

# White Rose Newsletter

News to Help You Build Your Business

June, 2014

## When Everyone Wins

There was a Special Olympics race and eight children glowed in anticipation of the event. Excitedly the children all took their places and got ready for the start of the race. A starter gave them the signal and shouted, "Get on your mark, get set—goooo!" And the children sprinted out. Soon one girl clearly took the lead with the other children running to catch up.



However, back in the pack of runners one boy, who had gotten off to a slower start, tripped and fell. He began to cry on the racetrack. He whimpered and tears spilled down his cheeks. The leader of the race, a girl with Down syndrome heard her opponent's anguish—and though she was clearly set to win the race she stopped and ran back to the boy. When she reached him, she gingerly dropped down and gave him a kiss on the knee and then she wiped away his tears.



When the other runners saw what was going on they also turned around and ran back. Together they pulled the boy up—then they set off to finish the race they had begun.

As the children approached the finish line it was hard to find a dry eye among the spectators. The runners came down the final stretch toward the finish line—with their arms linked. And each one of them was absolutely delighted to be together. —adapted from *Relationships of Grace*, by Chris Karcher

*Is there someone around you who could use a hand to get to the finish line? Can you lend one?*

## INSIDE THIS ISSUE

- When Everyone Wins
- Will Looser Credit Jump-Start Housing Market or Overheat it?
- Networking Know-How
- CFPB Charges Alabama's Largest Realtor with RESPA Violations
- Starting College: A Family Experience
- Cash Property Deals Reach Record with U.S. Boomers Retiring
- The Power of Praise
- Fannie Mae: We Need E-Mortgages Now
- What Dreams Reveal

## Will Looser Credit Jump-Start Housing Market or Overheat It? By Kate Berry

Regulators' recent moves to encourage lenders to relax standards have reignited a contentious debate over whether looser credit will revitalize the housing market or set it up for another disaster.

Some experts say the changes by the Federal Housing Finance Agency and the Federal Housing Administration will help the housing recovery that lost traction a year ago, when interest rates jumped and mortgage applications collapsed.

Others say lending to weak borrowers will drive up home prices in the short term but lead to more foreclosures down the road.

Still others say the changes will make little difference either way; "We simply don't have enough qualified homebuyers even with mortgage rates getting as low as 3.25%," says Logan Mohtashami, a senior loan officer at AMC Lending in Irvine, Calif. "We're coming off a debt-asset bubble and deleveraging of mortgage debt is still going on. How much more risk do regulators want lenders to take?"

Lending standards are already quite liberal, Mohtashami contends. Far from restricting credit, he argues, lenders have been making loans to borrowers with low credit scores, low down-payments and high debt loads since the housing crash (through FHA, for example). In that light, the changes announced by new FHFA Director Mel Watt and FHA Commissioner Carol Galante amount to tweaks on the margins. "It won't do anything for demand," Mohtashami says. "An economy with low wage jobs cannot fuel a housing market that has seen home prices rise 40%."

When people show you  
who they are, believe them.  
-Maya Angelou

Watt, in his first major announcement as head of the FHFA, the regulator and conservator of Fannie Mae and Freddie Mac, moved to reduce the risk to lenders of having to buy back defective loans. The aim is to embolden lenders to remove so-called credit overlays—FICO score requirements of 680 or so that are used to screen out borrowers with a higher probability of default.

Starting in July, the government-sponsored enterprises will allow lenders to "cure" loans that have nitpicky defects, rather than making them repurchase the assets. The FHA is advancing a similar quality assurance plan meant to ease lenders' fears of having to indemnify the agency for losses on loans to riskier borrowers.

Those changes, combined with the recent dip in mortgage rates and easy comparisons with home sales a year ago, could spark a rebound in lending in the second half, some lenders and analysts say. A drop in rates "is a big plus, particularly in the context of the opening of the credit box," says Mark Zandi, chief economist at Moody's Analytics. "We're counting on it because the housing recovery is so vital to the economy."

