

THE LAMPPOST

Lighting the way in Finances and Life

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Mortgage Update: The Good, the Bad and the Ugly

THE GOOD:

There is a silver lining in the mortgage business here in Minnesota. Due to recent legislation, part-time loan officers and predatory mortgage brokers are fading out of the business. This benefits consumers because there will be more consistent, quality information available due to full-time professionals who are experienced and ethical.

Thankfully, those who were in the mortgage industry for the "quick & easy commission" are experiencing a taste of their own cooking. The bad deals that cost home buyer's thousands of dollars in extra junk fees are going away. Not only has the state tightened up underwriting requirements for lenders, they are handing out stiffer penalties for those who fraudulently obtain business. The state has also required all companies to have minimum financial reserves, with licensing and bonding requirements. Just a few weeks ago, the Minnesota Department of Commerce estimated that over 35% of mortgage companies (mostly smaller and new-to-the-business shops) will not renew their license by the October 1 deadline.

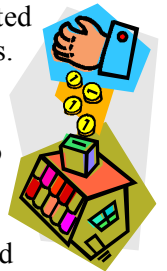
Interest rates are still low. As of this week most 30-year fixed rate mortgages were in the low 6% range.

THE BAD:

There are a lot of rumors flying around about mortgage companies. Several local and national firms HAVE gone out of business and others have been swallowed up by banks. Many in our industry are finding themselves out of a job with little or no notice. It is wise for a consumer to work with an established company (over 25 years or more) and has an employee base of seasoned professionals. These companies know how to stay in business during difficult market cycles.

THE UGLY:

Foreclosures. They are epidemic. The problem started with banks who became greedy and created products that were ticking time bombs. These loan programs found their way to "commission breath" loan officers who persuaded and defrauded their victims into purchasing a home they really didn't have the means to pay. We are now seeing those poor victims losing their homes. And this is just the beginning. Although banks and unscrupulous loan officers shoulder most of the blame, home buyers need to admit their irresponsibility with their finances and their "I want it now" impulsiveness which got them into trouble in the first place. There are situations where bad circumstances hit at the wrong time to financially sound people, but this is more of an exception, rather than the rule.



During the housing boom many homebuyers were counseled to wait to purchase a home. They were advised to clean up their credit, put some money into savings, or to pay down their debt. Unfortunately, many of these people ran into the arms of commission breath loan officers who didn't give a rip about their financial well being. They bought houses they couldn't afford using mortgage programs that were disasters waiting to happen. This deadly combination of loan officer greed and buyer impulsiveness has caused a meltdown that has still not hit its peak destruction.

This is not a first-time phenomenon. This type of market cycle and bad lending practices occurred in the 1980s and 1990s. The real estate market will recover, after leaving heavy homeowner casualties in the process. Things will go back to normal. When and how are yet to be seen, but the market will change and eventually recover.

Preparing for the Battle

Recently, Eloise and I reached a milestone as parents. Some parents celebrate when all their children are potty trained. Others become nostalgic when they become empty nesters. We recently finished our last “training camp” for what we call, the UPCOMING BATTLE.

What is the Upcoming Battle, you ask? It is the most terrifying time period of a parent’s life – where insecurity, peer pressure and wild hormonal change turn their sweet little child into an unpredictable teenager. It is the life syndrome known as adolescence.

In our family, we take this time of life very seriously. Adolescence is a very tumultuous period in a young person’s life. Their bodies start to change, they begin shaving, sprouting pimples and, at the same time, somehow become attracted to the opposite sex! Relationships become more important. They are bombarded with choices that can change their lives forever. It is a critical time of physical, emotional and social change.

Rather than letting our pre-teens fumble through this important time on their own we want to help prepare and equip them for what is about to happen, by conducting a “training camp”. The idea is to spend a special weekend, one-on-one (mom and daughter or father and son), to talk about the changes to come while participating in a special activity that our child would enjoy. We have taken our 11 or 12 year olds to a drum and bugle corps show, camping, fishing, shopping, and skiing.

Since Eloise and I are quite inept at talking about this stuff, we rely on the experts to do the talking for us. We have used a couple of different resources to do this. One is called *Preparing for Adolescence* produced by Focus on the Family (www.resources.family.org/product/bk089.do). The other is called *Passport to Purity* produced by Campus Crusade’s Family Life Ministry (www.familylife.com/passporttopurity).

The idea is to have a fun, special time while preparing them for the teenage years. It is suggested that you take your son or daughter on this trip 6 to 12 months BEFORE adolescence begins. This process can start anywhere from age 10 to 15. That way, when their transformation starts to happen they are prepared for the changes going on in their lives.



Listening to the CDs together is a nice neutral way to open the lines of communication with your child on this important subject. Both resources suggest that parents review the material before the trip. There are 6 to 8 sessions on topics that not only address physical change, but emotional change, peer pressure, love and relationships, and other issues that young people will face every day. Most important to us, these resources are explained from a Christian perspective. The materials are very balanced and don’t over emphasize one topic over another. There are also fun activities and workbooks to use and outlines for parents. Both materials come complete with a guide on how to plan your getaway. *Passport to Purity* even gives you an hour-by-hour schedule for your weekend!

Our children have all loved this time and still talk about the special weekends we have spent together. We have had our share of small bumps and bruises navigating through “teenage-hood”, but so far, it seems that our teens have adjusted well.



The life of an adolescent can be wrought with unpredictable and scary change as they are propelled through the gate of young adulthood. We can’t avoid the inevitable of the Upcoming Battle, but we can minimize the effects of the “missiles and bombs” attacking our teens from all sides during their adolescent years. And, it’s possible to have fun in the process!