The MORTGAGE COACH®
Stop selling loans... Start building wealth

2007 EDITION

The Mortgage Planner's

Book of Best Practices

Unleashing the Power of Mortgage Planning to Build High Levels of Residual Income

When you shift from being an application-taking loan officer to an advice-focused Mortgage Planner who follows the Mortgage Planning Compass, you no longer hope the phone rings with new leads. You now have control over your future business because of the value you deliver and the proactive approach you take to managing customer relationships.

Dave Savage,
CEO, The Mortgage Coach

2007 Mortgage Planner's **Book of Best Practices**

2007 Mortgage Planning Book of Best Practices
by Dave Savage, CEO, The Mortgage Coach™
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Printed in the United States of America

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The guiding principles of Mortgage Planners:

1. We are committed to helping homeowners make the most informed decisions possible.
2. We strive to increase America's savings rate by assisting homeowners to make mortgage decisions that help them achieve their Freedom Point faster.
3. We are committed to eliminating nonstrategic debt, such as credit card balances, auto loans and other non-tax-preferred debt.
4. We help homeowners proactively plan and manage their debt decisions.
5. We are committed to delivering a unique experience that delivers obvious value to homeowners.

Introduction

FACT: Americans are not saving enough for retirement.

FACT: Sixty percent of Americans who are entering their retirement years don't even have $100,000 in savings.

FACT: Millions of homeowners are in the wrong mortgage programs and will be in lifetime perpetual debt with no path to financial freedom.

As a Mortgage Planner, you have the power to turn these facts into fiction and to make a positive difference in the lives of countless Americans.

You, as a Mortgage Planner, have a hidden power at your fingertips. This power can increase your commissions, flood you with referrals, and give you immediate respect from both borrowers and financial planners.

What's this power? It's the power to stop selling loans and start building wealth for yourself and the clients you serve.

Unfortunately, the power to change lives often goes unnoticed, unused and wasted. Maybe, you think that all you do is sell loans. Perhaps, you feel that the loan business is a game of rates, fees, points and indexes. If you're only a loan officer, that may be right. After all, there are thousands of folks in your market selling loans. And so it seems that whomever can sell the numbers best wins.

Well, those beliefs are blinding you to the true power you possess to make life-changing impacts in the lives of your borrowers and their families … as well as your own.

You may not realize it, but you stand as gatekeeper to one of the most important decisions in a homeowner's life: a decision that, if made wisely, will break the chains of debt, multiply their wealth, and create a secure and early retirement for them. With the right key, you can use the best, most appropriate loan to unlock the door to wealth, secure retirement, education, tax advantages, and lifestyle enhancements that are beyond anything you or your borrowers have ever imagined.

As a Mortgage Planner, you have the power to:

- Help borrowers make truly informed decisions.
- Reduce the hundreds of thousands of dollars your client would waste over a lifetime on the wrong debt or poorly structured debt.
- Help your clients make better decisions that can bring on retirement sooner and more securely.
- Improve your clients' tax benefits.
- Help make your clients' financial dreams a reality.
- Be the team captain on the wealth team.

- Assist your clients to finance their second homes, invest in real estate or business startups, send their children to college, and better care for their families.
- Increase the savings rate of homeowners in America.

Just as a home shields a family from the elements and provides a safe place to nurture loved ones, a mortgage decision can help shield a family from the financial storms that blow their way. Storms like costly debt, poor saving habits, excessive taxes and unwise investments—storms that batter a family's future and wash away their dreams. Wisely used, the right mortgage can build a fortress of security that can withstand the ravages of financial hardship. And you are the one who has the power to help draft the blueprint for this fortress. This is because as a Mortgage Planner, you are not just selling loans. You are focused on helping your client make mortgage decisions that will help them accomplish their long-term financial goals and build wealth, both for you and for themselves.

This book is your road map to transition you from being a transaction-based loan officer to becoming a trusted advisor—a knowledgeable, professional and relationship-focused Mortgage Planner. Becoming a Mortgage Planner distinguishes you from the common loan officer and places you in a position in which you are making profound, life-changing differences in the lives of your clients. Furthermore, by following the guidelines in this book, you'll be respected not merely by borrowers, but by Realtors®, financial planners, CPAs and other referral sources, as well. You'll go to sleep at night knowing that because of your advice, insight and passion, your clients are living more financially secure lives and you are growing a thriving mortgage practice.

It's time to improve America's savings rate and reclaim wasted fortunes. Let's restore the financial future for our friends, family, and country and make financial security a reality—one person at a time.

Stop selling loans and start building wealth today!

Dave Savage
CEO, The Mortgage Coach

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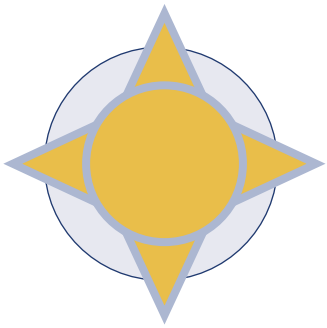
Executive Summary



What if I were to tell you that you and nearly every loan officer you know is ignoring a huge source of income every time you make deal? What if I said that every time you complete a successful transaction and move to a new deal, you are throwing away two, three or up to 12 future transactions? What if a recent survey of 10,000 loan officers revealed that many mortgage professionals are losing an average of $166,872 per year simply because they were too shortsighted to tap into one of the hottest recurring revenue streams in the mortgage industry?

If you're like me, you'd demand to know what was going on!

The fact that hard-working loan officers could be missing out on so much income each and every year likely comes as a surprise even to industry experts. Nevertheless, it's a sad truth that most loan officers are too transaction-focused. Rather than building future business and creating long-term relationships by providing advice and ongoing services to clients, most have become focused on closing transactions. It's no wonder that most loan officers are perceived as commodity providers rather than financial experts. Fortunately, there's a

Mortgage Planners have the power to help homeowners increase their savings rate and make informed decisions that will help them:

1. Stop wasting money on the wrong debt structure
2. Increase tax benefits
3. Achieve their Freedom Point faster
4. Reduce financial stress
5. Retire with more security

simple way to overcome the commodity trap and negative borrower perception—become a Mortgage Planner.

Mortgage Planners are mortgage professionals who look at their clients' lifetime financial goals and integrate their mortgage into their overall financial plan. They have the unique power to earn the trust and respect of their clients and secure their patronage not only for one transaction, but for many throughout their clients' lifetime. By helping homeowners to increase their savings rate, stop wasting money on the wrong debt and position them into strategic mortgages, Mortgage Planners have the power to help homeowners reach their "Freedom Point" faster—the magical moment in time when a homeowner is either debt free or when their assets exceed their debts and paying off their mortgage becomes a strategic financial planning decision.

Mortgage Planners change the game on typical application-taking loan officers. They do this by taking on the professional responsibility of helping homeowners to make informed decisions that ultimately increase their tax benefits, increase their wealth, and help them reach their Freedom Point faster.

If you help your clients, they will help you. By building trusting relationships with your clients and giving them advice and services that are clearly superior to what other loan officers are offering, your clients' business will generate tremendous residual income for you. Where a typical loan officer depends on new leads and quick, generic service to create business, Mortgage Planners get the lion's share of their business from ongoing client relationships and valuable referrals from clients and referrals sources.

As a result of this strategy, Mortgage Planners work smarter, not harder. Many Mortgage Planners work fewer hours per week than they did as a regular loan officer for higher commissions, and substantially improve their quality of life in the process.

Which brings me to why I've written this book of best practices. In this publication, you'll learn the secrets that the best Mortgage Planners know. Specifically, you'll learn how to implement the five elements of the Mortgage Planning Compass™ to achieve a level of success you've only dreamed of.

