s office. He walked into the office and the girl at the front desk handed him a clipboard with a form on it and asked him to fill it out. Rick looked at it and saw nothing but a white blur. He said to her, “Would you please

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look at my eyes?” She responded with a giggle, “You can just give that to me and I’ll take care of it.”

So Rick was shuffled from room to room and from testing machine to testing machine for the next two hours until he ended up in an office. The doctor came in and sat on a wheeled stool. He rolled right up to Rick. He looked at Rick and asked, “So do you like things sugar-coated?” Rick responded, “I love things sugar-coated, but I think we are way beyond that and I’m sure you don’t have enough sugar in your whole office. So just tell me what’s going on.”

The doctor said, “Well, I would say that you have a malignant tumor growing in your right eye” (That’s the nicest possible way to say cancer). Rick responded, “Look doctor, I wasn’t all that thrilled about getting glasses today, but I’ll tell you what. Forget all about this cancer bullshit and I’ll wear a thick pair of Coke bottle glasses for the rest of my life, including in the shower and while I sleep.”

The doctor paused then said, “I don’t think you understand what I just told you.”

Rick countered with, “What do you mean? From what I understand, you just told me that I have cancer in my right eye and a hell of a fight on my hands.”

The doctor said, “That’s right. I’m just used to people breaking down, or at the very least, crying.”

Rick told him, “Look, I’m a Christian and if God is ready for me, then I’m ready, too. But in the meantime, I’m going to fight like hell. So what are my options?” The doctor told Rick that he had an incredible attitude and if he could maintain it he would come through this just fine.

Luckily for Rick, the two top ocular cancer centers were right across the bridge in Seattle; Swedish Hospital and the University of Washington Cancer Center. When he left the doctor’s office, Rick’s

eyes were still dilated. He still couldn't see and almost slammed into a car pulling out of the parking lot.

The first place he went was to see his parents to fill them in on the news. They were in the kitchen and Rick said, "Oh hey, I went to the optometrist today and I have good news. I don't need glasses." They both asked, "Well, what is it then?" And that's when he told them they should probably sit down.

Rick ended up at Swedish and met with a surgeon to discuss his options. The doctor explained that he had three options; one, do nothing and eventually it would kill him; two, have the eye removed and replace it with a glass one or; three, have surgery where surgeons would put a radioactive chip behind his eye for a week and then go in for another surgery to remove it. The radioactive chip should kill the tumor. Rick chose the third option, as the first two didn't really seem like options at all.

It was weird for Rick to go through this because he felt like he didn't want to tell anyone; as if in some way having cancer would reflect badly on him. He couldn't really explain it, but it was a very distinct feeling. Well, he got over it because he ended up sending out an e-mail to all the e-mail addresses he had, about eight to nine hundred, explaining the whole situation. He further explained that one in three people will have a battle with cancer and the main reason people lose the battle is because it is not detected early enough. If he hadn't had two loving parents to hound him, he was sure he would have continued to put it off indefinitely.

Rick's e-mail saved two lives because people read his email and finally went to the doctor. One was a good friend who had been having chest pains but had been putting off a doctor visit. He went to get checked and they took him straight into surgery and found he was 90 percent blocked in two arteries and would certainly have had a heart attack and died within months.

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Rick had to wait to find out about his surgery date, as it was all contingent on when they could get the radioactive chip. Only one physicist in the country constructed these things. When they were ready for him, Rick went in and they put a bracelet on him that said, “Danger – Radiation! Do not come within five feet.” Rick asked the surgeon, “No one can come within five feet of me because of this radioactive chip, but it’s going to be a couple of inches from my brain?” The doctor replied, “That’s right.”

Rick came out of the first surgery groggy, but smiled when he heard one of the nurses speaking to another one saying, “He’s hot, be careful. He’s hot.” Rick looked up at the nurse with an ear to ear grin and said, “You think I’m hot?” The nurses broke up laughing. Both surgeries went well and within two months, Rick was back on his feet, completely healthy except for the lack of vision in his right eye. The doctor was right, Rick’s attitude had helped carry him right through.

38

You Don't Listen

Rick was used to having other loan officers ask him for help. After all, he closed more loans in a month than many of them would close in a year. One of Rick's friends, Leon, a relatively new loan officer, started calling him. Rick had closed all Leon's purchases and refinances, right up until Leon decided to print up business cards and join the mortgage industry. Why not? He had as much experience in helping people with their finances as most new loan officers in the business. His previous occupation was in landscaping. However, he did have a high school education, which put him above most in the industry.

Leon kept calling to get a sit-down with Rick. But Rick was busy, very busy. And, he was getting a little tired of handing out free advice. Finally, Rick returned Leon's call and asked, "Okay, okay what's up?" Leon said, in what sounded like a bit of a panic, "I really need to talk to you. When can we sit down and talk?" Rick replied, with just a hint of irritation in his voice, "Look, buddy, I'm not going to have time to

sit down with you. We'll have to handle this over the phone." Leon sounded more panicked now and replied, "It's really important, Rick. I need to see you!" Rick thought Leon might have gotten himself into some trouble at this point, so he made some time for him.

"Alright Leon, I'm flying to California in the morning and will be at home packing tonight. Swing by at eight o'clock this evening and we can talk while I pack." Leon eagerly agreed. Rick was packing, cleaning his binoculars for use around the swimming pool, when the doorbell rang 30 minutes early. Rick ran down the stairs and let Leon in.

Once they were in Rick's room, Leon opened the grocery bag he had brought with him and cracked beers for each of them. He said, "I hear it's really hot in California right now." Rick stopped packing and turned to Leon, "You haven't been pestering the crap out of me for more than a week to chat about the weather in California, have you?"

Leon looked down at his feet and shrugged his shoulders, "No." Rick, feeling more sympathetic by the minute, said, "Okay talk to me."

The first thing Leon said was, "You're not going to tell anyone about this, are you?"

Rick responded with, "You have got to be kidding me! When have I ever betrayed a confidence? If you don't trust me, go talk to someone you do trust."

Leon apologized, then started to talk. "I feel like nobody likes me."

"What?" asked Rick. "What the hell are you talking about?"

Leon answered him with tears in the corners of his eyes, "Every time I go out, everyone asks, 'Where's Rick?' and they call, trying to get you to come out. I feel like I have to invite myself along, or just show up, after I have called everybody to find out where they're going to be."

