



THE LAMPPOST

Lighting the way in Finances and Life

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Legislation to the Rescue?

Washington has been busy lately. In one of the most rapidly approved bills in memory, the Housing and Economic Recovery Act passed into law, and will have significant implications on the housing and mortgage industry. The bill is 789 pages long - so here are just a few of its highlights that will affect many consumers:

The biggest impact to homebuyers is the elimination of what is known as seller-funded down payment assistance for FHA loans. Seller-funded down payment assistance is when a non-profit organization agrees to fund a buyer's down payment with an agreement from the seller to replenish their grant. This program has helped over one million families obtain homeownership and some reports say that this program accounts for nearly 30% of all FHA purchase mortgages.

This program will be eliminated for homebuyers effective October 1. Several investors have already stopped accepting new applications for this program.

That said, if you or someone you know needs the ability to implement down payment assistance as a tool to buy a home, get on it quickly. The clock is ticking.

Another promising element that was included in this legislation is that first time homebuyers have a window to qualify for up to a \$7,500 tax credit. The tax credit will be 10% of the purchase price of a home, up to a maximum of the full \$7500 credit. The tax credit will have to be paid back over a period of 15 years...but

Washington just provided first time homebuyers a 15-year interest free loan to help them buy a home!



There is also a provision for homebuyers who are “upside down” on their mortgages – they owe more than what their home is worth. The loans must have originated before January 1, 2008. The homeowner's housing debt ratio must be higher than 31% of their gross income and their current mortgage company must be willing to write down the pay off balance of their mortgage to less than 90% of the appraised value. This has a few strings attached, but should be able to help quite a few homeowners.



There are also new guidelines for reverse mortgages. Home owners will be able to tap into more of their equity than before and are now protected with regulations that cap fees. The new law also prohibits mortgage originators from selling insurance and/or investment products related to the transaction. For example, the same sales person can't originate a reverse mortgage in order to sell a long term care policy, annuity or investment product to a consumer. This was set in place to keep vulnerable citizens from being “cleaned out” of their assets by an individual sales person.

Mortgage originators will now be mandated to meet national minimum requirements for licensing programs that require annual continuing education. This is very welcome news for those of us who are eager to flush out the bad guys and restore or industry's reputation.

There are many other provisions associated with this bill. For further explanation or questions about any of these items associated with the Housing Economic Recovery Act, please call my office.

Bumps on the Road of Life

“If at first you don’t succeed, try, try again” is a wise saying that we have heard over the years. But what if, after four years, you do the best you can and you still don’t achieve the goal you set out to achieve?

My son, Michael, faced this hard truth after working his tail off in high school for four years. I have never seen a kid strive so hard. He would get up in the morning 3 days a week to work out, he would get home late for supper because he was the



last one at practice, he would be the last one in our family to go to bed because he was working on a paper or studying for a test.

At one point Eloise and I actually had to ground

him from homework on Friday nights because he was so focused on his schoolwork that he was ignoring all social elements of his young and promising life.

Michael’s goal was to be the best in everything he attempted. After four years of participating in various sports and other activities, Michael worked as hard or harder than anyone on his teams - only to become good, but not great.

Though less tangible to him, Michael’s chief success was as a natural leader. His senior year, he was elected president of the student body, an officer in his school’s National Honor Society, president of the Concert Choir, president of S.T.A.R (a student group promoting drug and alcohol-free living), and co-captain of the varsity cross-country team. He was awarded many scholarships and civic honors. He was one of only two student speakers at his graduation ceremony. He graduated in the top 3% of his class of 650.

Since 8th grade Michael was very intentional about earning good grades and keeping a high activity level. His four year goal was to be accepted at an Ivy League school or Stanford. He applied at 11 of the top universities in the nation. In one week, he received 8 rejection letters - five in one day. That same night he had to deliver a speech to hundreds of students, parents and faculty at Anoka High School’s National Honor Society induction ceremony. His topic – Character. Eloise and I sat and watched our son with tears in our eyes as he delivered a stirring speech. Only we knew that he was dealing with such heartbreak.

Michael was accepted at 3 of his “B” list schools, but, was incredibly disappointed not to get into the ones he really wanted. As parents, Eloise and I had to go into “damage control” mode and help pick him up, dust him off, and try to point him in the right direction. What do you say to a

child who has worked so hard for so long? He poured four years of his life into a very honorable (and extremely difficult) goal and didn’t get “the prize”. After watching him labor so hard to succeed and miss his mark, we were desperately seeking wisdom as to how to encourage our son and let him know that his efforts weren’t wasted, or in vain.

After some serious conversation and prayer, I had a nugget of wisdom. Life is not about reaching the goal – it’s the process of getting there. Don’t get me wrong, setting goals, and setting them high is very good. America wouldn’t be the country we are if we didn’t aim high. We were the first to achieve many things because hard working people set their mind to a task, and after many “failures” reached their goal. But life success is more about the journey and not the destination. Michael will be a better man because of his hard work than he would have been had he met all of his goals at the age of 18.

After coming to this brilliant revelation I shared it with Michael thinking that he would be awestruck by my great wisdom and parental insight. He looked at me as if I were some space alien and said, “You don’t get it. I know all that. I still didn’t get what I worked toward.”

Michael chose to go to UC Berkeley (affectionately known as “Cal” by us locals) near where he was born. It may not carry the prestige of Stanford or Harvard, but Cal was extremely hard to get into and is ranked as one of the top public universities in the world. After he made several visits to the campus Eloise and I could tell that this was the perfect school for him. It’s located on a beautiful campus, with a near perfect climate and offers an intellectual and diverse student population where he will fit right in.



As a parent it was very difficult to watch my child struggle with extreme disappointment and not have the right words to console him. Eloise and I were tested greatly having to work through patience, self-control, compassion and other character building experiences as we lived with a teenager who was dealing with some very strong emotions. In the years ahead, as Michael looks back at this year, I know he will see that things happened for a reason and he will be glad he went to Cal. But the lessons we learned as parents will be just as valuable as the ones he learned while dealing with disappointment. And we have 3 kids left at home on which to practice our new skills! Hang on to your hats, folks...