

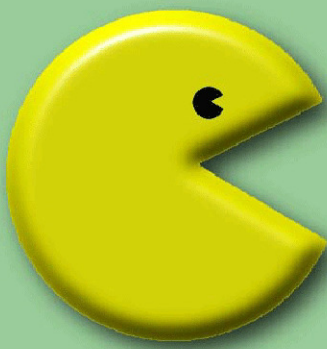
**May 2008**

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**Current Events**

4/1 It was like an elaborate April Fool's Day joke, the market surged 391 points, on bad news. No lie. The only prominent news stories for the day were that Swiss Bank UBS had written down approximately \$19 billion of its inventory while seeking \$15.1 billion in new capital in an effort to de-leverage its position. Similarly, Deutsche Bank AG, took \$4 billion in write downs. Lehman Bros, the fourth largest U.S. investment bank was selling convertible preferred stock to raise capital and reduce its leverage while Thornburg Mortgage was selling preferred stock to keep the company afloat and avoid bankruptcy. Morgan Stanley analysts in London wrote in a report that "the industry is facing the most severe investment banking crisis in 30 years." Analysts were so at a loss for the market's seemingly contrarian move that some speculated that today marked the beginning of the 2nd quarter and that investors were treating this latest round of bad news as a good sign...a possible indication that the worst was finally over for the beleaguered financial services industry. Talk about "irrational exuberance"!



4/4 The Labor Dept released the latest unemployment figures showed a net loss of 80,000 jobs last month, making it the third straight month that jobs have fallen and the longest period of decline since early 2003. The unemployment rate bumped up from 4.8% in February to 5.1%.

4/8 Today, the Fed acknowledged that it sees the economy getting worse. According to its projections, it expects the nations Gross Domestic Product (GDP) to shrink in the first half of the year. The minutes from Board of Governors meeting revealed that it was divided with some members going so far as to say they expected "a severe and protracted downturn in the U.S. economy that could last into next year."

30 Yr. Fixed Conform. & Jumbo	<b>5.625 &amp; 7.125%</b>
5/1 ARM Conform. & Jumbo	<b>5.125 &amp; 6.00%</b>
Prime Rate	<b>5.00%</b>
MTA Index	<b>3.794%</b>
COFI Index	<b>3.560%</b>
Home Ownership Accelerator Index	<b>2.828%</b>

**Morty's Bench Marks - 5/02/2008**

*Above rates assume 30 day locks priced at par, that is, at wholesale with no rebate. Rates change daily.*

The National Association of Realtors' (NAR) announced that Pending Home Sales were at an all-time low, having reached the lowest level since the index's 2001 debut.



Inside Mortgage Finance and Campbell Communications released a real estate survey indicating that roughly 20 percent of all U.S. home sales in March were "short sales". It reported that "the number would be larger if it weren't for the fact that one-third of all attempted short sales don't go through."

4/11 It was a down day at the end of a down week. General Electric (GE), a bellwether stock for economy due to the breadth of its businesses, reported that its 1st quarter profits were down.

Three-thousand one hundred American Airlines flights were



cancelled and its planes were down because of FAA inspections and the University of Michigan's Consumer Sentiment Index plunged to the worst level in 26 years.

In keeping with the tenor of the day and the week the market opened down and finished down—256 points.

4/14 March marked the 27th consecutive month of year-over-year increases in national foreclosure filings. When you consider that nearly ten months of housing inventory is on the market, and a quarter of that is foreclosures, with more in the pipeline, it is impossible to imagine any substantive support for housing prices, at present. And the worst isn't over: the wave of adjustable-rate loans resetting to higher rates will crest in May and June. Foreclosure filings jumped 57% in March compared with the same month last year as the nation's housing market continues to deteriorate. On a year over year basis, the number of homes repossessed by banks is up 129%. Nevada and California were #1 and #2 as the states with the highest foreclosure rates.