Rick saw how fragile Leon was, so he responded with a question. "Where are you right now?" Leon was clueless, and asked, "What?" Rick repeated, "Where are you right now? Do you need me to tell you

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something to make you feel good or can I tell you the truth?" Leon looked at Rick, and with nervousness in his voice said, "I guess I need to hear the truth." Rick had hoped for that answer and wasted no time.

"Leon, you don't listen to people! EVER! You are so conceited that you think what you have to say is the most important part of any conversation. You are so busy thinking about what you're going to say next, that you never pay attention, let alone listen, when someone else is speaking. But you're listening now, aren't you? I have a real example for you that I've never brought to your attention, well, at least until now.

"You and I were talking once and I could see that you were just waiting until I was done so you could talk. It was so obvious that I decided to test you. So right in the middle of what I was saying, I stopped and said, 'Man, I bet Mickey Mouse is going to be pissed, I saw Minnie Mouse kissing Donald Duck on the sidewalk yesterday.' Do you know what you said?"

Leon looked sheepishly at Rick and said, "No, what?"

Rick replied, "You just said, 'Yeah, I bet,' and continued with what you wanted to talk about. You didn't give one shit about what I was saying, or what I had said."

The tears at the corners of Leon's eyes started to reappear, but he said nothing. Rick felt bad for his friend and asked, "Do you want help?"

Leon asked excitedly, "You can help me?" Rick said, "I sure can, but it's going to take some work. Do you want to get started now?"

"Please!" Leon blurted out. That was all Rick needed to hear. He started right away and said, "As of now, you have lost the right to have an original thought."

"What?" asked Leon. Rick continued, "From now on, in any conversation you have, you cannot introduce any of your own thoughts

or ideas. All you can do is ask questions about what the other person says. Let's practice."

They started practicing. This is an exercise that is much easier said than done. Leon interrupted continually with his own thoughts, and every time Rick stopped him short. "I wasn't talking about that," Rick said or, "That's not a question," to keep Leon in line. Leon got frustrated, but he made progress.

Desperate to make a point occasionally, Leon asked, "What if there's a lull in the conversation? Then can I introduce something new?"

"Yes," Rick answered. Leon was thrilled, until Rick continued, "You can ask a question about something else." Now feeling kind of irritated, Leon snapped, "Like what?"

"FORD," answered Rick. "FORD?" asked Leon, very puzzled. "Yes, FORD," Rick answered again.

"What the hell does that mean?" Leon asked, sounding aggravated now.

Rick calmly responded, "F-O-R-D. Anytime the conversation stalls, think about a beautiful, red Ford Mustang convertible to drive you out of your dead-end discussion.

"F - Family, O - Occupation, R - Recreation, D - Dreams. Those are four topics that everyone has in common, can relate to and loves to talk about. If you make it through family, occupation and recreation with someone you're listening to, by the time you get around to asking about their dreams, you may be the only person to have ever asked about that and they won't forget you.

"Okay, more practice."

The training went well, so well in fact, that a couple of weeks later Rick was talking, and listening (very important) with a friend who asked a question that was music to his ears. "Have you noticed the change in Leon?"

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“What?” asked Rick.

“Leon,” said their mutual friend. “He’s a new man.”

Rick noticed more frequently that it wasn't just Leon who had trouble listening or carrying on a conversation. With this on his mind, Rick looked into it and one term that seemed to pop up more than once during his research was, “Elevator Speech.”

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What is an Elevator Speech?

The phrase “elevator speech” originated when things were quite a bit different than they are now. Buildings were much smaller and two or three people in an elevator was the norm. People still talked to each other then and elevators didn’t move at the speed of light, covering 40 floors in 14 seconds or less.

The elevator speech is now a dinosaur, but the notion behind it has never been more relevant than today. The difference is that in the past, the most common 30-second communication was a quick encounter on an elevator. Now 30-second communication is the basis of how we communicate. Listening isn’t a lost art because you must have something in the first place before you can lose it, and listening never made it to the forefront as an art.

Conversation has become so competitive that anyone who stops to take a breath immediately becomes the listener. Think about it; every communication you have now is 30 seconds or less. Email, text messages, news stories, commercials, radio ads, newspa-

per headlines, even conversations. They now have a name for this – *sound bites*.

So given this trend, you now have 30 seconds, sometimes less, to engage a person in conversation before the person's mind wanders to one of the other 50 thousand thoughts running through their head on a daily basis. This includes, many times, what that person is going to say to you next, no matter what you might be talking about.

Concentrating on anything takes discipline in today's world. We've all gotten used to talking on the phone while writing email, sending a text message, communicating with someone standing in our doorway – at the same time researching something on the Internet. It takes discipline to just talk to someone and give that person our full attention. ADD shouldn't stand for attention deficit disorder; it should stand for "absence of discipline disorder." Paying attention to any single source of information now takes extreme and focused discipline. It didn't used to be like that. Before TV and the Internet, students were fascinated with teachers and the lessons they taught. Well, maybe not fascinated, but at least interested. Focusing on a book for hours was an enjoyable experience, not a chore that had to be forced through discipline and ADD was a condition that didn't exist.

Of course, we didn't have drug companies coming straight at us through TV, magazines and the media, convincing us that any problem we have is a disease or dysfunction that can be handled by taking a pill. Commercials tell us to "Ask your doctor about..." This is no different than an auto parts manufacturer advertising on TV, "If your car burns gas when you drive it, next time you take it into the shop, ask your mechanic about Acme fuel lines."

Isn't it amazing to think how ridiculous this seems, to actually suggest to an auto mechanic what to use on your vehicle, when you know nothing about cars? But because of advertising, it seems

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completely rational to do this when it comes to your doctor and your body. If you feel that you actually need to suggest a drug therapy that you saw in an advertisement to your doctor, maybe it's time to see a different doctor.

The United States is the only country in the world that allows drug companies to advertise directly to the public. It must have something to do with the billions of dollars in profits drug companies make and the millions of dollars it now takes politicians to get elected; of course that is just a guess. Not an uneducated guess though, considering the streams of people who rush to the closest doctor and pharmacist to get their prescriptions filled. Restless leg syndrome; what the hell is that, anyway? Sleeplessness, feeling stressed out, high blood pressure, hunger pains, fatigue, back pain, no sex drive or even the ability to engage in sex – just take a pill. Forget exercising or drinking ten glasses of water a day – just take a pill.

