

Client Newsletter

Bad Advice From Good People

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After doing countless interviews and applications for reverse mortgages, the one fact that still amazes me is the terrible advice seniors are receiving. After all the education and counseling they receive, seniors will end up relying on advice from someone who knows nothing about reverse mortgages. It is a normal reaction to want to go to your loved ones and ask their opinion. This is definitely recommended. A reverse mortgage is designed to assist a senior in their retirement. As an originator, I do not let my clients make up their mind on the spot. I send them home with the knowledge and let it "simmer". It is important that this decision is being made with their heads, not their hearts. That being said, usually the senior will call on the advice of either their peers or their immediate family. Again, this is encouraged. The only problem is that the person that they are asking advice from is not even close to being qualified to give it, often saying things that are completely unsubstantiated.

I have consulted several of my col-

leagues, and we all agree. It IS highly recommended to get advice from your family, but please make sure the person giving you advice knows what they are talking about. Let me give you an example. When confronting a loved one that is opposed to the reverse mortgage I asked:

"Have you ever done one?" The answer: "No".

"Do you know any one that had one?"

Again the answer: "No".

Then I dug a little deeper and asked, "What do you know about reverse mortgages?"

The answer was "Nothing. They just aren't good."

The reason I tell this true story is to illustrate a point. The point being that the things that scared you about a reverse mortgage are the very same perceptions as the person you are asking advice from. If you get advice from someone who isn't at least as educated as you are, isn't that called the blind leading the blind? Maybe more appropriately called, the blind leading the seeing. This just doesn't make sense.

Continued Inside...

Rate Update

It appears that the news media is always behind on what the current rates are. They will say the rates are getting worse when in fact they are getting better. So in response, here is a summary of some actual current rates. If you have questions on other rates not listed, please don't hesitate to call.

PROGRAM	RATE	APR*
30 YR Fixed	4.990%	5.129%
15 YR Fixed	4.250%	4.349%
FHA 30 YR	5.250%	5.375%

*APR is based on a 300,000 loan amount with an impound account on an owner occupied property with 80% LTV on a purchase and rate and term refinance or 60% max LTV on cashout refinance. As of 4/8/2010

Not all interest rates apply to all clients. Call for a quote.

Credit Tips

What is a Credit Score Made of?

According to Consumer Credit Capital, a company that is dedicated to improving and cleaning up credit scores, there are three main components of your credit score.

1/3 of your score is determined by your payment history. The most recent history is weighted the most through the past 6 months.

Also important is payment history over the past 2 years. Paying on time with no 30, 60, 90 or 120 day late marks is very important.

The next 1/3 of your score is based on the amounts you owe in relation to your available credit. In other words your utilization rate. If you have 'maxed' your credit lines your score will reflect this utilization. As a general rule you



want to utilize less than 30% of your available credit at any given time to score the best.

The final 1/3 of your score is based on several factors including collection accounts, length of credit history, activity on your open accounts, how many accounts, how many have been recently opened compared with the total number of accounts, recent inquiries and types of credit used among other factors.

So what does all this mean? It means that if you want to be a shining star in today's credit world, you will need to watch what you do with your credit. I find the toughest one is maintaining the balance at 30% of your limit. I have seen several creditors lower the limit to where it appears you are maxed out. Even if you are paying on time, you will be told that the reason is they are tightening the lending standards, but they are really hurting your credit by doing this.

Conspiracy theory portion: Caution!

I wonder why they would want your credit to look bad. See the answer online.



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Cover Story Cont.

The solution: It is always nice to get a solution to the problem, so here it is. Have your loved ones participate in the workshop or



counseling. If you spent a couple of hours learning the facts, asking someone who knows nothing doesn't benefit you, it could only hurt. If you have already met with me and you want another appointment, let's meet with your loved ones, too.

The challenge: If you are in the market for a reverse mortgage and it sounds good to you, but your trusted sources are telling you "NO", then I want to speak with them. Maybe if

I can answer their questions, they won't be afraid of them. The truth is, not everyone needs or benefits from a reverse mortgage. But it is also true that many can benefit and they are being advised against it.

If you have any questions or comments, please call me at (877) 339-6633.



David Prulhiere
Owner / Broker

Top Reverse Mortgage Myths

1. The lender owns my home after I do reverse mortgage.
 - Not true. You used your home as collateral, but you still own it.
2. I will leave excessive debt to my heirs.
 - You can't leave debt to someone.
3. Reverse mortgages are for desperate seniors.
 - There are several reason why seniors do reverse mortgages. See them online, along with more questions and answers.