The Euro hit an all-time high against the Dollar (1 Euro = 1.5865 U.S. Dollars). The Labor Dept. reported that its Producer Price Index which measure wholesale prices jumped 1.1% in March, the second biggest gain in the past 33 years, with energy and food prices leading the way. The weak dollar and surge in commodity prices would augur against a rate cut when it next meets on April 30th. The rate cuts have not substantially helped and more rate reductions may simply lead to a further weakening of the dollar and accelerating inflation, but the market is still expecting a 25% cut in the Fed Funds Rate on 4/30.

4/16 Up is down and down is up. Today, solely on the basis of negative news the market rallied 256 points. JP Morgan Chase and Wells Fargo were the latest banks to report a plunge in profits. The market was buoyed by the fact that despite multi-billion dollar write downs of their assets, the financial community was ecstatic that the results were not worse. Several big banks declared that the worst of the credit crisis is over. I don't see how we could have the worst housing market since the Depression and be putting this behind us in one quarter. Either my viewing the economy from the perspective of what I see in the housing industry puts me out of touch with the economy or Wall St. is out of touch with the housing industry and the economy.



4/18 Oil hit a new high of \$117/barrel. The market jumped up 228 points on earnings gains at IBM, Intel, and Coca-Cola. Despite Citibank's \$5 billion in quarterly losses and \$15.5 billion in write downs, today, and Merrill Lynch's reports of \$1.96 billion loss and \$6.6 billion more in write downs and Wachovia's reporting 1st quarter losses of \$350 million on Monday and Washington Mutual's \$1.1 billion loss on Tuesday the market was up 500 points this week. The stock market is supposed to be an economic leading indicator by 6 to 9 months, but I can't foresee how a significant improvement is possible by year's end, certainly not in the housing industry.



4/22-24 Profits at Bank of America, the nation's second-largest bank, plunged 77% coupled with a \$6 billion write down for bad loans. Ambac Financial Group Inc., the world's second-largest bond insurer, lost 93 percent of its stock market value in the past year and posted \$3.1 billion in charges for sub prime-mortgage securities. Oil was only a dime shy of \$120/barrel as the Euro flirted with 1.60D exchange rate. Economists at the

National Association of Home Builders predicted that deterioration of the housing market and the ongoing credit crisis will stall a housing recovery until at least 2009. The U.S. Census Bureau reported that new home sales fell 8.5% last month to its lowest level in 16 years. Despite the 13.3% cut from a year earlier in the median home price of a new home sold in March, the report showed an increase of 11 months of unsold inventory.

4/25 Economists at the Economic Cycle Research Institute said that the tax



rebate checks that begin arriving today as part of the Stimulus Package that Congress passed earlier this year "might be too little, too late". I stated the same thing on January 24th, in the February newsletter, only more definitely (no "might" in my pronouncement). Since then employers have cut a quarter million jobs with 80,000 more expected, auto sales have tumbled 8% and home prices continue to slide as food and energy prices have climbed. Bottom line: the stimulus checks will have almost no impact on problems in the housing and credit markets, which they said have been a major force driving the economy into recession.



4/29 The bad news/good news (depending on whether you're a seller or a buyer) just keeps coming. Foreclosure filings for the first three months of 2008 rose 112% over last year according to Realty Trac. The hardest hit states are those that had the greatest run up in prices, namely, Nevada, California, and Arizona. The Case-Shiller Home Price Index which tracks the 20 largest metropolitan markets showed prices

plummeting by 12.7% in the 12 months ending in February. Los Angeles and San Diego were even harder hit with housing price declines of 19.4% & 19.2%, respectively.

4/30 The Federal Reserve cut the Federal Funds rate by a quarter percentage point to 2%. The rate is a benchmark for home equity lines of credit, credit cards and other consumer loans as well as the prime rate used for short-term business loans. The Prime Rate is now 5%.

Nine more lending casualties were racked up this month.



The most notable entry was Washington Mutual, the largest S & L in the nation. It has dropped its wholesale lending operation altogether, though their retail lending is still in place. E-Trade has also fallen by the wayside and Citi Residential will suspend their wholesale operations this month. This brings the running total to 254 mortgage lenders that have "imploded" since the beginning of 2007, meaning that they have halted major operations, filed for bankruptcy or become a "fire sale" acquisition of another lender.