The last thing they want you to know is one glass of water shut down midnight hunger pangs for almost 100 percent of the dieters in a university study. Lack of water is the number one trigger of daytime fatigue. According to Dr. Batmanghelidj Fereydoon in “Your Body’s Many Cries for Water,” preliminary research indicates that eight to ten glasses of water a day could significantly ease back and joint pain for up to 80 percent of sufferers. A mere two percent drop in body fluids can trigger fuzzy short-term memory, trouble with basic math and difficulty focusing on the computer screen. Drinking five glasses of water daily decreases the risk of colon cancer by 45 percent, plus it can slash the risk of breast cancer by 79 percent and decrease risk of bladder cancer by 50 percent.

Why do we stop liquor companies and tobacco companies from advertising but allow pharmaceutical companies to buy all the air time they want?

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Think about the thoughts you have, what you see and put into your mind, and what you tell yourself as a scale. Positive and negative. The negative side gets weighed down by all the negative information and influence that comes at you all the time, especially by what you say to yourself. You need to balance the scale by putting positive information into your mind and speak to yourself in positive ways. The only way to get a handle on this is to get a notebook, or better yet a digital recorder and make notes of every thought and everything you tell yourself – good and bad. Well, you really didn't need to say good, because how often do you ever say anything good to yourself, let alone great? You will never do that, it's impossible. You would have to spend time doing this, which is time you already don't have, not to mention the time that would be required to review it and work on the changes. Remember though, this is your life you are talking about.

What is an elevator speech and why is it important? There are lots of different names such as elevator pitch, ABC – Audio Business Card, audio logo, verbal logo, VC overview and 30-second message, but it all comes down to the same thing, an extremely well-thought-out and well presented, 30-second sound bite of whatever message you want your listener to receive. Business owners or salespeople use these to quickly describe what they do or sell, but as mentioned earlier, it's quickly becoming the foundation for all communication.

Have you ever had a conversation or listened to a speaker, only to have the following running through your head, "If he'd only get to the point. He talked for an hour and I don't know what his point was or what he said. I wish I could have that hour of my life back. Or, oh no, here comes Joe, he wants four or five minutes, which I know will be 15 or 20 I don't have time for this."

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Rick realized what an important skill this would be for him and other business people, so he put together some exercises to help himself develop his own 30-second presentations. For example...

- **Get Creative.** Don't worry about being correct. Dump your brain on a piece of paper – everything that comes to your mind when you think about your topic. No order, no limits, no grammar, just everything you can think of on the topic.

- **Work the W's.** Who, what, when, where, why and how? Ask a variety of these questions over and over while you are dumping your brain on paper. Who am I? What is my key message? Why is this important? Who is my audience? What problems do I solve? What do I offer? What contributions do I make? Where will I use this?

- **Open With a Hook.** A hook is the first sentence that will get attention or hook your listener. You see and hear these every day. Just look around and you will notice plenty of good examples – advertising, newspaper headlines, movie trailers, billboards, TV commercials – all of them use hooks, and you can increase your skill level by taking notice.

- **Close With the End in Mind.** What do I want from my listener? An action, an emotional response, a question, understanding, respect or tension reliever? A message without a planned, anticipated response is a wasted opportunity.

- **Take the Perspective of a Filmmaker.** Mentally create the “scenes” of your message, put them in order and try to paint pictures in your listener's mind. Planned pauses and using your voice for effect works very well. Use illustrations or short stories when possible. Now try to imagine what questions or concerns those pictures will cause, and answer them. Always think about where you are leading them – to your close.

- **Keep the C's in Mind.** Is your 30-second message; concise, clear, compelling, credible, concrete, customized, consistent and

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closed perfectly? Here is an example of a great elevator speech. You might recognize it:

In 1972, a crack commando unit was sent to prison by a military court for a crime they didn't commit. These men promptly escaped from a maximum security stockade to the Los Angeles underground. Today, still wanted by the government, they survive as soldiers of fortune. If you have a problem, if no one else can help, and if you can find them, maybe you can hire...The A-Team.

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Come On, Honey

Rick sat on the balcony of his fourth floor condominium, looking out over the lake at the people running around down below. He jumped up and walked inside to answer the phone. “Hi Mom, what’s going on?”

“Hi, honey. Would you ever consider buying a home with your father and me?” his mother asked. Rick had never said no to his mother in his life, so he replied, “Of course.” His mother said, “Good, because I found the house God wants us to have.”

Rick and his parents, well, his whole family, were Christians. This is part of the reason that Rick never gave up his ethics and truly cared for his clients, as well as everyone else in his life.

His mother continued, “The house is big enough for all of us, almost 5,000 square feet. There is a two-car garage upstairs and a three-car garage downstairs around the corner. Your father and I found it when we were out looking for garage sales. The owner is

there now and I'd love to have you go meet him and look at the house."

Rick jumped in his car and drove to the home. It had been built in the 1970's and was completely outdated. His mother was right – it did have an upstairs and a downstairs garage and was on a corner lot. The view was out of one of the most beautiful paintings you have ever seen. Rick met the owner and started asking questions. Being a good listener had always paid off for Rick. It turned out that he was talking to the owner's son, and the owner had just passed away.

Rick asked, "So Jim, are you going to list this place for sale?" Jim smiled and replied, "Won't need to, I've already had six people come by who want to make offers."

Rick spent a couple of hours listening and really getting to know Jim, then left and called his mother. "Mom, this isn't the house for us. I promise I will buy a home with you and Dad, but I've been in this industry for more than 16 years and have seen this situation before. The seller already has six people who want to make offers and it's going to turn into a bidding war. In situations like this, emotions get involved and the property will end up going for more than it's actually worth."

Rick's mom was undeterred and said, "Come on, honey. I know you can do it." Once again, Rick had never said no to his mother, so he said, "I'll see what I can do."

He called Jim and said, "Hey Jim, have you put the house up for bid yet?" Jim replied, "No, I haven't. Why?" Rick, trying to impress him, thought he would invite Jim to lunch at a private club downtown where he was a member. Jim, however, suggested lunch at the Dairy Queen, which was near the house.

So Rick met Jim at the Dairy Queen and was honest with him from the start. "Jim, one of the goals I have for myself is to buy a house for my parents. Of course, my goal was never to move into it

with them, but what price would you accept to avoid a bidding war and let me scratch that goal off my list?” Jim looked at him and said, “I haven’t really thought about it.” As he stood up, Rick said “Well, give it some thought,” and then left for the bathroom. He wanted to give Jim some time alone with his thoughts.

