



Homes & Money Quarterly Newsletter

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Mortgage News

Beyond the Hype: The Credit Crisis and What it Means to You

Barry Bonds may have broken the all-time home-run record recently, but you wouldn't know it by looking at the headlines. The only "Bonds" the media seems interested in are mortgage bonds – specifically mortgage-backed securities.

To date, subprime mortgages have been credited for bankrupting well over 110 lenders and seriously damaging operations at many major mortgage firms. They've reportedly wiped out 5 hedge funds, tens of thousands of jobs, and have led to millions of foreclosures with millions more on the way. And, as if that weren't enough, subprime mortgages are also blamed for massive volatility in the stock, bond, credit, futures, and real estate markets here in the US. And it's this volatility that is now spreading like a virus into other major financial sectors around the globe. Some say losses in the mortgage securities market alone could reach hundreds of billions of dollars this year.



This means that, for any American looking to buy, sell, or refinance their home, they are confronting a very different market from the one that existed just 6–12 months ago. The US Federal Reserve has already begun pumping billions of dollars into the US banking system in order to address what is clearly a credit crisis that will change how we borrow money for years to come!

How did this happen?

The recent real estate boom was fueled by a period of record home appreciation and historically low interest rates. Banks, in order to compete, loosened guidelines and began offering more funding to more borrowers through riskier, non-conforming or "exotic" mortgages.

These ideal lending conditions persisted for several years, supported by high demand, historical real estate data, home prices, and massive trading volume/profits on mortgage-backed securities and other financial instruments on Wall Street.

Then, in 2006, a slowdown in real estate led to a deterioration of home values, an increase in inventories, and ultimately to today's tightening of credit guidelines, leaving many investors unable to sell or refinance out of their existing positions. Many Americans who had tapped into their equity were suddenly tapped-out and overextended as home values fell. Foreclosures followed in record numbers and a re-valuation of mortgage bonds and other financial instruments created the credit/liquidity domino effect we're now experiencing.

Unfortunately, it's going to get a lot worse before it gets better. According to the latest estimates, over 2 million subprime and Alt-A adjustable rate mortgage (ARM) holders will face payment increases of up to 30%–100% when their loans reset in the next 2 to 18 months. These loans make up less than 40% of the total mortgage market, but the negative effects, as we have seen, of increased foreclosure activity can have a ripple effect throughout the industry and around the globe.

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Rates at a Glance

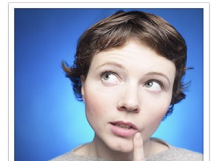
30-Year Fixed	Mid 6's
15-Year Fixed	Low 6's
5/1 ARM	High 6's
3/1 ARM	High 6's
1-Year ARM	Mid 6's

These rates do not reference a specific loan program; rather, they reflect general market conditions, which are subject to change.

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Did You Know?

In 1992, the final season of his hit TV show, *The Cosby Show*, Bill Cosby reportedly earned an estimated \$125,000 an hour, or \$1 million a day, just on product endorsements! Companies included Jell-O, Kodak, Del Monte, Ford, Coca-Cola, and numerous others.



Homes & Money

Mortgage News

(Continued from cover)



What does this mean to you and your mortgage?

Sellers: If you're planning on selling your home, be prepared for an even smaller pool of qualified buyers. While some experts predict a settling of this credit crisis over the coming year, tightened credit guidelines and diminishing mortgage products could knock out as many as 15%–30% of potential qualified buyers. Now is not the time to sit and wait for the best possible price. Have a serious talk with your Real Estate Agent. Having

experienced buying/selling transactions in your area, he or she can help you price your home accordingly. He or she can also help ensure that your buyers are pre-approved and stay pre-approved throughout the entire transaction.

Buyers: Get pre-approved by your mortgage professional. While there are a lot of great deals out there, getting credit is becoming tougher and tougher, and it's taking longer and longer to complete a transaction. Remember, what you qualify for today could change tomorrow in a volatile market. For those looking to refinance, keep this in mind. There is no time to delay! Communicate with your lender. Don't do anything that could negatively affect your credit, and make sure you get all your documentation in on time.

ARMs Borrowers: If your ARM is scheduled to reset in the next 2–18 months, you need to schedule an appointment with a mortgage professional right away. Whether your ARM is subprime, Alt-A, or even if you have a pre-payment penalty, don't let a default or foreclosure situation sneak up on you. Did you know that your monthly payments can increase anywhere from 30% to 100% once your loan resets? At the very least, give yourself the peace of mind of knowing what your adjusted payment will be. A good loan officer can help calculate the numbers.

Borrowers with less-than-perfect credit: Each week it seems lenders are shedding more and more mortgage products. Many lenders have stopped offering No-Doc loans and are reducing all forms of Stated-Income loans. While it might be challenging, borrowers with credit issues need to see a loan expert. Often they have credit repair resources and other strategies to help you reach your financial goals.