[I've delayed printing this "puff" piece a number of times because of various market conditions that I believed were eminently newsworthy. But, as I've had it ready to go for several months now and since the first of May is my birthday, it seemed like as auspicious a time as any to have it see print. It's a much more lightweight diversion from the usual real estate or mortgage topics].

**THIS ISSUE'S TOPIC:  
"AND NOW FOR SOMETHING  
COMPLETELY DIFFERENT....  
MY 15 MINUTES OF FAME"**

The Rod Haase that writes this newsletter under the pseudonym of Morty (the Mortgage Man) is the very same Rod Haase that was once the star of TV and films, not to mention numerous commercials. I've always downplayed my acting exploits



because not only was that 25 years ago but when someone learns of my previous career I get the inevitable (but well-intentioned question) "What have I seen you in?" Politeness requires one to rack one's brain for film & TV credits from more than a quarter century ago. Having been through this exercise on numerous occasions, I've found that people hardly ever make a connection with me, my character's role or the episode I was in. Consequently, they usually try to salve the imagined bruise to one's ego of not being more memorable by saying, "Well, I don't watch much television, anyway."

Our society's fascination with the cult of celebrity seems a sad commentary on contemporary mores. Simply because one was on TV, no matter how inane or innocuous the vehicle, one is accorded greater prominence than the content of one's character or the substance of one's accomplishments. Yet, it persists to the present day. Given the popularity of "You Tube", "People" magazine and TV shows like "Entertainment Tonight" and "Extra" it would seem that as a culture we have chosen to fixate on the meretricious and the

superficial. The masses seem intrigued by celebrity, with everyone craving their Warholian "15 minutes worth of fame".



I got into "the business" in a rather unusual way. Being an avid reader and the beneficiary of liberal arts curriculum, by the time I entered college I had amassed a wide spectrum of inconsequential information. One day, while watching some game show, I thought to myself, "How could that guy (a contestant) not know the answer to that question. It was so easy." At the end of the show, the TV announcer invited viewers to be contestants by writing for tickets and auditioning for the producers. I did and found that I was every bit as good at doing them as I thought I'd be. I managed to put myself through college partly off my winnings. Over the course of 10 years I'd won nearly a quarter of million dollars in trips, cash and cars by appearing on such shows as the "The Dating Game", "PDQ", "Funny You Should Ask", "Hollywood Squares", "The Joker's Wild", etc. It was easy, fun, and a super-quick way to make money.



In my senior year at UCLA, in exchange for room and board I had the great, good fortune to be hired as sort of a modern-day "Friday" by a screenwriter named Clair Huffaker. Clair was an unforgettable character in the truest sense of the word. He had an ineffable ability to look at someone and say just the right thing to make them feel better. Not surprisingly, he was a unqualified success as a womanizer. In the two years, I worked for him, I was only aware of his

sleeping alone on three occasions. Given his frequent companionship, he was a surprisingly prolific writer. He would usually write at night attired in his bathrobe and omnipresent cowboy hat, with a vodka rocks close at hand. As such, my job was relatively simple—to keep the bar and refrigerator stocked, the names of his lady friends straight, and what they drank. He was a cowboy to the core and prided himself on his spirit, compassion, and simplicity. He was a hero and surrogate father to me. Were he still around, I think he would smile at my authorial bent and his influence on me. It was through him that I gained my entree to “Hollywood”.

As an author, Clair wrote mostly “white hat, black hat” westerns for television and film. Among his more best-known films were those starring John Wayne “The Comancheros”, “Hellfighters”, and “The War Wagon” (also starring Kirk Douglas). Other westerns that garnered attention were “Rio Conchos” with Richard Boone and Stuart Whitman, “100 Rifles” with Jim Brown and Raquel Welch, “Flaming Star” with Elvis Presley, “The Second Time Around” with Debbie Reynolds, “Posse from Hell” with Audie Murphy and John Saxon and “Flap” with Anthony Quinn.