Rick stood in the bathroom for about ten minutes, then went back to the table. He sat down and said, “So, what did you come up with?” Jim responded and said, “How about 525,000 dollars?” Rick did everything he could to mask his enthusiasm. The lot alone was worth much more than that. Rick reached into his briefcase and pulled out a blank, for sale by owner, purchase and sale agreement. He filled it out with 525,000 dollars as the purchase price and handed it to Jim.

Looking a little surprised and nervous at this point, Jim said, “I am going to have to run this past my family and our attorneys before we have a deal.” Rick said, “I wouldn’t expect anything less. Let me know if you have any questions.”

The next day, Rick received a call from Jim with the good news. “Hey Rick, the house is yours for 525,000 dollars.” Rick immediately called his mother and told her the house was theirs. She was so excited that Rick thought she might be crying, but he couldn’t tell through the phone.

Rick decided to go back to the house and take a good look at what he was getting into. As he walked through the place, 2,300 square feet upstairs and 2,500 square feet downstairs, he thought about what it was going to cost him to finish the downstairs as his apartment. He quickly realized it would be at least 100,000 dollars to finish the downstairs and once he had done that, he would be living under his parents. The uneasiness that had started in his head had now found its way down his throat into his stomach and was slowly beginning to go through his whole body. He thought to himself, “If I

took my 100,000 dollars and used it to buy something by myself, I could get a nice place on the lake. What the hell am I doing?"

He immediately called his mother. "Mom, hey, I need to negotiate." Rick's mother responded immediately with panic and worry. "Negotiate? What do you mean negotiate? It's our house, 525,000 dollars. You did it. The contract is signed. What's left to negotiate?"

"Well Mom, with all the money we'll have to put into the house to update it, we might just price the home right out of the market." This is when Rick's mom stuck the knife in his back and said, "Do whatever you need to do, I trust you and love you very much."

It took Rick a while to remove the knife, but once he had, he picked up the phone and called Jim. "Jim, hey it's Rick. Listen, my appraiser is having trouble coming in at 525,000 dollars. So, I'll tell you what, if you just let me out of the contract, I'll handle the financing, the sale to someone else and every other detail that needs to be taken care of to get this done for you. I realize I gave you 10,000 dollars in non-refundable earnest money, but if you return it, I will take care of everything for you and make sure you have no issues in selling your late father's home."

Jim responded, "Well, what could your appraiser come in at? Rick was shocked. "Just please let me out of this deal," he thought. So, Rick decided that if he gave Jim a low enough number, Jim would let him go. Rick said, "The appraiser said the best he could do was about 450,000 dollars."

Rick waited for Jim to blow up. But that didn't happen, because Jim said, "I'll call you tomorrow. I need to talk to my attorney."

Rick felt confident that he was out of the deal, thankfully. That was the good news. The bad news was now he had to break it to his mother.

Then, the next day he got a call from Jim. Rick, always friendly, answered the phone. "Hey Jim, what's going on?" Waiting for the good

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news that he was out of the contract, Rick heard Jim say, “Okay Rick, the house is yours for 450,000 dollars.” Rick was so dumbfounded that he couldn’t even say thanks. What he did, though, was call his mom and say, “Mom, this is the house God wanted you to have.”

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No Good Deed

Rick couldn't stand attorneys. He didn't actually hate them, he just hated their, "Sue now and ask questions later," attitude. Of course with all the big "scoundrels," uh...*"companies"* having attorneys on staff and using them to plan their business strategies (Ameripigs, Nostate), attorneys were definitely a necessary evil. Even though one time an attorney saved Rick's driving record and rear end, he still didn't feel all too great about them.

It was a beautiful Seattle spring day. Rick was driving his vintage 1979 powder blue Mercedes 450SL with the top down for the first time that year. Everything was original on this dream car except the shiny, to the point of reflective, steel rims and the almost illegally loud, window breaking, stereo system. When Rick had the stereo system installed, the sales rep asked, "What's your budget?" Rick responded with a smile, "I don't understand that word." The sales rep smiled and then asked, "What are you looking for in a stereo system?" Rick said, "I want a bounce stereo."

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“I haven’t heard of that,” replied the sales rep. Rick explained, “It’s simple. If I run out of gas, I want to be able to crank up the stereo and bounce the car to the next gas station.” The sales rep laughed and said, “Let’s go take a look at your vehicle.” Rick walked him out to the parking lot and pointed out his car. The sales rep smiled from ear to ear, then turned to Rick and said, “Do you have any idea how long I’ve wanted to put a sound system like the one we’re talking about into a car like that?” Rick looked back at him, smiled his wide smile and replied, “Knock yourself out.”

So, Rick was driving with the top down and the music just loud enough to prevent thinking, when through the music he heard an unsettling sound. “Wooooooooooooo.”

“Aw shit,” thought Rick, as he looked into his rearview mirror and saw the flashing lights and smile on the police officer’s face. “Hello officer,” said Rick with all the charm he could muster.

“Do you have any idea how fast you were going?” asked the officer, with irritation in his voice. Rick replied, “Well officer, if I’m going to be honest, no, I don’t.” Don’t ever do this, by the way, because everything you say that can incriminate you gets written down on the back of your ticket.

Needless to say, the officer wrote Rick a speeding ticket and let him go. Rick wasn’t too worried about it because he hadn’t received a ticket in years, so the chance of it affecting his insurance was slim.

The next morning was another beautiful day, a Saturday, and Rick was heading into the office to get caught up on work. There was a car in front of him and a car behind him, when Rick saw flashing lights behind the car behind him. He thought to himself, “You poor bastard, I just got a ticket last night.”

The car behind him pulled over, but the patrol car didn’t. It drove up right behind Rick. Rick, thinking he was going after the lead car now, pulled over and the police officer pulled over, too, right

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behind him. “You have got to be kidding me,” thought Rick. The police officer walked up alongside Rick’s car and said, “License and registration please.” Rick turned to look him in the eye and said, “I was just going with the flow of traffic. Why didn’t you pull over the guy in front of me?” That guy happened to be driving an old truck. The cop looked at Rick and told him, “You’re the one I got on radar” – like he could actually tell. Looking for sympathy, Rick pulled out his ticket from 18 hours earlier, showed it to the police officer and said, “Look, I just got a ticket yesterday. Can’t you please give me a break?” The cop looked at Rick with the hint of a smile and said, “I guess you should have learned to slow down then. Shouldn’t you?”

