



# THE LAMPPOST

*Lighting the Way in Finances and Life*

**John Hastings**  
Bell Mortgage  
(763) 862-4899 office  
(612) 819-3996 mobile  
jhastings@bellmortgage.com  
www.john-hastings.com



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## Prepare Thyself Wisely

Whether you are planning to purchase a home or refinance, the word PREPARATION is a key term to keep in mind.

Back in the wild west days of real estate, if you could sign a document and fog a mirror, you would qualify for a mortgage. Not anymore. Now lenders require blood and urine tests, a letter from your doctor guaranteeing you will survive long enough to pay off the mortgage, and a note from your parents stating that they raised you to be financially responsible. OK, that is a little on the exaggerated side, but it doesn't seem far from the truth when dealing with underwriters and lenders.

The point is that the pendulum for mortgage underwriting has swayed to the other extreme. Essentially, qualifying for a mortgage has come down to 1) credit profile, 2) the amount of equity in your home, and 3) your monthly debt payments in relationship to your income (commonly known as "debt-to-income").

Credit has become the key player in qualifying. One late payment on any type of credit account, or a small collection bill can drop your score 100 points or more and either cause you to pay thousands of dollars more for getting the best rate, or take you out of the game all together. Recently, one of my clients had a \$50 library collection account that appeared on her credit report. It caused her score to drop over 90 points and kept her from being on the mortgage with her husband.

Because real estate values have plummeted over the last three years, if you are going to update or improve your home, it is important to invest wisely. For most homes, installing name brand windows vs. a no-name brand won't add any extra value in an appraiser's eyes. The biggest bang-for-your-buck in home improvement is either adding or upgrading a kitchen or bathroom. Appraisers are giving homes the greatest values when they feature granite or stone counter tops, cherry, maple or birch solid wood cabinets, and high end stainless steel appliances. Bathrooms that highlight impressive tub and shower systems complimented with sinks that have stone counters and upscale faucets are getting the highest values. Obviously, a good first impression is essential, so the siding, trim work, roof and landscaping should be in top shape.

Debt-to-income (DTI) is another significant factor that lenders have clamped down on when approving files. If the amount of your total debt (mortgage payment, credit card payments, installment debt, etc.) exceeds 45% or more of your income, you will be unable to get a mortgage. This is a common sense guideline and one area of their financial picture that many Americans are actually improving.

There are other items that are important to lenders as well. Employment history, assets, and title issues are factors that lenders have been scrutinizing more intensely as well.

Because the requirements of mortgage financing have changed so dramatically over the last 4 years, please give me a call to consult about your situation in detail to make sure you can qualify for the new lending guidelines, avoid road blocks during the application process, and put yourself in the best financial situation as possible.

### The Rumor is True!

Back in November, Bell Mortgage entered into an agreement to be purchased by State Bank and Trust of Fargo, ND. The agreement merges the largest privately owned bank in North Dakota, South Dakota and Minnesota with the tri-state area's largest private mortgage company. The transaction is expected to be consummated by December 31.

Bell Mortgage will retain its name, all of its personnel and will soon offer home equity loans, construction loans and other home mortgage services.

Gary Kirt, owner of Bell Mortgage, was looking for a partnership with a regional bank to help his company grow and adapt to the changing mortgage industry.

"State Bank & Trust was the perfect match for us," said Kirt, who will stay on as president of the bank's new Bell Mortgage division. "In tough times, both our companies have done well while others in the mortgage and banking industry have struggled. Our philosophy of taking care of our employees and customers, and giving back to the communities we serve, matches well with State Bank's culture."

Michael Solberg, State Bank & Trust president and chief operating officer stated, "We're very impressed with the growth of Bell Mortgage and how they do business. We hope to bring additional resources to help them continue to grow with the high level of service they're already providing. In turn, Bell Mortgage gives us new opportunities in the Twin Cities market, and we look forward to a great partnership with them."

Since it was founded in 1880, Bell Mortgage has funded more than half a million home mortgages, including \$10 billion in mortgages in the last decade alone. In addition, Bell has built a reputation for progressive growth combined with outstanding customer service.

Bell Mortgage currently has 180 employees at 28 mortgage offices in the Twin Cities area, Bozeman, Mont., and Phoenix, Ariz. State Bank & Trust has more than 500 employees at 14 full-service banking locations. Chartered in 1966, the bank has assets totaling more than \$1.9 billion.

# Christmas - A Father's Perspective

As our little ones are growing up and shipped off to college, our regular holiday times as a family may be coming to an end. Our daughter, Amy, just graduated from the University of Minnesota and will soon be getting a full-time position. At some time in the future we will be adding new family members to our celebrations, and sharing our children with their new family.

Up to this point, we have always been together for Christmas. Our kids are not running around in their little sleeper PJ's anymore, but they are all here under our roof for another holiday season. But I know that some day soon, all of the not-so-little Hastings won't be coming back home for the holidays. I'm sure our parents felt the same sense of impending emptiness when Eloise and I entered our adult years.

I remember experiencing my first Christmas with my "new" family after I married Eloise. They had a big Christmas Eve event with a huge spread of food, a gift exchange and games. It was surprisingly different from what I grew up with, and I really enjoyed it.

A few years later Eloise and I had our first "family" Christmas with Amy. We lived in a small apartment with a tiny Christmas tree and Amy toddled around the coffee table playing with ribbons more than her toys.



Soon there were more and more little Hastings. We eventually became a family of seven!

We started new traditions like having a big snowball fight while cutting down the Christmas tree. It is chaos with snowballs flying,

kids yelling, the dog disappearing and everyone taking turns sawing away at the tree.

Our houseful of little rug rats engulfed our home in absolute chaos with the dog going wild over wrapping paper, ribbons, Christmas presents, and boxes strewn throughout the whole house! It was a glorious mess and I wouldn't trade it for anything.



Every Christmas day I was assembling bikes, helping construct elaborate Lego systems, finding puzzle pieces, putting doll furniture together, running to the store for batteries or keeping the house from being destroyed from a warplane bombing the enemy.

As the children grew older, on Christmas Eve we would indulge in a fondue feast after church and enjoy a themed movie series marathon. We have watched all of the *Rocky*, *Star Wars*, and *Indiana Jones* movies - and this year, it's *Lord of the Rings*. We look forward to this event all year.

My life is filled with great memories of celebrating Christmas with our family. We know that in the future, our children will be sharing some of our family traditions with their new families. The cycle of family life moves on and the memories we create together last forever.

Cherish your family at every stage of life, take lots of pictures, and create fun family traditions that your children will pass on to their families.

Merry Christmas!!