It was, also, through Clair that I got my first and last job in Public Relations working for Jay Bernstein. Jay had some major clients like Sammy Davis Jr., Anthony Newley, Farrah Fawcett, Suzanne Sommers, Mac Davis, Glenn Campbell and the music group “Blood, Sweat and Tears”. But working for Jay was not a good introduction to show business. Although he was a terrific salesman, he was a tyrant to work for and short on scruples. Ironically, Jay was envious of his clients and sought the one thing they had—fame. After 6 months I ended my tenure with Jay Bernstein Associates because the business struck me as a meretricious one and solely dedicated to making people appear to be something they were not. The one thing I learned from my experience there was that celebrities were just like you and me—only more famous.



In grad school I managed to do some modeling and the transition from it to commercials, television and film was very similar in that it was easy, fun, relatively lucrative, with plenty of time left over to do other things. The other great perk was that

you got to meet some of the most attractive women on the planet.



We’ve all heard of the expression to be “type cast”. Being blond, tanned, and fairly buff (back then) I was cast as the “California type” (surfer/beach boy). Interestingly, this also seemed to lend itself to another character genre—the All-American super hero. I portrayed a number of such characters: Captain Avenger, The Flash, Flash Gordon, etc.

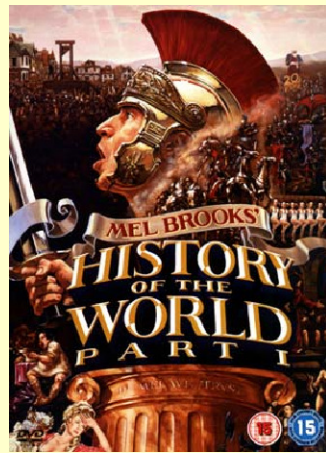


Type-casting got its appellation during the early days of the Westerns when it was known as the “white-hat, black-hat” school of casting. With the exception of “Hopalong Cassidy” the heroes always wore the white hats and the villains, the black. At 6’4”, I was tall, rather more so than many of the series leads, which more often than not, led to my being cast as the lunk-head or villain. The thought process seemed to go something like this: “if he’s big, he’s dumb”, or “if he’s big he’s mean”, and

finally, "since he's big, he, could be both dumb and mean".

Given the gamut of emotions I was directed to convey, my television career was less than stellar. One of my first roles on episodic TV was portraying a Neo-Nazi named "Jumbo" on "Medical Center" with Chad Everett. (In this one I was just supposed to be mean). On "Policewoman" starring Angie Dickinson I was a not-too-bright (dumb) porn star. At NBC, I recall driving an LAPD squad car and pulling over someone on "Chico & the Man" (I don't recall if it was Freddie Prinze or Jack Albertson). In "Trapper John, M.D." the only things I remember about the show were that I was a greengrocer with some truly witless dialogue and that the Gregory Harrison was one of the most "down-to-earth" TV stars that I'd met. On "Battlestar Galactica" with Lorne Greene, Vince Edwards directed a two-parter where I appeared as Lloyd Bridges' lieutenant in the Star Fleet Command. In "The City of the Angels", Wayne Rogers, the series detective discovered that I was the tow-headed murderer. And in "Hunter", with Fred Dryer, I co-starred as the love interest of his partner, Dee Dee McCall.

Though my filmography was hardly illustrious, I did work with Mel Brooks on "History of the World, Part One" and I appeared in "The Gong Show Movie" with Chuck Barris. George Schlatter (from Laugh-in) directed my portrayal of a bodybuilder with an unmitigated lust for statuary (unbelievably stupid) in "Norman Is That You?." I was Captain Avenger in "Hero at Large" which starred John Ritter and I had a cameo as a clumsy surfer in Joan Rivers' "Rabbit Test". The films were not major, nor the roles memorable.



Along the way I managed to appear in 9 or 10 TV MOWs (Movies Of the Week). I was Jane Seymour's arrogant boyfriend in "Captains and the Kings".



Dick Donner, the director, and a former neighbor, cast me as the drunken lout that raped Linda Blair in "Sarah T.—Portrait of a Teenage Alcoholic". I played Stella Stevens' boyfriend in another MOW that was a pilot for Raymond Burr's series "Ironsides".