By integrating these key principles—purpose, goals, practices, services, and strategies—you'll learn several invaluable lessons including:

1. How to transition from being a loan officer to being a Mortgage Planner.
2. How to use advice to help your clients integrate their mortgage into their overall financial goals.
3. How to substantially increase your residual income and referrals by developing client relationships over the long term.
4. How to help homeowners achieve their Freedom Point faster by making more informed decisions.

To help bring home these four important lessons and demonstrate their worth in the real world, I've talked to some of the leading Mortgage Planners in the country and carefully considered the thousands of comments I've received from the 25,000 mortgage professionals who use The Mortgage

Coach. Throughout this book, you'll hear from the following industry leaders:

Drew Beverage, Loan Officer, Partners Mortgage, San Jose, California

Timothy Burk, Mortgage Planner, Cornerstone Mortgage Company, Denver, Colorado

Dylan Kramer, Agency Director, Starpointe Mortgage, Chicago, Illinois

Mark Klein, President, Pacific Coast Lending, Agoura Hills, California

Steven Marshall, President, Bellevue Mutual Mortgage, Bellevue, Washington

Khai McBride, Mortgage Planner, Great Southwest Mortgage, Encino, California

John Weller, Vice President and Mortgage Planner, Megastar Financial Corporation, Denver, Colorado

Each of these nationally-renowned Mortgage Planners has generated millions of dollars in production, earning hundreds of thousands of dollars in wealth for themselves, while saving an equal amount for the clients they serve. And they did it by following the principles of the Mortgage Planning Compass and by learning to offer the right advice to the right client at the right time.

They did it. You can too.

Part 1

Destination: Residual Income

Chapter One

A Voyage of Discovery

KEY TAKEAWAYS

- *Based on a survey, Mortgage Planners earn, on average, $166,872 more than typical loan officers.*
- *A Mortgage Planner is a mortgage professional who looks at his or her clients' lifetime financial goals and integrates the mortgage into their overall financial plan.*
- *One of the biggest untapped sources of income for Mortgage Planners is new loans from past clients and referrals from clients, Realtors and financial planners.*
- *Mortgage Planners win multiple transactions from clients by helping them reach their financial goals and Freedom Point faster.*

Have you ever stood on the seashore on a crisp and windy day? Looking over the billows and waves, you wonder what it would be like to climb aboard a vessel and cast your lot with the deep. You can almost see the sails and hear them riffle and snap as the wind fills them out. There, always visible but never reachable, is the point where the rough seas and swirling clouds meet in a sharp yet invisible line. The horizon tempts. The sea calls. If only you could leave the shore!

It was this magic, this lure of the sea, that has captured many a young man since time immemorial. Leif Eriksson, Christopher Columbus, Horatio Hornblower, Ishmael, Starbuck—countless real and

fictional characters have been drawn to the sea to seek fame and fortune. What is it about the sea that captures our imagination? Perhaps it's the sea itself—calm today, surging tomorrow, inviting here, terrorizing there. Or maybe it's the journey with its adventure, conquests and surprises. Or perhaps it's something else. Perhaps it's the destination, shrouded in mystery and promising untold wealth. That, after all, is at least part of what motivated Columbus.

What's *your* destination?

Maybe you've never thought about it, but the mortgage industry is a lot like the sea. Always changing, ever dangerous and ceaselessly exciting, both attract hardy souls who dream big and live large. Both the sea and the mortgage industry have an opposite shore, a destination that governs the journey. Just as every sailor has a destination, every loan officer has something they are seeking to achieve. In both cases, that goal is usually financial prosperity.

Strangely, however, many mortgage professionals have no clearer idea of their goal than simply "wealth." Because they don't have a defined understanding of what financial success means to them or what a successful mortgage practices looks like, they spend their careers living from day to day, looking for new clients, and trying to find new ways to sell loans in an increasingly crowded market. Little do they know that there's a well-defined destination that many experienced mortgage

professionals have set their sights on and, by following the right directions, have achieved for themselves and their families.

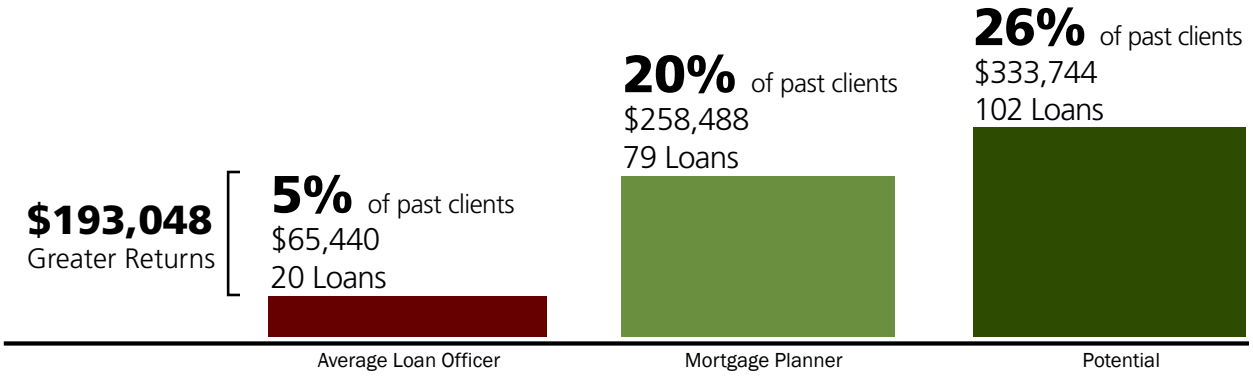


Figure 1: The sky's the limit: My survey of over 10,000 loan officers and market research revealed what Mortgage Planners can do .This chart is based on the following assumptions: A recent survey of over 10,000 loan officers and market researchers revealed these facts.

- Most loan officers had 393 past clients in their databases
- Their average commissions were $3,272
- Annually 15%~20% of homeowners move and 15%~20% of homeowners refinance

Identifying the goal

What's this goal—this Holy Grail—that loan officers need to attain but curiously may not even know about? It's actually not that hard to figure out provided you ask the right question: How much residual income (i.e., repeat business) do you earn from your past clients? In other words, what percentage of your annual transactions come from previous clients? Five percent? Ten percent? Twenty percent? The answer to this question will reveal a secret that many leading Mortgage Planners have discovered: high residual income.

Based on a recent study that I conducted, leading Mortgage Planners can generate on average as much as $333,744 annually in residual income (Figure 1). Despite this fact, the vast majority of loan officers depend on one-time loan sales for the bulk of their business. To them, new business can only come from new clients. Once a client's transaction is completed, the typical loan officer sees no immediate opportunities for business with that client and turns their attention to securing new clients.

Mortgage Planners do just the opposite. To them, developing new relationships is not simply the path to a short-term deal, but the beginning of an entirely new way of building business for the long term. This is because a Mortgage Planner is able not only to cultivate new prospects, but also to use advice to turn new clients into clients for life. By changing your mindset from that of a typical loan officer to that of a Mortgage Planner and implementing the best practices in this report, you can do what they do and achieve the same—or better—success.

The crucial yardstick by which to measure how much residual business you're getting is your "past-client pull-through rate." It is very easy to calculate your annual pull-through rate. If you know how

many loans you closed for past clients last year, take that number and divide it by the number of past clients you have in your client database—that's your annual past-client pull-through rate. If you don't know the number of loans you closed for past clients last year, simply divide the number of loans you closed last month for past client by the number of past clients you have in your client database then multiply that number by 12 The resulting number will be your annual past-client pull-through rate. Industry leaders have a past-client pull-through rate ranging anywhere from 20 percent to 26 percent or even higher. A healthy number for a loan officer who wants to derive a significant amount of business from recurring business is 20 percent (Figure 2).