Indeed, housing's doldrums are now threatening to derail a full economic expansion, sparking ominous comments from Federal Reserve Chairwoman Janet Yellen and Treasury Secretary Jack Lew. Single-family originations fell 27% in the fourth quarter to \$293 billion, according to the Mortgage Bankers Association, and many lenders suffered another 30% drop or more in the first quarter.

Zandi, who is leading the charge for looser credit, has long claimed the pendulum has swung too far. Easing up on mortgage buybacks and urging lenders to eliminate credit overlays will go a long way toward a normalized market, he says. "There are a lot of creditworthy borrowers who cannot get credit and so it's very reasonable to ease underwriting standards, mostly by lowering FICO scores," Zandi says. "If housing doesn't pick up, then we'll be stuck in a slow-growth economy."



But with unemployment still high and wage growth persistently weak, some critics say policymakers are setting the stage for another housing recession. Despite rising home prices, many homeowners are still living in the aftermath of the financial crisis.

Six and a half million or so borrowers are underwater, owing more than the value of their mortgage, according to CoreLogic. Another 10 million have insufficient equity to sell their homes and buy another. Another 3 million homeowners are in some stage of delinquency, which is 50% higher than the current inventory of homes for sale. Cash buyers make up 30% of homebuyers, up from 10% in a normal market, and have been the major driver of home price increases.

Ed Pinto, a fellow at the American Enterprise Institute and longtime critic of government intervention in the housing market, called the changes the regulatory agencies announced last week "the official launch of subprime 2.0." Without lender overlays, the FHA's minimum requirements of a 3.5% downpayment and 43% debt-to-income level and no set credit score are a recipe for default, he says. "We have a curious policy of taking the most vulnerable potential homeowners with the most volatile income streams, and urging them to buy homes in the most price-volatile neighborhoods, and then wonder why they don't gain wealth," says Pinto.

Some housing experts argue this time around is different. The Dodd-Frank Act and other reforms enacted in the wake of the financial crisis eliminated the egregious loan products that pushed many borrowers into foreclosure. Loans with teaser rates, balloon features, and negative amortization do not meet the "qualified mortgage" requirements of the Consumer Financial Protection Bureau. In addition, all lenders are required to assess a borrower's ability to repay a loan.

"There is abundant data that shows standard loans, even to low-FICO borrowers, did extremely well through the crisis," says Mike Calhoun, the president of the Center for Responsible Lending, an advocacy group in Durham, N.C. "Product type was the overwhelming determinant of default rates."

Dick Bove, vice president of equity research at Rafferty Capital, sees a political impetus for the Obama administration to relax credit standards. Democrats desperately need strong GDP growth of at least 4% heading into the midterm elections if they are to have a shot at wresting control of the House away from Republicans, he says. Meanwhile, the QM rule that went into effect in January has prevented first time homebuyers and many minorities from qualifying for home loans.

## June Quiz Question

*Q: I am not alive, but I grow. I don't have lungs, but I need air. I don't have a mouth, but water kills me. What am I?*

Everyone who texts, emails or calls in the correct answer to Paul by the last day of this month will be entered into a drawing for a \$50 gift certificate to the restaurant of your choice. 717.269.4957 or Paul@wrsettlements.com

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## May Quiz Question:

**Q:** *Are humans precocial or altricial?*

**A:** *Humans are Altricial*—our young are not able to obtain food on their own. Contrast with precocial—animals that are born in an advanced state of development.

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Hockhalter – Century 21  
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## Networking Know-How

In order to leverage the business connections you make through networking, you've got to be remembered. Maribeth Kuzmeski, author of *The Connectors: How the World's Most Successful Businesspeople Build Relationships and Win Clients for Life*, recommends using three contact strategies for keeping in touch:

1. **Meeting follow-up.** Have a system for following up after a meeting, conversation, or call, such as a handwritten note, e-mail, phone call, or social media connection.
2. **Periodic individual contact.** Contact people in person periodically to stay in touch and maintain the relationship, but don't contact them only when you want something from them. Ask if they need anything from you.
3. **Communication campaigns.** Target a subgroup within your network whenever you have something you particularly want to share.