Rick was fine with one ticket, but now had two in 24 hours. He knew he had to do something, so he called a friend who never followed speed limits. His friend had an attorney who had gotten him off on his previous six speeding tickets, and he only charged 200 dollars per ticket. As much as Rick didn’t want to go to court, now he felt like he was being forced into it.

Rick showed up to a full courtroom and took a seat near the back. He sat there and watched the judge take apart one defendant after another. One lady’s baby had fallen out of its car seat and she had swerved a couple times trying to protect it. The judge lowered her fine, but when she said she was more concerned with the effect on her insurance, he sternly replied, “Nothing I can do about that, next case!” There were two or three other cases where if Rick had been the judge, he would have dismissed immediately, but not this judge. The more Rick watched, the more he thought what it had been a waste of time and money to get an attorney and come to court. There was no way they were going to get anything past this judge.

Then the clerk announced, “Rick Agnew,” but before Rick could say anything, a man sitting a few rows behind Rick stood up and said, “Counsel present. May I have a word with my client?” Rick spun

around, looked at his attorney and smiled. He still thought he was screwed, but it was nice to have somebody there to back him up.

Rick and his attorney stepped into the hallway and the attorney looked at him and said, "Don't say a word in there. Let me do all the talking." Rick looked back at him and replied, "That's what I'm paying you for."

Rick and his attorney walked back into the courtroom and sat down. The judge looked up and said, "I need clarification on something. Are these two, unrelated speeding infractions within a 24 hour period?" Following instructions, Rick sat silently and his attorney responded, "That's correct, your honor." The judge looked up with an almost evil smile on his face and simply said, "Let's begin." Now Rick was sure he was screwed, but he just continued to sit and wait. About this time, his attorney looked up at the judge and said, "I would like to address these one at a time, your honor."

"Agreed," said the judge.

Then the attorney said with authority, "In regard to the first ticket, I would like to bring to your attention blah, blah, blah..." At this point, Rick lost what was being said, but knew it was some kind of legalese. To Rick's amazement and joy, the judge looked at his attorney and said, "I agree, counsel. Ticket dismissed, but in regard to the second ticket..." Rick's attorney jumped in, "If I may interrupt, your honor, in regard to the second ticket, blah, blah, blah..." Rick still didn't know what his attorney was saying, but he did know it was different than the first legalese. Rick paid close attention, hoping that if it was the same, he could write it down and use it again, himself, in the future. Out of nowhere the judge responded, "Once again counsel, I agree. Ticket dismissed. Thanks for coming in, gentlemen."

Rick was dismayed and elated. Both tickets had been dismissed without so much as court costs being assessed. It was the best 400 dollars Rick spent that month, but at the same time, he still felt a little

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bothered. He has seen mothers and other people with less means who should have been let off and weren't. Then Rick, who was blatantly speeding in both cases, walked away unscathed. It made him feel a little like O.J., but what bothered him even more, as he thought about the justice system as a whole, was how obvious it was that the people with money got off. These were the same people who created and put the judicial system in place.

Another experience Rick had with an attorney wasn't quite as happy. Rick had just closed a purchase loan for an older woman with zero down, no assets, limited credit history and high debt ratios. The real trouble started when she found a condominium she wanted to buy with only nine units in the entire complex, very difficult to get a loan in. Even though it was just a tiny little condo deal, and tougher than hell to put together, Rick put his whole heart and entire office on it to help the lady buy her condo. The fee on the deal was less than 2,000 dollars and Rick spent more than that just on salaries for staff in two days. The staff spent more than a week working on almost nothing else, other than getting her loan closed. Finally, after multiple loan denials and reams of additional paperwork, Rick's team found two different lenders to close the transaction simultaneously and got the deal closed for her. It did close a week late, but that didn't stop the borrower from sending multiple thank-you emails to Rick and his staff.

This lady, who Rick put his whole office on hold for, plus paid about 10,000 dollars of his own money to cover staff and expenses to get the deal done, including sending roses to the seller, worked for an attorney. At some point months later, she obviously forgot what had been done to help her and complained to the state that her loan didn't close on time and the second mortgage was at a higher interest rate than originally quoted.

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Rick responded to her complaint. Her complaint had been written by an attorney. The state sided with Rick, saying he and his office had done everything correctly.

Having free legal help, this bitter old woman had the attorney submit another complaint that basically said the same thing. This time the state said again that Rick and his team had done nothing to harm her, however, there was a box on one of the 50 documents that hadn't been checked and Rick was to return all the loan fees to the borrower. This in itself wasn't a big deal, as the loan fees were under 2,000 dollars. It drove Rick nuts, though, because any other broker would have just turned this loan down, it being a very small, very difficult condo deal. But he had wanted to help her and she couldn't have been more ungrateful. At the very least, Rick thought, "Well, at least I have that negative situation out of my life." Little did Rick know it was just beginning.

Next came a lawsuit, claiming that had the attorney not been involved, the deal never would have closed, along with a bunch of other lies. The lawsuit asked for 40,000 dollars. Rick had to hire an attorney of his own and prepare for court against this ungrateful, bitter woman and her settlement-seeking attorney. In preparing for the suit, Rick pulled the current value of the condo he had helped her buy with zero down and it had gone up more than 80,000 dollars, but of course that was also irrelevant to her and her scumbag attorney. Her attorney immediately tried to settle for 20,000 dollars, then 15,000 dollars, never planning on going to court. He was just looking for a quick buck.

Luckily for Rick, he had a great attorney who gave him the facts. "We can go to court and you'll probably win, but it will cost you another 15 to 20,000 dollars to get there, not to mention hundreds of lost hours. Plus, there's a good chance those are fees you won't be able to recover from the lady suing you. I would love to add another

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case to my list and make some money, but my advice is to just pay them the blackmail they're looking for and make it go away."

As much as Rick hated to admit it, his attorney was right. So he paid the blackmail they were looking for after negotiating it down to 5,000 dollars. Once again, Rick saw that it doesn't matter who's right or wrong when it comes to the courts. It's about who has the money, or in this case, the greedy attorney, using the system as it was never intended, by looking for a quick buck, getting paid on a settlement.