> Mortgage Planners create unique experiences that deliver obvious value to homeowners.

	AVERAGE LOAN OFFICER	MORTGAGE PLANNER	POTENTIAL
The number of loans closed last month for past clients:	1.7	6.6	8.5
The number of months in a year:	x 12	x 12	x 12
The approximate number of loans for past clients closed in the past 12 months:	20	79	102
The average number of past clients in a loan officer's database:	÷ 393	÷ 393	÷ 393
Annual Past-client Pull-through Rate	**5%**	**20%**	**26%**
Average commission per loan	$3,272	$3,272	$3,272
The approximate number of loans for past clients closed in the past 12 months:	x 20	x 79	x 102
Yearly commissions	$65,440	$258,488	$333,744
The $193,048 Dollar Difference! (by increasing your past-client pull-through ratio)	**BENCHMARK**	**$193,048**	$268,304

Figure 2: Benchmarking the past-client pull-through ratio and related earnings of typical loan officer against those of professional Mortgage Planners. (Based on assumptions in Figure 1.)

The $193,048 difference

Let's take a closer look at the mindset of typical loan officers. Most loan officers are focused on this month's and next month's transactions. Almost without exception, they want to get the most out of the deal that's sitting in front of them. Then after closing the sale ("the transaction"), the loan officer typically shelves the client file and forgets about them, instead turning his or her attention to the next deal.

But consider these staggering numbers. A recent survey of 10,000 loan officers and market research revealed the following. Participating loan officers had an average of 393 past clients in their databases.

Their average commissions per deal were $3,272. The loan officers surveyed generated an average of just 5 percent of closed loans from past clients, the equivalent of 20 loans, translating into a 5 percent past client pull-through rate or $65,440 in residual income per year.

That number doesn't sound bad until you compare it with Mortgage Planners who implement best practices and orient themselves around the approach outlined in this book. On average, Mortgage Planners included in this study generated residual income from about 20 percentage of their clients every year. That's 79 loans and a 20 percentage past client pull-through rate for a total of $258,488. That's a *$193,048* greater return on past client relationships than a typical loan officer! (Figure 3.)

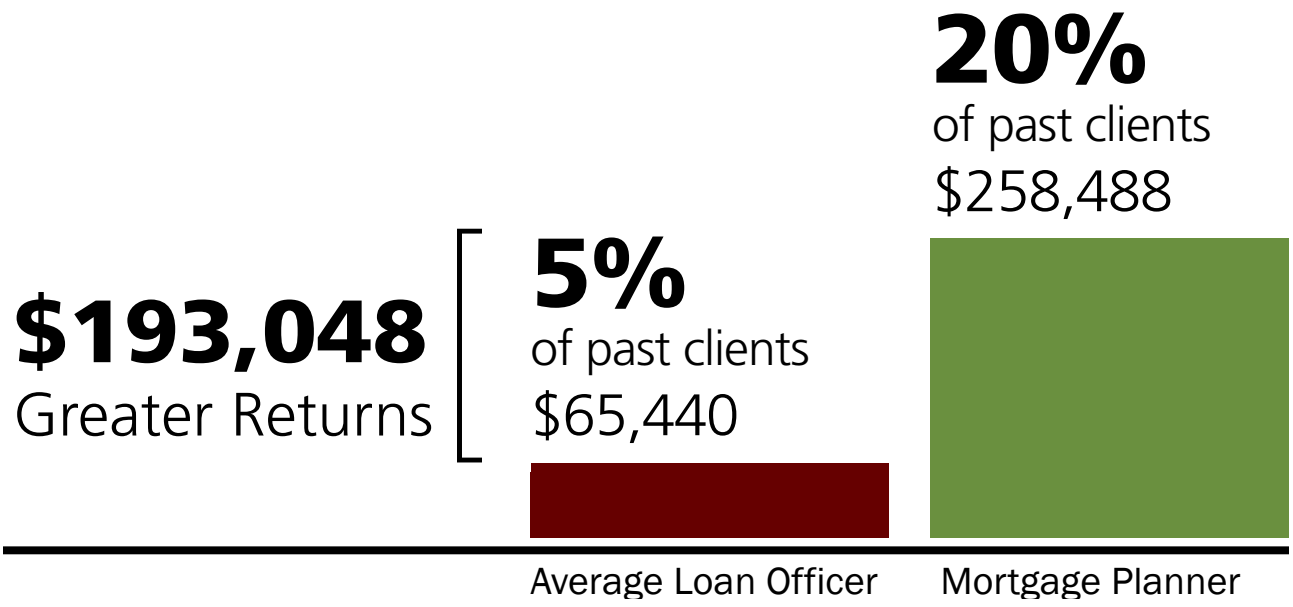


Figure 3: Mortgage Planner Residual Income: Mortgage Planners generate $193,048 more in annual residual income than average loan officers. (Based on assumptions in Figure 1.)

To calculate your own past-client pull-through ratio and the earnings you could be deriving from missed opportunities is easy. Simply plug your own numbers into Figure 4 and perform some simple calculations.

Increase trust, repeat business, enjoy life

In addition to making more money, Mortgage Planners earn a higher degree of trust and respect from their clients. It is this trust and respect that forms the bedrock of their business model, because, as any businessperson who has experience in client retention and development knows, respect and trust are worth their weight in gold. Mortgage Planners are relationship-focused. They create unique client experiences that deliver obvious value. And they change lives as opposed to just selling loans.

Mortgage Planners improve the lives of their clients. And in the process, they see a marked improvement in their own quality of life. By requiring them to work fewer hours, the Mortgage Planner business model allows mortgage professionals to spend more enjoying quality time with their families and pursuing leisure activities. Meanwhile, typical loan officers are caught in the commodity trap, which

	MORTGAGE PLANNNER (BENCHMARK)	YOU
The number of loans closed last month for past clients:	6.6	
The number of months in a year:	x 12	x 12
The approximate number of loans for past clients closed in the past 12 months:	79	
The average number of past clients in a loan officer's database:	÷ 393	÷
Annual past-client pull-through rate:	**20%**	
Average commission per loan:*	$3,272*	
The approximate number of loans for past clients closed in the past 12 months:	x 79	x
Yearly commissions:		
Mortgage Planner (benchmark) yearly commissions:		–
The total annual commissions you are currently missing out on:		

Figure 4: Calculate your own past-client pull-through ratio. Plus, see how much money you are losing as compared to the average Mortgage Planner. (Based on assumptions in Figure 1.)

* To provide an even more accurate benchmark, replace this number with your own average commission per loan

generates low trust, leads to their being highly rate-shopped, and keeps them overwhelmed year-round, especially in years when the number of mortgage transactions is down.

Ask any experienced Mortgage Planner and they'll tell you that maintaining client relationships that foster trust generates high rates of repeat business.

"Last year, 42 percent of our business was repeat clients," says one veteran Mortgage Planner. "It's not uncommon for us to have transacted with each client in our database anywhere from two to five times." He attributes the residual income to constant trust-building communication with clients. "We send clients between 12 and 14 e-mails of value-added information after they close, and do 90-day follow-ups and an Annual Equity Review with the Equity Repositioning Analysis module from The Mortgage Coach."

Traditional loan officers however, who have a transaction-focused mindset, suffer from what's commonly known as the "leaky bucket syndrome"—an affliction which causes business persons to let just as many clients leak out the bottom of their business as they are pouring in at the top. Leaky bucket syndrome can be fatal. It forces loan officers to remain in constant client-acquisition mode in an increasingly competitive and changing marketplace: a very insecure

What can you do to plug the holes at the bottom of your bucket?

position to be in with today' housing market.