"Yes, the prospect of staying connected to all 1,000-some folks in your LinkedIn network seems daunting," Kuzmeski says. "But if you break it down to 20 or so people a week, the task is manageable." The hardest part is doing so consistently, but the rewards are worthwhile. Your contacts will remember your name and will appreciate your efforts. And that can pay off handsomely when you need help from them.

## CFPB Charges Alabama's Largest Realtor With RESPA Violations

The Consumer Financial Protection Bureau fined RealtySouth, Alabama's largest real estate firm, \$500,000 for allegedly steering consumers to an affiliated title services company.

The order issued Wednesday by the CFPB charges that RealtySouth did not disclose to consumers when buying a house that they had a right to shop around for a title service provider. Instead, customers were directed to TitleSouth LLC, which is owned by the same holding company as RealtySouth.

The CFPB said such an action is in violation of the Real Estate Settlement Procedures Act, which prohibits referral kickbacks for real estate settlement services without clear disclosures.

"Disclosures give consumers the power to make informed financial decisions, and buying a house is among the biggest financial decisions most people ever make," said CFPB Director Richard Cordray in a press release.

"The Consumer Bureau will continue to take action against companies that attempt to modify disclosures and keep consumers in the dark."

The CFPB said RealtySouth had preprinted form purchase contracts that "either explicitly directed or suggested that" TitleSouth perform the title and closing services. While it is legal to make referrals to an affiliated service provider, the real



estate company must also provide a disclosure that clearly says the consumers has a right to shop around.

The CFPB said RealtySouth immediately changed its disclosure forms after it was contacted by the agency and has consented to pay a civil penalty of \$500,000, without admitting or denying the claims. The case was referred to the CFPB by the Department of Housing and Urban Development.

## Starting College: A Family Experience



Going off to college is a new beginning for parents as well as students. For students, independence and the real world are looming. For parents, it signals that they need to start getting comfortable with their child growing up and getting ready to go out into the world on their own.

This transition can be easier for all with these tips:

- **Prepare to make new friends.** Chances are your child is going to a college where he or she doesn't know many people. It can be hard to let the bonds from high school fade, but remember that college is a new experience, and with it come new friends who can only make the experience better.
- **Don't slack off.** Though colleges may make new students feel a good deal freer, it's still important that they go to class, study, and be on top of grades. This may seem fairly obvious, but the looser atmosphere of college, combined with the lack of parental supervision, can be detrimental to a student's work ethic and motivation.
- **Be open to new things.** Most colleges afford students the opportunity to explore new things. The diversity of peoples, ideas, and culture allows students to learn and discover new things outside the classroom. And don't let your student's major or concentration restrict them in terms of course selection. They should choose classes that interest them.
- **Don't buy into the stereotypes.** Forget what you've seen in movies. Those are Hollywood myths that are rarely found on college campuses. Not everyone is a drunken buffoon, and not every dean hates his or her students. College dorms are nowhere near as wild or outrageous as depicted, and, believe it or not, dorm food isn't that bad.

## Cash Property Deals Reach Record with U.S. Boomers Retiring.

Bloomberg

U.S. home-price gains have restored \$3.8 trillion of value to owners since the beginning of the real estate recovery in 2012, according to Federal Reserve data. A record number of Americans are using that equity to pay cash for properties, avoiding a mortgage process that has become even more onerous in the wake of the 2007 housing collapse. In the first quarter, 29 percent of non-investment homebuyers used cash, the highest on record for the period, according to data compiled by Bloomberg.