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Fraud and More Fraud

There has always been a limited amount of fraud in the mortgage industry. It's either borrowers trying to get something past loan officers or loan officers trying to get something past lenders. It reached epidemic proportions however, after the massive hiring of loan officers with no training or background checks.

As lenders became more aggressive with their loan programs, loan officers became more aggressive with their "anything goes to get the deal done" attitudes. The most typical type of fraud in the mortgage industry is forging, or in some cases, creating, documents. This is followed by a very distant second, which is pressuring appraisers for inflated values. The more unscrupulous the broker, the more likely that broker was committing fraud to get deals through and sticking it to clients in the process.

There are multiple examples of document forging and alteration. It went all the way from some companies and loan officers actually

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setting up sophisticated systems of scanners, computers and printers to perfectly duplicate paystubs, W-2 forms, tax returns, company letterhead and bank statements with loan officers changing or putting in any numbers or text they needed to make the deal work. It went all the way to totally unsophisticated processes where the loan officer simply used Wite-Out™ to delete detrimental information.

For instance, a subprime lender required 12 months of personal bank statements to average a borrower's deposits and get a realistic view of what the borrower's personal cash flow was on an annual basis when it couldn't be proven through paystubs or tax returns. The problem arose when the bank statements showed next to nothing because almost everything was paid through the borrower's business account, leaving nothing to deposit in a personal bank account. This loan should have been declined by the loan officer and that should have been the end of it. In cases like this though, the unethical or just plain greedy loan officer would take the client's business bank statements and copy them. Then they would take the copies and Wite-Out™ the business name on all the statements so only the borrower's name showed.

To a lender who wasn't scrutinizing every detail, it was very easy to miss this and make the mistake of thinking these were the client's personal bank statements. Now all of a sudden, the lender averages gross business deposits and uses those numbers as the borrower's personal income. This completely negates their underwriting guidelines and the lender would approve a loan they would have never made, if not for the forged documents.

In addition, because the borrower couldn't have received financing without the loan officer committing fraud and risking jail time, the loan officer often charged as much as three, four or even five points, that would be 15,000 dollars, on a 300,000 dollar loan – and often included a prepayment penalty. Not that the prepayment penalty

really mattered, as the borrower wouldn't be able to refinance or get another loan anytime soon.

Putting pressure on appraisers was an entirely different issue and a very difficult one for appraisers to get around. Let's put it in perspective. If you are an appraiser and a mortgage company sends you 20 appraisal orders per month at an average appraisal fee of 500 dollars, that's 10,000 dollars a month from just that one company. Say the top loan officer at that company calls you and says, "I just got a refinance deal for 500,000 dollars and I need a value of 650,000 dollars to make the deal work." As the appraiser, you look at the comparables and you see that maybe the actual appraised value should be 600,000 dollars. However, you know a dozen other appraisers would make adjustments to get the value up to the 650,000 dollars the loan officer needs. Appraisals are already very subjective, with some properties appraising for as much as 500,000 dollars' difference from reputable appraisers.

Fraud was so rampant that there were cases as light as a borrower or loan officer simply not disclosing a debt that didn't show on the credit report, all the way to planned and executed conspiracies. In California, an appraiser, title rep and loan officer executed a scheme where together they came up with all the necessary documents to close a loan for one million dollars, cash out, to what appeared to be a legitimate borrower. The lender didn't suspect a thing until the company never received the first three mortgage payments. They sent a representative out to go and meet the clients, only to find that the house the lender had thought it had made a loan on was nothing more than a cheap empty, lot. When you have scam artists being compensated to the tune of one million in cash for pulling something like this, it makes it difficult to watch out for.

This was another large straw on the camel's back that caused the entire system to come crashing down. Lenders were already as

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aggressive as they could possibly be. In hindsight, far too aggressive and the risk they took on increased dramatically by the abundance of fraud across the board.

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The Reckoning

Lenders continued to give more weight to the credit scoring model. Eventually it reached the point where the credit score was all that mattered or was even considered. If a person's credit score was high enough, nothing else was important. Income, who cares? Assets, who cares? A bankruptcy? As long as the credit score has gone back up, who cares? A job, who cares? That's right, there were loan programs that not only didn't care about verifying income, the borrower didn't even have to be employed.

The whole industry had spun out of control. Lenders created the craziest loan programs they could come up with and Wall Street investors bought it all. These investors then took this garbage, packaged it up and sold it to unsuspecting third party investors. With everyone in the process getting a piece, and the eventual investors being promised great rates of return, it seemed like everyone was a winner. As long as the loan file had the right credit score, the whole process went into motion without a second thought.

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Realtors sold borrowers homes above what they could really afford. Mortgage brokers or bankers sold loan programs to borrowers. Lenders funded the loans, basically buying them from brokers. Wall Street bought the files from lenders, replenishing the lenders' liquidity. Investors purchased the packages from Wall Street, hoping for the high rates of return they had been promised. Then the whole process began all over again. Many factors came together at the same point in time to literally destroy an industry. In the mortgage industry, you had mortgage brokers and loan officers with little or no training, little or no experience, no licensing, no background checks, and in some cases, no morals or ethics.

And so it happened. Statistics started coming back from investors to Wall Street showing how all the garbage they had been sold was performing, or not performing, as income-producing assets. The number of loans with late payments, number of borrowers behind on their mortgages and number of properties going into foreclosure, was much higher than promised or anticipated.

With very little warning, Wall Street investors had had enough. They quit buying the loans or investing at all. Wall Street turned to lenders and said, "That's it. We can't sell these loans, so we're not buying them." All of a sudden, the faucet was turned off.

Hundreds of mortgage companies had taken all of their money and loaned it out under aggressive, crazy loan programs. Just a couple of months earlier, these companies could dump loans off on Wall Street and get all their money back to make more loans. Not now. Wall Street wasn't buying loans anymore, and neither was anybody else. Mortgage companies were stuck with the crappy loans they'd just purchased from mortgage brokers and they had no way to sell them to get their cash back. Even if they were lucky enough to get in under the wire and get their money back, they couldn't make any

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more loans because the secondary market for these financial instruments – investors and Wall Street had vanished over night.

Mortgage companies closed their doors and dropped like flies all over the country. In the span of about six months, close to 200 medium to huge mortgage companies shut their doors, thousands of small ones did the same thing. For a list go to <http://ml-implode.com/>.