Research shows conclusively that existing customers, no matter what the industry, are more loyal and provide more value than new customers. But many loan officers are neither keeping in touch with their clients nor creating truly engaged relationships. What loan officers must do, therefore, is find a way to fill the gaps and maintain their current clientele. But before they do that, they must figure out exactly what's punching the holes in the first place.

Fortunately, the solution to this dilemma is straightforward. The fact of the matter is that loan officers are not keeping in touch with their clients and not fostering a truly engaged relationship. Ask the majority of borrowers whether they felt that they were provided with the level of service and professionalism that they've come to expect elsewhere in the financial services sector, and there's an overwhelming chance that they are going to express disappointment. Ask them after they've had to live with their mortgage decision for three to five years or more, and the negatives responses will likely go up.

So what can you do to plug the holes at the bottom of your bucket? Just ask John Weller, vice president of Megastar Financial Corporation in Denver, Colorado. A Mortgage Planner, Weller found that creating an engaged relationship with existing clients is a function both of smart planning and of providing his clients with expert, personalized information that goes beyond what loan officers can provide. "Being a Mortgage Planner keeps me thinking at a higher level, on more of a planning level," says Weller. "I'll tell my clients, 'What you want to do is to pick the best overall mortgage from a 'total-cost' perspective. You want to make intelligent financial decisions for your particular needs. You don't want just a good-faith estimate. What you want is this.' It's just a different conversation than what the typical loan officer is having," Weller concludes. "I've completely changed the game on my competition."

Referrals: Generating Residual Business for Life

Equally important as earning lifetime residual income from your clients is getting lifetime referrals. The most successful Mortgage Planners are able to create referrals every single month regardless of market conditions and interest rates. They do it by beginning with a "trusted advisor" mindset.

The trusted advisor mindset comes from the conviction that your advice can make a life-changing difference—that you can enhance your service offering and provide your clients with the best possible Mortgage Plan because you are their trusted and valued resource.

"All my clients come from referrals," says Drew Beverage. "I only market to existing customers and prospects I have a relationship with. If I know they'll trust me, I'll put them on RateWatch. I put them on RateWatch even if I didn't do the loan because by putting people on RateWatch it pretty much guarantees that I'm going to get the first shot at the next loan on that property."

"The amount of referrals we're getting is sometimes overwhelming," adds Burk. "It's interesting: when you change a person's belief system—a person's paradigm—they tell everybody. When I show clients the benefits of Mortgage Planning, they will go home and tell everyone about it. And the quality of the referrals that we're getting through this route has grown exponentially." The key to generating referrals is to shift the goal from winning the transaction to earning referrals and wowing clients. To learn more about successfully gaining referrals, be sure to read my report, "The Art of the Referral." You can find it at **mortgagecoach.com/hb/?AOR**

Chapter Two

Making the Transition to Mortgage Planner

KEY TAKEAWAYS

- *What customers want most is expert advice they can trust.*
- *Mortgage Planners win multiple transactions from clients by helping them reach their financial goals.*
- *The seven key reasons that Mortgage Planners have an unfair advantage over loan officers are:*
  - ***Reason 1:*** *Mortgage Planners provide a unique experience, not a commodity.*
  - ***Reason 2:*** *Mortgage Planners focus on advice, not price.*
  - ***Reason 3:*** *Mortgage Planners focus on the Freedom Point and the lifetime value of decisions.*
  - ***Reason 4:*** *Mortgage Planners deliver their advice in a way that makes its tangible value visually obvious.*
  - ***Reason 5:*** *Mortgage Planners put their advice in a professional personalized proposal.*
  - ***Reason 6:*** *Mortgage Planners create and manage relationships, not just close*

The key to conducting recurring business with clients is making a transition—specifically from being price-driven to being an advice-driven professional who offers ongoing valuable services. A Mortgage Planner helps homeowners integrate their mortgage decision into their long-term goals

and overall financial plan. To provide this level of service and advice, Mortgage Planners first need to gain an understanding of the homeowner's current needs and future goals. That's before analyzing different loan options. They offer valuable advice that creates trust—advice that clients are often willing to pay extra for. Mortgage Planners think of their clients not with a single transaction in mind but in terms of a life-long relationship.

By transitioning your business model from loan officer to Mortgage Planner, you'll be able to move callers away from being interested only in your lowest teaser rate and shift your business toward providing customers with the mortgage that best fits with their overall financial objectives over time. This will both increase your repeat business from past clients and multiply referrals from Realtors and financial planners. Bottom line: you'll have an immediate competitive advantage by creating a differentiated model that the typical loan officer can't compete with.

Compelling results

With the news media reporting that the mortgage market is at a five-year low, mortgage originators can't afford to lose even a single client. In addition, an estimated 26 percent of all U.S. homeowners with mortgages will conduct a transaction in 2007, which means that approximately 26 percent of your clients are going to conduct another transaction in the immediate future. The question is, will they conduct that transaction with you? Think of it this way: What's 26 percent of your database worth to you?

By building clients for life, leading Mortgage Planners spend less time and money trying to attract new clients. Instead, they are able to devote most of their energy to building stronger, longer-lasting, engaged relationships with existing clients. Many of the nation's leading Mortgage Planners earn a full 100 percent of their business from a combination of repeat clients and referrals sent by clients, Realtors and financial planners. When these clients want to discuss purchasing a new home, they often call the Mortgage Planner even before calling their Realtor. The relationship is that beneficial to them.

The experts agree. "The Mortgage Planning mindset has shifted me out of the rates and fees business and into the consultative business," says Drew Beverage, a Mortgage Planner with Partners Mortgage in San Jose, California. "It puts me in a great position for consultations so clients trust me more. As a result, I make more money and my client saves more money. It's a definite win/win situation."

When you shift from being an application taker to a Mortgage Planner, you no longer hope the phone rings with new leads. Thanks to the value that you provide to your clients and your proactive approach to managing client relationships, you'll have complete control over your future business.

When you shift from being an application taker to a Mortgage Planner, you no longer hope the phone rings with new leads. Thanks to the value that you provide to your clients and your proactive approach to managing client relationships, you'll have complete control over your future business.

Six reasons Mortgage Planners have an *unfair advantage*

There are six critical success factors Mortgage Planners should follow when it comes to delivering an experience homeowners would be willing to pay for. Each of these seven crucial factors for success revolves around the Mortgage's Planner's greatest weapon: Advice.

Reason 1: Mortgage Planners provide a unique experience rather than sell a commodity.

As a Mortgage Planner, you deliver a unique experience rather than sell a commodity. There are thousands of loan officers out there, and every single one of them is your direct competitor. If it's just loans you sell, you can expect to be rate-shopped by potential clients and then beat out by bigger firms with deeper pockets. If, however, you are a Mortgage Planner, you'll give your clients a unique financial experience that will leave them with the sense that you are someone who is providing ongoing value—someone they'll want to return to for mortgage consultation and solutions both now and in years to come.

> As a Mortgage Planner, you give your clients a unique financial experience that will make them return to you for mortgage solutions for years to come.

Reason 2: Mortgage Planners focus on advice, not price.

Most loan officers are betting on being able to beat out their competitors by offering their leads "great deals" in the form of low interest rates. If they get undersold, that's the end of the show. By contrast, Mortgage Planners rely on educating their clients so that they make a wise strategic mortgage decision that's good for their long-term financial future. Selecting a loan can be a complicated and confusing process for most clients. Fortunately for them, Mortgage Planners give them the advice they need to make the right decision to meet their current and future financial goals and needs by providing ongoing services like RateWatch, Quarterly Credit Review and Annual Equity Review, along with both a Freedom Point Review and a Recast Point Review when appropriate.