Homebuyer Tax Credit About to Expire

Unless an extension comes along, you will need to make your offer no later than the 30th of April to be eligible. If you are still in the searching mode, and want some help, we have several tools available to make it easier. You can browse the foreclosure list or search MLS like we do by visiting our real estate web site.

In case you haven't heard, the tax credit is up to \$8000 for a first time homebuyer and up to \$6500 for any one else buying a home. The only way the "up to" matters is if you purchase a home for less than \$80,000. You can even amend your taxes and get the money quicker than waiting for next year. Check with your CPA for details.

If you are considering purchasing a short sale, you may not have enough time to close before the June 30th deadline. The offer needs to be accepted by April 30th and the transaction needs to close by June 30th. Of course, sometimes you can get a great deal on a short sale that it makes enough sense to not worry about the credit and just buy the home you want.

But if you are going to buy a home, you

might as well try to qualify for this credit, but you are going to need to get moving. Time is running out. You need to allow a week or so to have an accepted offer. Especially if it is on a foreclosure, since the banks will need to have time review the offer and make any counter offers.

If you have any questions or would like to have a realtor show you some homes, give us a call at 472-9190 or visit us online at www.RedwoodRealEstateSales.com.

New Realtor

Redwood Real Estate would like to welcome Jeri Foutz. She is our newest member. After several years of being licensed, she has found that matching clients with their perfect home is the best part of being a Realtor. Please give her a warm welcome if you get a chance to meet her.

Purchase Tips

If you are looking for a tip that will help speed up the purchase process when getting a loan, you are in luck. We will list a few items that tend to create havoc when a lender sees them, and then in turn makes your life difficult in the purchase process.

1. Make sure the down payment is seasoned. You just can't use cash on hand without a great paper trail.

2. Make sure the down payment comes from your (the borrowers) account.

3. Gifted down payments are allowed. They just need to be from a family member or employer. Again the paper trail comes up. A paper trail is where you see the details of where the money is coming from. Copies of



checks and deposit slips to and from each account is necessary.

Lenders are getting more and more picky about the documentation of "funds to close" and reserve assets. Know that all pages of every statement are necessary. Even if page 3 is blank, it is necessary to have it in the file. The easy test to know if you need it is look at the page count of the statement. It will say something like "page 1 of 3". In this case all three pages are required, regardless of if there is information on that page or not.

Following the steps outlined here will save several days in the loan process. You will find your loans closing more quickly and there will be less headaches.



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Our reverse mortgages now do not have a servicing fee on the average loan. This saves you a lot of money. Additionally, the fixed rate has dropped to an all time low. What this means to you is additional cash is available. On the average home it could include as much as \$5,000 to \$7,500 more money to you, not to mention no more \$30 a month fee.

We also have a no Origination fee offer. This can save you as much as \$6,000.

Want more information? Just pick up the phone and call your loan officer at (541) 471-1900 or toll free at (877) 339-6633.

Private Money

Article contributed by Robb Pratt

Anyone who has applied for or gotten a conventional loan recently knows how hard it is. The banks are scrutinizing and picking apart every loan they see right now. There used to be a conventional loan for just about any scenario you could think of only a few years ago, but those went away as fast as the economy did. Now that the banks are running scared it has left a huge void in the lending market for the "non-conventional" borrowers and properties.

Private money loans are what I like to call the universal loan because they work for all types of borrowers. There is no discrimination against borrowers because of credit, income verification, number of properties financed or financial assets. Any type of real estate is eligible for a private loan, including bare land, commercial, single family residential and manufactured home on land. Your loan can be structured for any purpose; purchase, cash out refinance, construction, land-home package, fix and flip, or bridge loan. Although interest only from 2-10 years is the most common, terms are also very flexible with fully amortized, interest only or interest reserve (money set aside to make the payments). The reason that private money is so flexible is because the actual investor is the one that makes the decision on the loan. In most cases the investor will come and look at the property themselves, this means no appraisal and quick decisions. Most private loans close in less than half the time (sometimes less) than conventional loans.

What's the catch? Investors want secure investments, so that means they want adequate collateral. They don't want to lend 100% of the value of the property, they want the borrower to have a reason to stick around and make the payments.

If you have any questions on private money loans, feel free to give us a call and ask for your loan officer.