Nobody knew how large an impact this would have on the real estate market and the entire United States economy. People started to get an idea though, when they saw the results of these mortgage companies going out of business. Zero-down loans, gone. Stated income loans, gone. Stated asset loans, gone. Straight credit score lending, gone. Twenty to 30 percent of the borrowers, and therefore buyers, in the market to buy homes vanished. The loan programs that had permitted them to purchase homes with no money down and no income verification were gone, and their ability to purchase homes was gone, too.

There is no market in the world where you can almost instantly remove 20 to 30 percent of demand and not see dramatic repercussions and massive price adjustments. The same analogy Rick used when he'd tutored economics in college can be used to describe this situation. One Friday night there were 40 to 50 guys waiting in line to pay three dollars for a beer. When there is more demand than supply, if the price is going anywhere, it will go up. During the following week, they all came to their senses and said, "We're crazy to be behaving like this. We need to come back to reality and stop this," and they all joined Alcoholics Anonymous. With no warning, the next Friday, the party was supposed to be getting started and there was no one there, two hours later, no one there. The hosts of the party and sellers of the beer, now worried about getting stuck with three full kegs of beer, dropped the price from three dollars to two dollars. This

still wasn't enough to move the existing glut of beer, so the sellers dropped the price again, from two dollars to a dollar, starting to feel a slow panic coming on. Sound familiar at all?

Now there were literally millions of borrowers who one minute could borrow millions of dollars to buy a home and the next minute couldn't borrow 50,000 dollars to purchase a condominium, and a cheap one at that. Real estate values dropped as demand slid. High loan-to-values were a thing of the past.

With dropping property values and limited loan availability, more borrowers ended up with loans they couldn't possibly refinance. This was especially brutal in one section of the market – the subprime market. These were loans for borrowers with below average credit scores, usually below 620. The most popular loan for these borrowers was a two-year fixed rate mortgage. These loans were made to subprime borrowers, often on a stated income basis and the interest rate was fixed for the first two years. The interest rate was determined by the borrower's credit score and the loan to value.

Loan-to-value is the percentage computed by dividing the loan amount by the appraised value of the property. The program had a fixed rate for the first two years and at the end of the two years, the interest rate can (and would) go up, as much as three percent, depending on the loan structure.

The theory behind the loan is that it usually takes two years for someone to clean up their credit. So the borrower could have a fixed rate and payment for two years while they cleaned up their credit. At the end of those two years, the borrower would have better credit, thus a higher credit score. Therefore, the borrower could refinance to a normal or conforming loan. That's the theory, but more often than not, at the end of two years, the borrower hadn't fixed anything and would have to do the same type of loan again.

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Of course, given that those loans are no longer available, these borrowers really have a problem. The problem is that at the end of the two years, it's not unusual for interest rates on these loans to jump as much as three percent. On a 300,000 dollar loan, that's an increase more than 750 dollars per month. In the past there was always another loan these borrowers could use to refinance, even if it was just another two-year fixed. No longer. Now those borrowers coming to the end of their two-year fixed rate loans have nowhere to turn. They have no choice but to either make the higher payments or give up and slowly watch their homes slip into foreclosure.

What are lenders doing to help? Nothing! Most of them are so busy trying to keep their own doors open that they can't even think about their clients until those clients go into foreclosure and become problems to the lenders. Lenders are now borrowers themselves, borrowing billions of dollars to stay in business and avoid bankruptcy. Not that bankruptcy is that terrible for the company owners and executives, as they have no personal liability whatsoever. They simply put the company or corporation into bankruptcy and let the company's creditors line up to get paid pennies on the dollar, if anything at all. Then they walk away, keeping all the money they paid themselves the previous years – in many cases millions – with their personal credit reports intact, untouched by the company's bankruptcy or billions of dollars in discharged debts.

What's the owners' and executives' motivation to do whatever they can to help? It's easier, and just as profitable, for them to cut and run, wait for everything to settle out, even if takes years, and start over again.

At the end of the summer of 2007, the damage that had been done and the trouble we were facing became apparent. The government saw what was going on and realized what the potential fallout could be, so it decided to step in. Without really knowing what the

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problem was or how it had happened, the government's first reaction was to lower interest rates. This helped some people, but a very small percentage of the market and quite frankly, those who didn't need help. People who could still qualify for loans took advantage of the lower interest rates by refinancing or purchasing homes, but these weren't the people in trouble.

Interest rates began to come down, but mortgage rates never really followed suit. What the government didn't count on was that now it didn't matter how low interest rates went. Investors who had purchased mortgages in the past no longer saw them as good investments. Regardless of how low interest rates dropped, mortgage rates could only come down so much or no investors would be willing to invest at such a low rate with the now increased risk.

Over the next three to four months, lowering rates made no significant impact in the mortgage or real estate markets, so the federal government introduced its next plan to save the economy, which was to raise Fannie Mae and Freddie Mac loan limits. Fannie Mae and Freddie Mac are government-subsidized secondary markets that buy mortgage loans. In the past, the problem with them was that their loan limits were so low that most of the public couldn't take advantage of the programs they offered. Raise their loan limits, and in theory you'd have a whole new market of borrowers who could now access financing. Great in theory, except Fannie Mae and Freddie Mac don't actually make loans, they just buy them. So you still have banks and mortgage brokers as middlemen to make loans to the public.

After months of debate and discussion, the government announced that the new loan limits would go into effect. Great, right? Wrong! In order to access these higher loan amounts, borrowers had to pay a much higher interest rate and adhere to tougher underwriting standards than existed previously, completely marginalizing any benefit or effect on the marketplace.

Chapter 43 – The Reckoning

What has actually happened is the industry has come full circle. We are almost all the way back to where we were 20 years ago when Rick started in the mortgage industry. Down payments are required now. Income and asset documentation is required. Credit scores still carry a lot of weight, but not as the end-all they once did. Now, the borrower's credit report is actually reviewed again.

What does the future hold? The real estate market will continue to fold in on itself as corrections take place across the board. Lenders will slowly introduce previously-offered programs, but with stricter guidelines and rules.

There is no one industry or group of professionals to blame for what happened and how we got here. It took everyone in, or associated with, the real estate and mortgage industry to cause the massive crash resulting in multiple corrections like we see now. Investors, lenders, mortgage brokers, realtors, appraisers, credit bureaus and even borrowers – all are to blame. History shows repeatedly that this is what happens when people with little or no morals or ethics look for a quick buck.