Reason 3: Mortgage Planners dollarize their advice, focus on the Freedom Point and emphasize the lifetime value of decisions.

Mortgage Planners "dollarize" their advice by showing their clients how much money each loan option will save or make them over time. Good-faith estimates might be good enough for a typical loan officer, but the Mortgage Planner realizes the need to offer their clients a dollarized breakdown for the money they'll save over time by choosing one mortgage strategy over another.

But more than that, Mortgage Planners focus on the Freedom Point and the lifetime value of decisions. Compare this to the fact that most loan officers simply make a good-faith estimate and focus on making the transaction. By focusing on the Freedom Point, Mortgage Planners dollarize the value of the loan over the lifetime of the loan and focus on making their clients debt-free in a given period.

Reason 4: Mortgage Planners make their advice tangible and obvious.

Another reason Mortgage Planners beat the competition is that they make their advice tangible

and obvious. The advice they give is based on realistic numbers and suggestions that help clients achieve practical financial goals. For example, a Mortgage Planner shows his or her clients how to reach their Freedom Point in a given number of years, get out of debt within a certain time frame, and save for their children's college tuition given a certain loan scenario.

As a Mortgage Planner, it's your responsibility to make your numbers come alive by making sure they connect emotionally with the homeowner. Numbers might tell a story, but numbers alone won't make the homeowner understand how a certain mortgage solution will help them in a way they value. For example, a homeowner may understand that one of your solutions will help him save money. But your client's future and your success rest on your ability to help him connect the dots and see that saving money means an earlier retirement, more time with kids, additional fishing trips, and so forth.

> The advice they give is based on realistic numbers and suggestions that help clients achieve practical goals.

When you dollarize the lifetime impact of a mortgage in terms of their Freedom Point *and* make emotional connections that help the homeowner to realize the lifetime impact of the decisions they are making, the homeowner will be your client for life.

Reason 5: Mortgage Planners present their advice in a professional proposal.

Mortgage Planners make the value of their advice visually obvious to the client by presenting their clients with professional, printed reports and analyses. Your clients deserve—and they are beginning to expect—more than a few calculations scribbled out on a legal pad. Professional Mortgage Planners present their advice in professionally designed proposals and appealing supporting brochures.

Of course, the most important feature of these proposals is that they spell out various loan options and analyses in black and white. But there are also a number of other important attributes a Mortgage Planner's proposals should have, including:

1. **Professional Design.** A smart-looking proposal can make more of an impression than you might think. Likewise, an amateurish proposal can severely undercut an otherwise good proposal.
2. **Personalization.** One size does *not* fit all. The content of each proposal must be directly relevant to the individual client.
3. **Surprise.** The professional look that the proposal has will help convince your client that you are the professional you say you are.
4. **Exclusivity.** Your advice may be exclusive, but if you give it to your client in a "standard-issue" format, your value will be significantly underappreciated.
5. **Reciprocity.** Your professional proposal must give your client the sense that they've been presented with something that's worth paying for.

Reason 6: Mortgage Planners create and manage relationships.

Most importantly, Mortgage Planners create and manage relationships rather than merely closing transactions. This is perhaps the most important success factor because Mortgage Planners realize

that what's best for the client is ultimately best for themselves. Closing a sale is one thing; providing sound financial recommendations that can lead to a long-term financial success is another. Focusing only on the sale may be good for you for the short-term and may (or may not) be good for the client. Focusing on the relationship and advice, however, creates a win-win situation for all involved. By creating a unique experience, providing expert advice, dollarizing that advice, and putting it in writing in a professionally designed proposal, Mortgage Planners will create a mutually beneficial relationship with clients that could last a lifetime. If that doesn't give you the assurance you're doing right by your clients, give you a sense of certain security and spur your personal wealth, then nothing will.

Timothy Burk, Mortgage Planner at Cornerstone Mortgage Company in Denver, Colorado, is a great example of the value that Mortgage Planning provides. When he transitioned his business model from loan officer to Mortgage Planner in 2005, his production level immediately increased by 50 percent and his profits by 60 percent. "We have a very competitive market in Denver," says Burk. "By being a Mortgage Planner, we've been able to position ourselves as industry experts. We're no longer competing in the commodity trap. Out of 160 loan officers in our company, we went from 25th to 12th nationwide in one year. And that's at a time when overall industry production was down 20 percent." What's Burk's secret? "I credit my success to the value of the advice and the services I deliver."

What borrowers *really* want

As the preceding six points make clear, in order to provide clients with the mortgage that's best for them, loan officers have to become expert in providing valuable consultative advice that's relevant to both the borrower's personal financial situation and the current marketplace. Mortgage Planners excel at this and you can too.

> Mortgage Planners create relationships, not just close transactions. They realize that what's best for their clients is ultimately best for themselves.

"Clients all come in wanting the lowest rate," explains Steven Marshall, President of Bellevue Mutual Mortgage in Bellevue, Washington. "Our job is to help them understand that there's more to it. They come looking for good service and competitive rates. However, through better advice, better education, and an integrated loan, we're able to get to more of a value conversation and make an impact in their overall financial picture." His numbers are enough to make any loan officer rethink their business model. As a result of Marshall's consultative approach, about 60 percent of his business comes from repeat customers: his typical client has conducted two to five loans with him.

John Weller has the same approach: "I start by telling my client that we can do anything from a super-adjustable ARM to a super-safe 30-year fixed. I tell my clients that we have the full variety, but

we need them to come in so we can figure out which one's best for them. Then I show them on my computer screen the different ways to structure the various closing costs. Once they pick something as a structure, they're usually not as worried about what the specific costs are or what the specific interest rate is."

What do you feel is the difference between a loan officer and a Mortgage Planner?

We asked this question to three of the country's leading Mortgage Planners, all of whom are former loan officers. This is what they had to say:

"Loan officers view themselves more as a commodity, a delivery mechanism, and not a creative person who can think between the lines. A Mortgage Planner is someone who has taken the time to read and research, is fiscally literate, and understands the financial backdrop of how money works and how to advise their clients. They are constantly learning and attending seminars and reading about money management, market situations and market trends. Mortgage Planners are a richer, deeper source of information for customers than a loan officer."

John Bell
President, Citizens Trust Mortgage
Maitland, Florida

"It's the difference between a salesperson and an expert. A salesperson will offer the same solution to every problem and try to position the argument. An expert will take a holistic view of a client's profile, offer expert advice and then come up with a solution."

Timothy Burk
Mortgage Planner, Cornerstone Mortgage Company
Denver, Colorado

"Mortgage Planning is looking at how a mortgage can be uniquely structured to help a client reach other financial goals. Most people come from the perspective that the ultimate financial goal is owning your home outright. As Mortgage Planners, we show clients that although owning one's own home outright is an important goal, there are even more important goals. In many cases, by not making principal payments and instead accumulating your equity in a side account, you're actually in position to pay off your home sooner. You'll also be better prepared both for opportunities that present themselves later on and for life emergencies such as illness or the loss of a job. This is because you've got liquid cash to handle those emergencies. Mortgage Planning is developing a strategy to help a client understand how these goals can be accomplished, even if the client had never thought of a loan that way before."