Looking back on my checkered career in front of the camera, I probably have more affection for the 50 or so commercials that I did than anything else. I was part of the Jack-In-The-Box campaign to blow-up "Jack" while simultaneously introducing their Spicy Chicken Sandwich Supreme.



Another campaign that was a lot of fun was one as a spokesman for Magic Mountain Amusement Park in Valencia (now Six Flags). I did 6 or 7 commercials for them as Speed King, a fictional "super hero" that was responsible for building "the world's greatest fast ride park". As Speed King, I introduced to the world "Colossus", their mammoth wooden roller coaster and also "The Revolution", the first roller coaster to do a 360 degree loop.

In view of my professed disdain for the present cult of celebrity my engaging in blatant name-dropping and recounting my credits must surely seem an exercise in egotism and hypocrisy. There is, however, an ulterior motive. There are two old sayings that apply: 1) "There's method to my madness" and 2) "If you can't beat 'em, join 'em". Though I may decry society's elevation of unmerited celebrity,

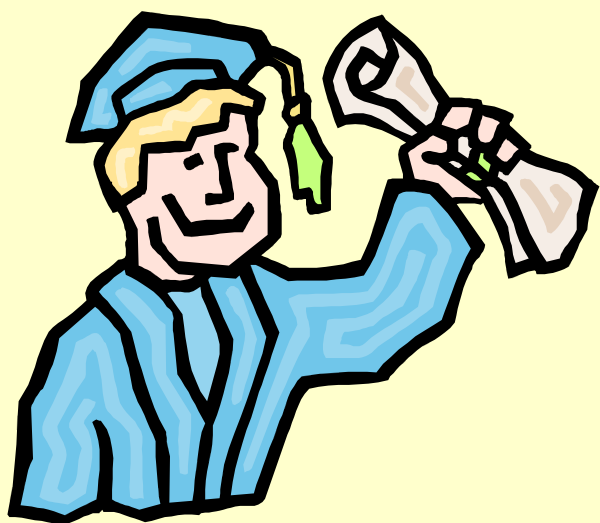


the internet also attributes a similar value to fame, no matter how old or dubious.

Thus, the purpose here of mentioning my exploits before the camera and those with whom I shared screen time was to bolster the visibility of something of which I am proud and passionate about - my web site -

[www.mortgagestraightTalk.com](http://www.mortgagestraightTalk.com) So, I am willing to sacrifice my anonymity in exchange for a better ranking from the various search engines like Google, Yahoo, and MSN because I believe that it provides more straight-forward unbiased mortgage information for the average borrower than 98% of the other mortgage websites out there.

Lastly, however, I must confess though my former profession may have been at times silly, it was also fun and exciting. And, at this point in my life it is strangely comforting, to have been a "has been" rather than a "never was". After leaving "showbiz" I transitioned into the world of business and finally began using my MBA education from UCLA...but that's a whole other story...



## **A CORRECTION RE: CONFORMING JUMBOS”**

I need to amend what I reported last month regarding “conforming jumbos”. As you may recall these loans are government sponsored programs through Fannie Mae and Freddie Mac with amounts ranging from \$417,000 to \$697,500 in San Diego County. There has been some confusion about these programs because some lenders offer them, some do not, and still others, do so in part. Although Fannie Mae & Freddie Mac’s press releases stated that the new limits only applied to mortgages originated between July 1, 2007 and December 31, 2008, the earlier time line has been rescinded such that there is no restriction pre-July 1, 2007. Jeff Nelson, a fellow mortgage broker, rectified a guidelines issue for me. The guideline for Fannie Mae and Freddie Mac differ slightly. I reported that Fannie Mae does not allow borrowers to consolidate their 1st & 2nd via a refi into one loan (which is true) or permit cash out. But, Freddie Mac, on the other hand, allows for both consolidation and cash out.

### **SPECIAL OF THE MONTH:**

There’s nothing new this month that I haven’t already touched upon in previous newsletters.

### **WHERE DOES IT HURT?**

It looks like lenders, landlords, insurance companies and employers aren't the only ones interested in credit scores these days—now the health industry is getting in on the act.



