

### ***Disclaimer***

*The "Beyond the Rate" podcast series is provided as a service to those who wish to educate themselves on mortgages and the mortgage industry. This information represents my opinions and understanding of mortgage-related topics, and it mirrors the advice I give to clients everyday. Generalizations are made to simplify complex issues. All generalizations have exceptions. The intent is to provide insights, not absolute coverage. This information is provided free of charge. No liability is assumed.*

## **Beyond the Rate – Conclusion**

Is anyone telling the TRUTH in the mortgage business?? Well, of course there are. Lots of them. But the average homeowner doesn't know enough about the industry to distinguish between those who tell the truth and those who mislead, leaving them with constant feelings of doubt – like they got taken advantage of.

My name is Patrick and I'm a Mortgage Banker here in the San Francisco Bay Area. Welcome to Beyond the Rate, a series of podcasts that are designed to educate the listener on the world of finance and in particular, the mortgage business. I'm your host and after an introduction and 15 chapters covering everything from loan programs and lenders to underwriting and prepayment penalties, this is the final conclusion to this free information series.

The need for candid and forthcoming information about the mortgage business has become increasingly obvious in recent months. As interest rates rise and the housing market moderates, homeowners are inundated with misleading marketing campaigns from an increasingly desperate mortgage industry. Unsolicited phone calls and direct mail pieces present aggressive claims like 'no cost loans' and '1 percent start rates.' Homeowners no longer know who or what to believe.

The truth is there's no such thing as a 'no cost loan'. All loans incur costs including appraisals, credit reports, underwriting, title insurance and notary fees among others. These costs are either charged up front as closing costs or they're hidden in a higher interest rate. Either way, they get paid by the borrower.

And the heavily marketed '1 percent start rate' loans are equally misleading. These mortgages lower your monthly payment by dipping into your hard-fought equity. The minimum 1 percent payment is actually lower than interest-only, resulting in "deferred interest" added to your principle balance. If house prices remain stable, these mortgages erode equity.

I started the "Beyond the Rate" podcast series in January to provide this type of information to skeptical homeowners. During the four months since then, the series took on a life of its own and now has a sizable following across the country. I've heard from many of you and sincerely appreciate all your comments and suggestions. I also appreciate the purchase and refinance transactions some of you have trusted me with. You know who you are and I thank you for your trust.

The series began with a look at where all the mortgage money actually comes from. We then identified the three categories of lenders in Chapter 2 and the differences between their respective underwriting guidelines. Chapter 3 broke these underwriting guidelines down into 3 headings (credit, income and assets) and the entire spectrum of loan programs was described in Chapter 4, ranging from the most conservative to the most risky.

Chapter 5 compared different closing cost structures and exposed the truth behind “zero point” loans and “no cost” loans. We took a closer look at credit and credit scoring in Chapter 6 and discussed the various indexes and prepayment penalties in Chapter 7. Chapter 8 dealt with the actual signing of loan documents and Chapter 9 offered some financing advice specifically for real estate investors.

I introduced my macro economic forecasting model in Chapter 10 along with its predictions for future interest rate levels. Chapter 11 took the same model and applied it to stock valuations and future stock market performance. Chapter 12, 13 & 14 discussed currency, oil and technology and detailed their respective roles (and risks) in our economy. And lastly, Chapter 15 took the broadest brush to discuss democracy and capitalism, and their respective values within American culture.

I don't pretend to have all the answers to these widely varying issues and I don't pretend to know the future. But I work in the mortgage industry and watch these things every day. I'm fascinated by it all and am happy to share my thoughts through this medium. Although not always obvious, almost everything in our world is somehow related and few things happen in isolation. It's important for us all to try and understand how things affect each other and how those relationships create the realities around us.

The mortgage business is nuanced with countless guidelines and program options. As a homeowner, it's not your job to know all the ins and outs of this business. That's the job of your Mortgage Broker. They're the ones who should know all the rules and advise you in the right direction. And many of them do a great job. But not all. My purpose is to provide enough information so you feel empowered through the process and confident you didn't get taken advantage of.

By the way, I recently posted an extensive consumer report on my website that details exactly how Loan Officers get paid. Talk about feeling empowered! The free report is the only document I'm aware of that provides this level of detail for prospective borrowers.

Did you get screwed by your Loan Officer? How would you know if you did? How much money did your Loan Officer make on your transaction? These questions have gone unanswered for millions of homeowners across the country while some Loan Officers have cashed in on the lack of knowledge among their clients.

Now, finally, there's a document that clearly and plainly explains how the compensation system works. Not only are points and origination defined and

explained but all the other broker fees are explained as well. And it doesn't stop there. This report even explains compensation structures for "zero point" loans, "Option ARM" programs and home equity lines of credit.

Anyone considering a purchase or refinance transaction should read this report. You could save thousands just by knowing the right questions to ask and understanding the terminology on the loan documents. Just go to my website and click on the graphic on the left hand side of the homepage. If you're curious about these things the way I am, you'll probably love the information provided.

If nothing else, I truly hope you remember my approach and my desire to give more information than is expected. At the end of the day, this is a sales position and I work on commission the same as everyone else doing mortgages. Make note of my name, visit my website and contact me when it's time to consider your next mortgage. Give me a chance to build your trust and earn your business. You'll quickly see the difference. I guarantee you that much.

My philosophy is simple. If you're happy with the work I do, you're more likely to refer me to a friend or family member. That's very different from those who only see a single transaction and a single commission check. They're missing the best part; the feeling you get when someone calls you back after months or even years and asks for your help and advice. That's what I want. That's what I'm looking for.

Please note that the text versions of all these podcasts are available (in PDF format) on my website at [www.beyondtherate.com](http://www.beyondtherate.com) along with a bunch of other related materials and resources. You can also sign up for my monthly email newsletter at that website. My office phone number is 925-465-1223. You can also reach me by email at [patrick@beyondtherate.com](mailto:patrick@beyondtherate.com).

Thanks again for listening. This is fascinating stuff. Bye for now.