Steven Marshall
President, Bellevue Mutual Mortgage
Bellevue, Washington

Chapter Three

Four Powerful Mortgage Planning Solutions

KEY TAKEAWAYS

Mortgage Planners bring four powerful solutions to the table:

- ***Solution 1:*** *Leading the way to financial freedom*
- ***Solution 2:*** *Reducing wasteful spending on the wrong debt*
- ***Solution 3:*** *Doing option ARMs the right way*
- ***Solution 4:*** *Unlocking equity to improve debt management*

As we saw at the end of the previous section, there are dozens of challenges for homeowners in today's marketplace. Each of these challenges translates into an opportunity for Mortgage Planners to prove their value and expertise. In this section, we'll take a look at four of the biggest pitfalls homeowners fall into and how Mortgage Planners help get them out of them. The pitfalls are as follows:

1. Having inadequate savings and insufficient retirement plans
2. Overspending on the wrong debt
3. Using option ARMs when they are unsuitable
4. Unnecessarily selling real estate when there's another way to meet goals

Each of these top four homeowner problems allows the Mortgage Planner to demonstrate a corresponding solution:

1. Increasing homeowners' savings rates
2. Utilizing home equity to reduce wasteful spending on the wrong debt
3. Counseling clients into suitable loans and helping clients avoid unexpected recast points
4. Guiding homeowners into secure ways of accessing their home's equity

Solution 1: Leading the way to financial freedom

Everyone knows they need to save for retirement, but many homeowners aren't saving enough (Figure 5). It is the responsibility of every financial professional—especially mortgage professionals—to help homeowners understand their current savings rate and to help them make mortgage decisions that will help them achieve their future goals, the most important of which are savings and retirement.

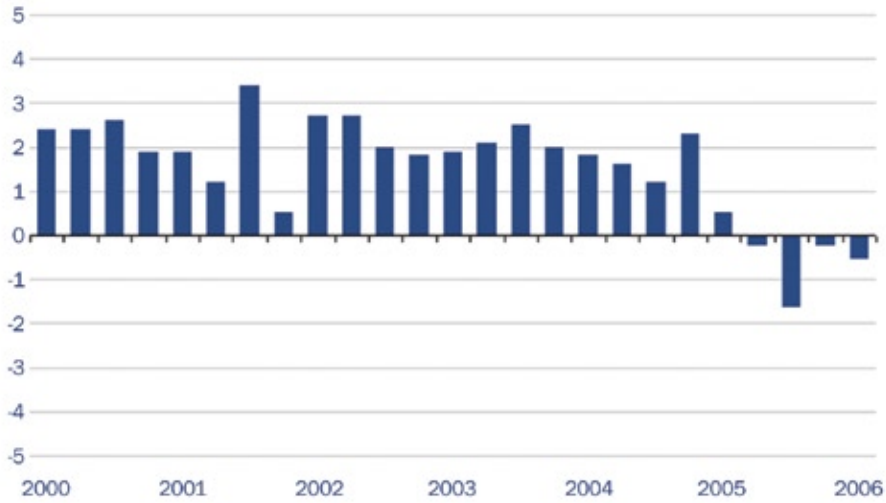


Figure 5: Personal Savings Rate: U.S. consumers are not saving enough for retirement. Mortgage Planners can help homeowners increase their savings and wealth. (Source: U.S. Bureau of Economic Analysis)

As a Mortgage Planner, you have tremendous power to help homeowners increase their savings rate, create more liquidity for emergencies, and achieve their Freedom Point faster. (The Freedom Point is the point at which a homeowner is either debt-free or their assets exceed their debts and paying off their mortgage becomes a strategic financial planning decision.) You can do this by providing a Mortgage Plan that shows the value in investing the savings between the two different mortgage programs: in either accelerating debt reduction (paying down their mortgage faster), or investing in an investment account I call a Freedom Account. (For more on Mortgage Plans, please see Chapter 8.)

8.000%			
Starting Principal	*Yearly Addition*	*Total Return*	*Ending Principal*
$1,025	$12,300	$546	$13,871
$13,871	$12,300	$1,612	$27,784
$27,784	$12,300	$2,767	$42,851
$42,851	$12,300	$4,018	$59,169
$59,169	$12,300	$5,372	$76,841
$76,841	$12,300	$6,839	$95,980
$95,980	$12,300	$8,427	$116,707
$116,707	$12,300	$10,148	$139,155
$139,155	$12,300	$12,011	$163,466
$163,466	$12,300	$14,029	$189,795
$189,795	$12,300	$16,214	$218,309
$218,309	$12,300	$18,581	$249,190 *
$249,190	$12,300	$21,144	$282,633
$282,633	$12,300	$23,920	$318,853

Figure 6: The highlighted line represents the Freedom Point—the point at which this homeowner's assets exceed their debts and when paying off their mortgage becomes a strategic decision. (Source: Mortgage Coach Equity Repositioning Analysis Report, Amortization Schedule, page 2)

Financial freedom is still one of the most prized goals for Americans. For most, it occurs on that much anticipated date when a

mortgage is paid off and the homeowner becomes debt free. However, there's another way. Millions of homeowners are reaching their Freedom Point faster by saving money in an asset-building account—their Freedom Account—that is designed to help them achieve financial freedom faster (Figure 6).

Solution 2: Eliminating debt misconsumption

Consider this: Homeowners misconsume—overspend by not researching or understanding the best options at their disposal—a whopping $287,000 over their lifetime! This is according to Bill Hillestad and is based on data from Stax Research. The reason? They're uninformed, sometimes even misinformed, about their options when it comes to making debt decisions. Each occurrence of debt misconsumption is an opportunity for you to help a client (Figure 7).

There are two common reasons for debt misconsumption. The first is a lack of total-cost decision-making, which is the kind of decision-making doesn't take into account the total cost of debt over time. The second is the use of nonstrategic debt, which is non-tax-deductible debt such as an auto loan and credit-card debt.

Figure 7: Misconsumed auto debt: A great opportunity for Mortgage Planners: Consumers are misconsuming millions in auto debt. Mortgage Planners can stop the waste and help homeowners consume debt wisely. (Data source: Equifax Credit Data)

Let's take a closer look at the lack of total-cost decision-making. With alarming frequency, traditional loan officers and homeowners make debt decisions without calculating the total cost of the debt over time. Instead, they simply focus on monthly payments and the basic closing costs as part of a good faith estimate. However, to make the most informed decision, Mortgage Planners and homeowners must calculate the estimated total cost over 3, 5, 7, 15 and 30 years. This will allow the homeowner to know where they'll stand with regard to their debt at crucial stages along their path toward their life-goals and retirement. Only by performing these careful calculations will homeowners truly understand the specific financial impact of one of the most important financial planning decisions a borrower can ever make.

Adding to this, the second cause of debt misconsumption is the fact that most homeowners don't make well thought out debt decisions with regard to the kind of debt they may enter. Instead of adopting a clear-cut debt strategy, they just use debt as they need it. One of the most common examples of the "get it when you need it" debt decision is the way people finance their vehicle purchases. For many of the 39.6 million American consumers who both have an automobile loan and own a home, there may be a more cost-effective solution to vehicle financing that includes tax benefits and leveraging the power of cash flow. Each and every dollar a homeowner takes out in automobile loans is a dollar that he or she is overspending in debt.

The bottom line is this: Homeowners who receive advice from Mortgage Planners before making a mortgage decision and are able to invest their savings have the capability of generating an additional $574,000 in wealth over the course of their lifetime. This results from both increased wealth and reduced misconsumption of debt. For your client, that's a net gain of $861,000 over the course of their lifetime! (Figure 8.) And for you, that's a client for life.