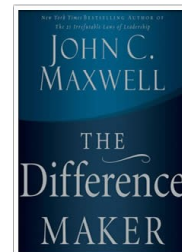
Finally, don't let the headlines get to you. While all looks bleak and scary now, there's an important concept to embrace: all markets, while cyclical in nature, are self-correcting, be it credit, real estate, stocks, or bonds. For the last 6 or 7 years, real estate was booming and riding high. The correction we're experiencing now – while it seems harsh and could get much worse – is, in a sense, "natural" and directly related to the extremely loose guidelines and perhaps overzealous lending and leveraging during the boom cycle.

If you or someone you know would like to learn more about the credit crisis and how it could affect your financial goals, please call us at 805.358.4600/818.657.2208 to set up an appointment. We would be happy to speak with you about it!

Book Review

The Difference Maker

by John C. Maxwell



In *The Difference Maker*, leadership guru John C. Maxwell challenges the merits of the widely-accepted notion that "attitude is everything" in business and in life. For Maxwell, while the right attitude is important, it simply cannot replace talent, experience, skills, or other desirable qualities – unless it is applied correctly! For professionals who want to motivate themselves and others to do better, this easy-to-read guide could be the difference maker you've been looking for.

The Difference Maker is available at Amazon.com.

Trivia Challenge

The famous advertising jingle for Dr. Pepper, "I'm a pepper, you're a pepper, wouldn't you like to be a pepper, too" was written and performed by what famous artist?

- A. Brian Wilson
- B. Bob Dylan
- C. Barry Manilow
- D. John Denver

The first person to call in with the correct answer wins dinner and movie tickets for two! Trivia Challenge Answer line: 805.358.4600/818.657.2208.

Quote of the Day

"A habit cannot be tossed out of the window; it must be coaxed down the stairs one step at a time."



–Mark Twain

Homes & Money

Creative Cuisine



Roasted Tomatillo and Avocado Salsa

- salt and pepper
- the juice of ½ a lime
- ½ cup extra virgin olive oil
- 1 large avocado, chopped small
- 1 medium onion, roughly chopped
- 3 large cloves garlic, roughly chopped
- 2 large jalapenos; halved, seeded and de-veined
- 2 lbs. tomatillos, husks removed and quartered

No one will ever believe you made this yourself.

Directions: Preheat broiler. In a glass baking dish, place tomatillos, onions, jalapenos, and garlic. Season with salt and pepper, add olive oil, and toss until well coated. Place in broiler for 20 minutes or until the vegetables are well charred, stirring every 5 minutes. Allow mixture to cool, and process in a blender or food processor. Taste and re-season if necessary. Allow mixture to chill in refrigerator for two hours. Before serving, add avocado and stir to combine.

This wonderful dish not only makes a great dip but can be used as a sauce for grilled chicken, fish, or shrimp. Your guests will absolutely love it!

THE MONEY PIT



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Street Smarts

You've Got Mail!!!



While email has definitely transformed communication on a global scale, for many of today's professionals it has also become a true source of mental and physical stress that reportedly weighs on their productivity, sleeping habits, and even their overall physical health!

On the surface, this might be a difficult concept to accept completely. Perhaps it seems unlikely to you that a few emails could add all that much stress to your life. But consider this: what if each time you read and re-read a single email, you never did anything about it?

Now imagine that you kept doing this until your inbox accumulated 100, 200, 500, or even 1000 of these potentially stressful emails!

For many professionals today, it is not uncommon to have email inboxes that look like this. Personal productivity expert David Allen has a solution for this growing problem. He has developed an easy filter that will help you to get and keep your email inbox at zero every day. Part of a much more comprehensive organizational strategy that Allen details in his best-selling book, *Getting Things Done*, this easy filter can help get you started.

Whenever you begin a new session of opening your email, Allen suggests asking yourself a series of questions as you scan each message.

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You've Got Mail!!!

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The first question is "Can I take care of this in two minutes or less?"

If you can, then by all means do it, and then delete the email from your inbox.

If you cannot take care of it in 2 minutes or less, ask yourself this, "Can I defer it?" If the email contains a message or task that would be better handled by an assistant, employee, or co-worker, then the answer is yes. Forward the email to the appropriate person, delegate the task, and delete the email from your inbox. If you cannot take care of it in less than 2 minutes, and you can't defer it, print it out or store it in a task folder to be addressed later, after you've gone through every email first.

Follow this process for every email you receive, and you can easily reach and maintain an inbox with zero emails, and cut down on the stress in your life.



If you know anyone who is looking to buy, sell or refinance a home, please forward their name and telephone number to us. We will happily provide the same high level of service that we have provided to you. The greatest compliment you could possibly give us is the referral of your friends and family.

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Thank You!

We wish to thank our clients who have been kind enough to refer business to us. We appreciate the opportunity to provide excellent service to your family, friends, and co-workers.

\$100 off!

This coupon entitles you or a friend to \$100 off your closing costs when obtaining home financing (purchase or refinance).

Coupon must be presented at time of application.
Limit one coupon per loan transaction.
Not valid on loans currently in process or with any other discounts or offers.

