

September President's Message

Car Dealers Cause Global Warming!

Car dealers sell the cars the automakers engineer and manufacture. If it were not for the car dealer then there would be no car emissions. Therefore, it is clear if we simply eliminate the car dealer we can solve global warming.

Ridiculous, right?

Not on Capitol Hill. Many legislators want to blame the Mortgage Broker for the current real estate and mortgage market. To many legislators, the Mortgage Broker was the only player in the Sub-Prime market. To others, Mortgage Brokers are the "snake oil salesmen" of the past.

The time is now, my Mortgage Broker friends, to band together and be heard. We must tell everybody we meet just what a Mortgage Broker is. We cannot allow the Bankers and Lenders to define us. If you were to ask the Bankers what caused the Sub-Prime meltdown, they would say the brokers are to blame. They fail to mention the billions of dollars in Sub-Prime loans funded by the mortgage bankers we all see advertising daily on our television sets. They ignore that the downturn in the market is a huge factor in the Sub-Prime meltdown.

Let me walk you through a few facts we need to be sure everyone knows. I want you to teach these facts to consumers and legislators.

The Role of the Mortgage Broker

The Mortgage Broker matches consumers with mortgages. A Mortgage Broker cannot create, underwrite or fund mortgages. These lending functions are all performed by lenders. Lenders are state and national banks as well as mortgage bankers. A typical Mortgage Brokerage Business is a local "Mom and Pop" shop with fewer than ten employees. A Mortgage Brokerage Business typically has agreements with a multitude of local and national lenders. These small companies take the mortgage loan application information and match the consumer with a lender.

Sub-Prime

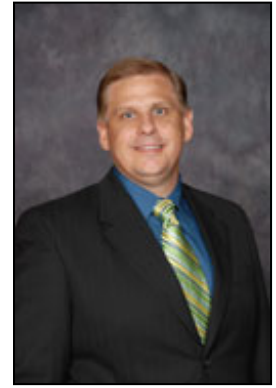
America is currently experiencing the highest level of homeownership in its great history. More families own a home today than ever before. This is in no small way thanks to the Sub-Prime industry. Some ten years ago lenders and Wall Street chose to allow the creation of a more risky loan. Hence, the creation of the "Sub-Prime" or below prime industry. These new riskier loans allowed families with adverse credit or little savings to qualify for a mortgage. Prior to Sub-Prime, these same families were left out of homeownership opportunity all together.

It is said that 1 in every 70 Sub-Prime loans is in default. That number is certainly high; however, I see that number as 69 out of every 70 Sub-Prime borrowers being homeowners. These are families that previously could only rent and who are now living the American Dream. I am certainly not suggesting that Sub-Prime did not have problems. It certainly did. The guidelines expanded nearly daily allowing riskier and riskier borrowers to qualify. My point is simple; Sub-Prime was a key factor in this recent boom in homeownership.

The Sub-Prime Meltdown

So what happened? Why have so many Sub-Prime lenders gone out of business? Here is a basic overview that is fair to all concerned. Essentially, the high risk, high loan-to-value loans that were generated from the Sub-Prime industry depend on a stable and increasing real estate market. A borrower that accepts a 2-year fixed rate wants to be able to refinance after 24 months. However, if the property value has decreased, or even stayed the same, a refinance may be out of the question. OK, then sell it! Well, maybe not in today's market. It is likely that a typical homeowner will need to wait up to a year to sell a home. So basically, when the real estate market pulled back from a 24-month unsustainable growth spurt, the Sub-Prime market was left holding the bag. The market reacted swiftly and the Sub-Prime guidelines got tighter, much tighter.

There is much more work to be done. We need to stand together as Brokers. If you are not a member of the Florida Association of Mortgage Brokers, now is the time to join. We need to be strong and we need to be



D. Ritch Workman , CRMS
Workman Mortgage Company

heard. With numbers comes strength. Please go to www.famb.org and complete a membership application. You can email me directly with comments or questions at ritch@workmanmortgage.com.

A handwritten signature in black ink, appearing to read "Ritch Workman", with a stylized flourish at the end.

Ritch Workman, CRMS
President

To view previous President Messages [Click Here](#).