The majority of people making all-cash deals are baby boomers mostly because America's largest-ever generation is beginning to retire, said Lawrence Yun, chief economist of the National Association of Realtors. In 2012, there were a record 61.8 million Americans over the age of 60, according to the Census. That compares with 46.6 million in 2000.

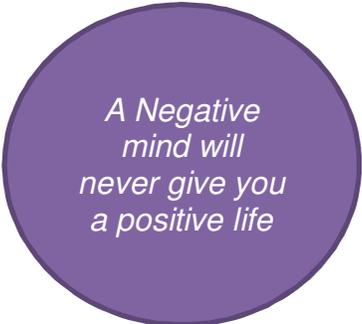
"Cash purchases are on the rise because older homeowners who have decades of home-equity accumulation don't want the hassle of a mortgage," Yun said. "With the economy improving and the stock market at record highs, boomers are the ones who are driving the market."

## The Power Of Praise

The British novelist Arnold Bennett had a publisher who boasted often about the outstanding work of his secretary. Waiting on an appointment one day at the publisher's office, Bennett approached her with a smile. "Your boss claims you're extremely efficient," he said. "What is your secret?"

"It's not my secret," the secretary said. "It's his."

She explained that the publisher never failed to acknowledge and appreciate every task she performed, no matter how routine or seemingly insignificant. Because of his attention and praise, she took great pains to deliver good work all of the time.



*A Negative  
mind will  
never give you  
a positive life*

## Fannie Mae: We Need E-Mortgages Now

An electronic mortgage process could cut 30 days off the average 52 days it takes to close a loan, according to a team developed by Fannie Mae to study e-mortgages. What's more, going paperless could save the mortgage industry an average of about \$1,100 per mortgage—or about \$1 billion a year.

Still, the industry has been slow to adopt electronic mortgage processes, facing several hurdles in transitioning to an all-electronic system. However, the process is expected to get a boost from the Consumer Financial Protection Bureau's new mortgage disclosure forms that will be disseminated electronically. "This will allow stakeholders much earlier in the origination chain to derive value from going electronic," says Nancy Alley, Vice President of strategic planning at Simplifile, a company that helps record mortgages electronically. "That should help adoption. Plus, an electronic process should drive a better consumer experience. "The industry has been gradually progressing toward digital mortgage processes. About 25,000 mortgages had electronic promissory notes in 2013—but that only represents about 1 percent of all U.S. mortgages originated last year, according to Michael Cafferky, product development manager at Fannie Mae. Fannie Mae created a team called "Advancing eMortgage" that is charged with improving the electronic mortgage process. The team has focused on the following three key elements: 1. Borrower financial passports: online employment and financial profiles that borrowers can



share with lenders. 2. Electronic storage vaults for documents and data from loan files. 3. National mortgage registry and clearinghouse: enhancements to a decade-old system that keeps digital records on electronic promissory notes for real property.

## What Dreams Reveal

Dreams may reveal fears, desires, and repressed experiences—or they may just be random electrical impulses. Psychologists have long tried to figure out what’s going on in our minds when we sleep. Here are a few of their interpretations of common dreams:

- **Falling.** You may sense that something is out of control, or that you’re at risk of failure.
- **Flying.** Soaring in the sky can indicate you’re feeling extremely confident or proud of something in your life. But if you’re struggling to stay aloft, or worried about falling, you may have anxiety about what you’re doing in some area.
- **Running.** Maybe you’re being chased—or just running but not going anywhere. You could be feeling stuck, just going through the paces. Or you sense a threat you want to get away from.
- **Naked.** Though Sigmund Freud believed that dreaming of oneself naked expressed a sexual desire, other dream experts say it’s more likely that you’re feeling exposed, embarrassed, or unprepared, or that you wish to hide something.
- **Teeth falling out.** This can express fears surrounding your appearance, or the ability to communicate. You may feel helpless, humiliated, or unable to speak up.



1441 East Market Street, York, PA 17403  
717-846-8882

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