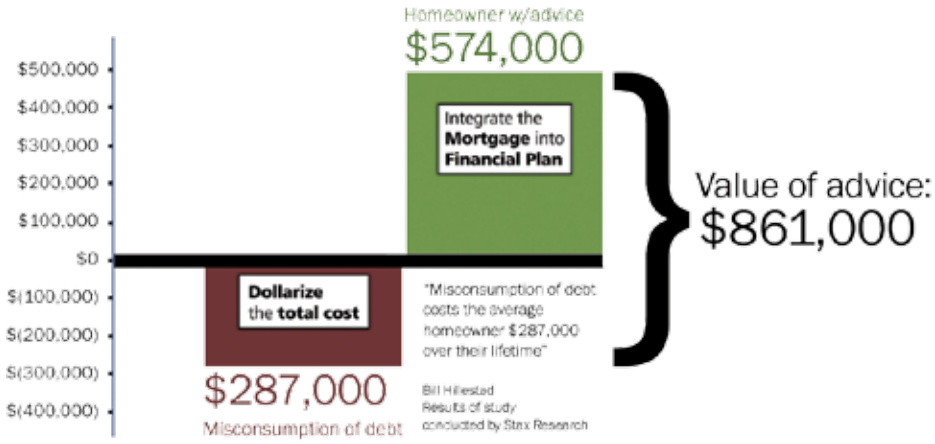


Figure 8: Dollar value of Mortgage Planner advice: By redirecting misconsumed debt and combining it with better financial-planning decisions based on the Mortgage Planner's advice, homeowners can net a gain of $861,000 over their lifetime. These calculations are based on cashflow of $385 per month over a 30-year period at a eight percent rate of return. (Misconsumption data source: Bill Hillestad)

You can help your clients reduce debt misconsumption by "dollarizing" the total cost of different debt structures over time—that is, by converting the value of a decision into dollars saved or gained—including using home equity to finance a car.

Solution 3: Doing option ARMs the right way

The third huge pitfall that homeowners trap themselves in is choosing an option ARM when they shouldn't. This brings us to the third major solution that you as a Mortgage Planner can bring to your clients. This solution actually has two parts. First, as a Mortgage Planner, you need to help homeowners out of option ARMs when these loans aren't suited to them. Second, for those homeowners who will benefit from option ARMs, you need to provide crucial information that will help them make informed loan decisions and, in turn, give them peace of mind.

Getting the wrong people out

As financial gurus have known for years and the popular press is now beginning to pick up on, one of the worst things a homeowner can do is get themselves into an option ARM when that solution is poorly suited for their financial situation. The main task for the Mortgage Planner in this case is to help their clients to place their long-term well-being ahead of any short-term benefits they may enjoy. When it comes to the benefits option ARMs give to people who shouldn't be in them, there's a good chance that short-term gain may lead to long-term grief.

There are three types of homeowners who should have an option ARM:

1. Homeowners who have a short-term need
2. Real estate investors
3. Homeowners who are disciplined enough to invest the monthly savings into a Freedom Account

and who also have a proven and qualified financial planner to manage their investments

However, many homeowners don't fit into any of these three categories. As a Mortgage Planner, your first responsibility to such homeowners is to educate them about the benefits of utilizing a traditionally amortized mortgage instrument as opposed to an option ARM. The borrower must be made to realize that if they're not able or willing to save the difference between a traditional and an option ARM payment in a safe and secure Freedom Account, then they are spending their future and removing their ability to achieve their Freedom Point. For those clients who are considering an option ARM, it's your responsibility as a trusted advisor to ensure that your clients understand the terms of an option ARM, especially the recast point. To this end, it's recommended that you actually have borrowers sign or initial the illustration showing their estimated recast date as a way of confirming that they understand what's going on.

Educating the right people

The other side of helping unqualified people out of option ARMs is educating appropriate clients concerning this option's risk, flexibility and leverage. For the right kind of person, an option ARM is worth considering.

Who's the right kind of person for an option ARM? By and large, good candidates for option ARMs are those homeowners who are financially able, disciplined enough to invest monthly savings into a Freedom Account, have proven and qualified financial advisors, and—this is key—are willing to take on the risks and dangers inherent in this solution. Such homeowners have the ability to save and invest the difference between their option ARM mortgage payment and what the cost of a loan with traditional payments would have been. option ARMs have the potential to help qualified borrowers achieve their Freedom Point much faster than they would otherwise.

> If you help a client reach financial freedom, you'll have a client for life.

However, even the most financially secure homeowners need the right kind of guidance. Since borrowers who have the financial ability to save sometimes end up spending what they should be saving, a wise Mortgage Planner will help find a way to fortify and even enforce their saving habits. Specifically, I recommend that you team up with a professional financial advisor who can set up an automatic withdrawal plan from your client's account to help back up your client's habit of saving money in the Freedom Account. Remember, if your client doesn't win in the long term, neither do you.

Finally, let's be clear that it's not the place for Mortgage Planners to encourage clients to take on the risk inherent in option ARMs. If a client is not ready to take the risk, don'turge them to do so. Having said that, it's not too much to educate qualified clients concerning the benefits (and the risks) that this solution presents. After all, for the right client an option ARM can be an effective vehicle.

LoanNow Opportunity!

Get the wrong homeowners out of option ARMs and the right homeowners into them by helping suitable homeowners make informed decisions about option ARMs.

Expert advice for a critical decision

With option ARMs it's critical that Mortgage Planners disclose to homeowners the estimated recast point. This is not only the right thing to do, but it gives you a competitive advantage. After all, typical loan officers don't have the know-how or the tools to do this easily. The recast point is the date on which the minimum monthly payment on an option ARM rises sharply because its principle balance has increased to more than 110 percent of the original loan amount. As a relationship-focused Mortgage Planner, you'll want to recommend that homeowners who have an option ARM save money monthly in a Freedom Account so that the recast point doesn't increase the time it will take them to achieve their Freedom Point. It's not uncommon for a recast to cause the client's payment to increase by as much as 80 percent or even up to 120 percent. So it's critical that borrowers are aware that their recast point will rise ahead of time and can afford the monthly payment once the recast point has passed. If homeowners aren't able to increase their savings rate and increase their investment assets to meet this financial demand, the payment shock at the recast point can be devastating (Figure 9).

As part of their Annual Equity Review for homeowners who have option ARMs, Mortgage Planners shoulalways conduct a Freedom Point Review and a Recast Point Review.

Pmt Period	Interest Rate	Payment	Principal	Interest	Total Payment	Total Principal	Total Interest	Total Balance
36	6.577%	$1,540.46	($853.89)	$2,394.35	$51,677.34	($37,731.87)	$89,409.21	$437,731.87
37	6.577%	$1,655.99	($743.04)	$2,399.03	$53,333.33	($38,474.91)	$91,808.23	$438,474.91
38	6.577%	$1,655.99	($747.11)	$2,403.10	$54,989.32	($39,222.01)	$94,211.33	$439,222.01
39	6.577%	$1,655.99	($751.20)	$2,407.19	$56,645.31	($39,973.22)	$96,618.53	$439,973.22
40	6.577%	$1,655.99	($755.32)	$2,411.31	$58,301.30	($40,728.54)	$99,029.83	$440,728.54
41	6.577%	$2,924.09	$508.64	$2,415.45	$61,225.39	($40,219.90)	$101,445.28	$440,219.90
42	6.577%	$2,924.09	$511.43	$2,412.66	$64,149.48	($39,708.47)	$103,857.95	$439,708.47
43	6.577%	$2,924.09	$514.23	$2,409.86	$67,073.57	($39,194.24)	$106,267.81	$439,194.24

Figure 9: Keeping Tabs on the Recast Point: The recast point, highlighted in the box, indicates the point where the minimum monthly payment can go significantly higher based on a 110% increase in original mortgage balance. (Source: The Mortgage Coach Total Cost Analysis report, Amortization and Asset Accumulation Schedule.)