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Now What?

The mortgage and real estate industries are in complete chaos. A run-up in real estate values and people's equity in their homes running up along with them, gave every homeowner in the country a false sense of security. For 90 percent of the country, the biggest asset people have is the equity in their homes. When that asset vanishes in less than a year, not only does a person's net worth disappear, but a commensurate amount of fear and panic goes along with it. Today, the mortgage industry is the least trusted industry in America, falling in behind used car salesmen and attorneys. Going to the dentist has become more popular than even considering getting a mortgage.

Is this really anything new? This kind of greed has been going on for years, from the savings and loan scandals, to junk bonds, to the dot-coms, all stemming from greed in the present and no thought of the consequences in the future. The difference now is that it's not a bunch of junk bond traders and investors or savings and loan execu-

tives with bad loans or dot-com speculators losing their investments, taking it on the chin. When the shit hit the fan this time, every homeowner in the United States and the entire U.S. economy was adversely affected.

We're not talking about something that can be corrected by lowering interest rates or changing economic policy. We're talking about a dramatic shift in demand. Twenty to 30 percent of actual demand for housing vanished when the aggressive loan programs disappeared.

An example of pent-up vs. actual demand might be the demand for someone to purchase a Ferrari. Let's say there are 300 million people in the United States. Maybe 80 million of them would love to drive a Ferrari, but never will, mainly because it's just too far out of their financial capability. Maybe 20 million could afford to buy a Ferrari, but only 10,000 of them are actually willing to spend the money. You have pent-up demand of 80 million people who would love to have a Ferrari, but only 10,000 people who represent actual demand – those who can afford it and are willing to spend the money. They are the people who actually affect the market.

This is exactly what has happened to the real estate industry. Pent-up demand used to be almost equal to actual demand because just about every person who could afford to rent and wanted to purchase a home instead could do just that. Now that has changed. Pent-up demand has become much larger than actual demand. When all the aggressive loan programs went away, the number of people who wanted to buy a home, or pent-up demand, didn't change. However, the number of people who could actually purchase a home, or actual demand, changed in a huge way. Actual demand has dropped by about 20 to 30 percent and is not coming back. The only way to revive this demand is to bring back the loan programs that caused it in the first place.

Chapter 44 – Now What?

How does this so dramatically affect the overall economy? Think about all the industries and businesses that lose work and income when houses don't sell: realtors, builders, landscapers, framers, surveyors, sidewalk and driveway workers, lumber stores, drywall installers, carpet installers, windows, doors, appliance sales companies, locksmiths, concrete companies, roofers, painters, lenders, appraisers, title companies, credit reporters, permit inspectors, insurance companies, hardware stores, decks, lawn furniture showrooms, tools, moving companies, lighting stores, curtain and blinds companies, not to mention government income lost through state and federal taxes and local or county permits – the list is endless. Even people who can still qualify to purchase a home are either afraid to, or need to, sell their current home first and no one's buying. Add to this home values that are still plummeting and mortgage loan programs, interest rates and payments that are adjusting upward. The mess we are in is just beginning.

The solution is not about getting back to where we were. That is over, long gone. What we need to do now is stop the bleeding. Millions of ARM loans out there are going to be adjusting upward in interest rates and payments. Foreclosures are happening at an increasing pace as values keep falling and millions of homeowners find they are making payments on a 500,000 dollar loan when the home is now worth 300,000 dollars. Instead of paying the mortgage on the additional 200,000 dollars that is pure debt, it's easier to walk away and pay rent. This doesn't include the millions of people with negatively amortizing loans they can't refinance. Their only option is to make payments and watch their loan balances increase month after month. A chief economist at *Moody's* said there is a substantial risk that this housing downturn and surging foreclosures will result in a national economic recession.

Confessions of a Mortgage Insider

Lots of solutions have been thrown around, but they are band-aids at best. The only way to stop the bleeding and make a dent in an economy that is spiraling downward is going to be a massive joint effort between lenders, borrowers and the federal government.

Lenders are going to have to weigh the cost of foreclosure against the cost of forgiveness. That will mean forgiving part of the principal loan balance so borrowers have incentive to stay in the home. It will mean forgiving the increasing interest rates on ARM loans and subprime loans and keeping them fixed for a period of years. It will mean recasting or re-amortizing loans to bring payments down to something homeowners can actually afford.

The government will need to make a real effort and offer tax advantages to lenders willing to make these sacrifices. Raise tax breaks for borrowers who are willing to stay in their homes and make payments. Lower and freeze interest rates on credit cards that can no longer be paid off with a refinance. Some credit card companies charge as much as 36 percent on customer's credit card balances and when you factor in late charges, those rates can easily top 50 percent.

When someone in foreclosure files for bankruptcy, a stay is put on the foreclosure until the bankruptcy is finalized. Those laws need to be available to homeowners in trouble without them having to file bankruptcy. Lenders need to quit continuing to tighten their guidelines and make it possible for borrowers to actually get loans. The same lenders that offered and profited from overly aggressive loan programs are now tightening their guidelines and even trying to make up for their past losses. This is a very short-sighted view and will add more fuel to an already blazing fire.

In times of crisis, the profiteers and scumbags come out in force with ways to take advantage of people's misery. This needs to be brought to a stop. Penalties for these actions need to be extreme enough that these scumbags will think twice before putting their

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despicable strategies in place. Borrowers who are getting loans now, or being offered help by “foreclosure bailout specialist” companies need to have a place to go to make sure they are not signing anything that is just going to get them into more trouble. A website is in the making that will be a good start. www.ShouldIclose.com is a website where any borrower or homeowner being asked to sign documents can upload those documents to the website and have them reviewed by an experienced, impartial third party. Within 24 hours, the borrower or homeowner will receive a report explaining the pros and cons of what they are signing.

These are just a few ideas to start. We need to work together to come out of this quickly, destroying as few lives as possible. A blog is set up at www.confessionsofamortgageinsider.com so we can discuss these and other ideas that anyone has that might help. We need to come together as a country and society to stop the downward spiral and turn this around.

The only chance we have to stop what’s happening is to put the greed of the past behind us and work together to help each other move forward. Negotiating a mortgage is, and always will be, the largest financial transaction in most people’s lives. Everyone involved in the industry needs to remember the trust and faith that is being placed in them when they are involved in facilitating this transaction. Remembering these past mistakes will help to avoid them in the future.