Credit industry giant Fair Isaac is working with Healthcare Analytics and Tenet Healthcare to create a new "MedFICO" score. This new credit score is

intended to judge a person's likelihood of paying their medical bills and could debut as early as this summer. Understandably, the new score is already raising concerns from consumer advocacy groups that fear it will be checked before patients are treated. They are afraid that people with low medical credit scores could receive lower-quality care than those with a higher MedFICO.

According to Stephen Farber, chairman and chief executive of Healthcare Analytics, that will not happen. Hospitals will check the score, based on the patient's medical bill payment history, but only after the patient is discharged. Under the Fair Credit Reporting Act, hospitals and doctors may report health care debts to credit reporting agencies but cannot indicate what they were for. Hospitals generally do not report delinquent accounts, but they do turn them over to collection agencies. In such cases, only the medical provider's name and the amount owed should be listed. And even then, great care must be taken so as not to reveal the type of care given, as would be the case with the Betty Ford Clinic, which is widely known for treating drug and alcohol addiction.

### **BUT CAN THEY BE TRUSTED?**

Given the problems with the credit system in general - such as identity theft and inaccurate scoring data - consumer advocates question whether or not this information should be used as the basis for a new medical version. In an analysis of more than 500,000 individuals' credit scores, the Consumer Federation of America says 29 percent were 50 points lower than they should have been.

They ask, "What's going to happen if there's a mis-scoring due to clerical error or when there are two people with names like Bob Jones who have similar numbers?" Insurance companies are already using a person's credit score to determine

their premiums now. What's going to stop health insurance providers from doing the same thing once the new MedFICO score is available?

If you were ever concerned about the importance or legitimacy of your credit score, this should be your wake up call.



### **MORTY'S MAILBAG**

Q. Would you explain the term "straw buyer"? I've heard the term but I've never been clear as to what one is or how they work.

A. A straw buyer is a loan applicant who perpetrators use to obtain home loans, but who usually doesn't intend to occupy the property he (or she) is buying. A straw buyer is usually offered a payment, often several thousand dollars, for the use of their name and credit information to make a "false purchase". A straw buyer may or may not know that their name will be on the mortgage application. A straw buyer is also used to sign documents that contain false information. For example a straw buyer might sign something that states that he intends to live in the property when they really have no intention to do so. If a document is signed that states the property is worth a specific amount, but the straw buyer has never seen the property, he/she is committing fraud. If the lender asks if the down payment came from the straw buyer's own funds and he/she answers dishonestly, this too would be fraud. After a straw buyer takes title to the property, the mastermind behind the scheme usually assumes the mortgage and the title to the property. However, a straw buyer may still be responsible for a mortgage even after someone else has assumed it because it was obtained fraudulently.





## MORTGAGE MIRTH



Experience is directly proportional to the amount of equipment ruined.

Experience is something you do not get until just after you need it.

Experience is what causes a person to make new mistakes instead of old ones.

Experience is what you get when you were expecting something else.

Experience is knowledge acquired when it's too late.

Experience is that marvelous thing that enables you recognize a mistake when you make it again.

If you'd care to share one that you've heard, please email it to me at....

[Rod@mortgagestraightTalk.com](mailto:Rod@mortgagestraightTalk.com)

**NEXT  
ISSUE'S  
TOPIC:  
ALT-A LOANS**

It is a criminal offence to obtain credit under false pretences. If payments are not made on the mortgage, the lender will foreclose on the property to recover their losses. The straw buyer could be sued for the difference between the amount of money received from the sale of the property and the amount of money owed on the mortgage.

Recipients of the newsletter are invited to Ask Morty any real estate or financing questions. The answer to the question will be answered either by phone or email and posted in the next issue for the benefit of all.

Questions may be forwarded via mail phone or fax. Due to the high incidence of spam, if you email me a question it needs to be identified as "real estate question" on the subject line of the email. (See front of issue for phone and fax numbers). Morty's email address is....

[Morty@MortgageStraightTalk.com](mailto:Morty@MortgageStraightTalk.com)