As part of their Annual Equity Review for homeowners who have option ARMs, Mortgage Planners should always conduct a Freedom Point Review and a Recast Point Review. This will help ensure that the homeowner is on track to reach their Freedom Point, as well as on track to refinance the loan or pay off the recast amount before it comes due. In the end, Mortgage Planners who deliver expert advice and extraordinary service by conducting Freedom Point Reviews and Recast Point Reviews aren't only doing the right thing ethically, but will have a competitive advantage over loan officers who don't monitor and disclose this life-affecting information for their customers.

Solution 4: Unlocking equity to improve debt management

Traditionally, most loan officers have focused their efforts on the most obvious types of real estate in transition—homeowners who have their homes listed with a Realtor. However, in today's marketplace,

the most successful Mortgage Planners are looking at other types of *real estate in transition* for clients, some common examples of which are homes that are being sold by the owner and homes that are subject to sale or refinance as a result of a bankruptcy.

LoanNow Opportunity!

Create a service in which you review your clients' recast point and present that service to your referral partners. Most s and CPAs are the protectors of their clients' financial well-being, yet most don't even realize the potential danger that many of their clients are facing with the recast associated with option ARMS. Conducting a recast review service through your referral partners will generate immediate referrals and opportunities for you to help homeowners avoid financial difficulties.

Given the appreciation of real estate over the past 30 years, especially the past five years, the last thing most homeowners want to do is sell real estate. And yet many people believe that selling is the only way to capture the equity and get out of whatever financial trouble they may be experiencing. Mortgage Planners know that there can be a better way for homeowners to tackle their financial troubles than selling their home. And so whenever a Mortgage Planner sees a house "for sale by owner" on the market or sees any home that's been on the market for a while, they begin thinking of ways to help the owner consider solutions that might be better long-term solutions than selling.

Mortgage Planners are proactively winning loans under the category of real estate in transition by leveraging an Equity Repositioning Analysis report.

Mortgage Planners are proactively winning loans under the category of real estate in transition by leveraging an Equity Repositioning Analysis report from The Mortgage Coach. By using this report, Mortgage Planners are able to show homeowners how to access their equity without selling their home or property. I'll explain the benefits of Equity Repositioning Analysis in more detail in Chapter 9 of this book.

- To learn more about how to gain a competitive advantage when competing for an option ARM, check out "Demystifying the Negative Amortization" ***at mortgagecoach.com/hb/?demystify.***
- For detailed information on how to leverage bankruptcy attorneys to generate this type of business, I highly recommend you read the 3-part report, "How to Maximize The Mortgage Coach in a Purchase Market" by Ron Quintero, CEO of Debt Advisory Alliance. This can be found at ***mortgagecoach.com/hb/?ronBK*** .

Chapter Four

Setting Sail

Let's stop a moment for a quick review. In the previous sections, I addressed six items that are of critical importance to loan officers who are seeking to take their practice to the next level of becoming a Mortgage Planner:

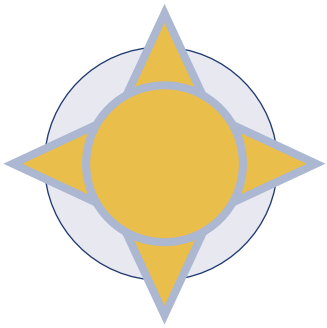
1. We identified future residual income from past clients as being the critical factor for a Mortgage Planner's success.
2. We learned how the Mortgage Planner's business model is superior to that of a typical loan officer, and we saw how being a Mortgage Planner is better for both the homeowner's financial aspirations and life goals.
3. We explored the vital importance that trust plays in creating long-term, multitransaction relationships, the lifeblood of a Mortgage Planner's practice.
4. We highlighted the central role that the Mortgage Planner's expert advice, services and attentiveness to homeowners' long-term goals plays in inspiring clients' trust and creating multiple transactions from each and every borrower.
5. We identified the six specific reasons that Mortgage Planners outperform typical loan officers and have stronger, deeper, more enduring and more lucrative practices.
6. We unveiled four potent solutions that Mortgage Planners provide to solve their clients' problems.

These six points are a strategic map on which you'll plot the voyage of your successful Mortgage Planner practice and the harbor from which you'll set sail into the vast sea of personal wealth and success. You have the plans. You have the good ship —— (fill in the name of your practice). And you have your destination—a practice based on residual income. Now all you need is a sure sense of how to get where you want to go. And for that you'll have the five principles of the Mortgage Planning Compass—an indispensable piece of gear we'll equip you with in Part 2 of this book.

Part 2

How to Get There: Following the Mortgage Planning Compass

Chapter Five



The Mortgage Planning Compass: Introduction

KEY TAKEAWAYS

In this chapter, you'll be introduced to the five components of the Mortgage Planning Compass:

- *The **purpose statement, which** expresses what your overall purpose is in your Mortgage Planning practice.*
- ***Goals, which** include both your professional goals and your clients' life goals.*
- ***Practices,** which are the best practices that you incorporate to help you and your clients reach the goals you and they've set.*
- ***Services, which** are groupings of best practices that are oriented strategically toward the accomplishment of your clients' goals.*
- ***Strategies, which are specific mortgage programs that are integrated into a into your clients' long-term goals***

Getting your bearings

Imagine you've been tossed into the hold of a ship and shanghaied to some remote island. When you've been deposited on the beach, you discover a letter written to you by your abductors nailed to a tree nearby. As you read, you learn that if you're able to find your way back across the waves to your home, you'll be given a sprawling mansion, a fleet of luxury automobiles, and dollars enough to live out the rest of your days in comfort and style. All you have to do is show up to claim

your reward. Your abductors even humored you enough to provide you with a sailboat for your adventure homeward.

There's just one catch: you have no directions, and neither does anyone else you'll come in contact with along the way.

The extreme frustration you'd feel when given this impossible task is similar to what typical loan officers feel every day. Once you learn the difference that earning residual income can make to your practice, it's very easy to become enthusiastic and set off in search of the goal. But very quickly, you'll discover that without a clear sense of direction and sure bearings on where you are, building a practice based on residual income will be an impossible dream—a distant destination as unreachable as it is desirable.

Now, what if you were given a map, and, say, a compass? Suddenly, the task, once daunting, is a simple matter of following directions. Yes, it'll take diligence and a bit of perseverance, but the fact is, you have in front of you the tools that'll point you in the right direction, guide the way, and eventually bring you to your destination of luxurious living. This compass, this sense of direction is something that is available to every Mortgage Planner. It's what I call the Mortgage Planning Compass.

So climb aboard, hoist the sails, and keep a sharp eye on the compass. Destination Residual Income and a fulfilling career awaits you just over the horizon.

A guide to success

The Mortgage Planning Compass is a mission-oriented framework designed to be a thinking tool. It guides Mortgage Planners toward personal success and wealth by creating and focusing on long-term, high-value relationships. Just like the compass a sailor would use, the Mortgage Planning Compass has four points and an underlying principle or logic that makes it work. The underlying logic is the purpose, which is expressed in a purpose statement, and the four points of the compass are goals, practices, services, and strategies:

Purpose: Your magnetic north, or "true north," is your *purpose*. This purpose is expressed in a purpose statement, which motivates and directs your effort. Here is one example of a good *purpose statement*: "To eliminate financial stress. My goal is to become my clients' trusted advisor and to help them to make informed decisions regarding their real estate debt and equity structure. This will allow my clients to become financially bulletproof and put them on a wealth-building track to financial independence."

Goals: If you sail, you know how important it is to know which direction north is for accurate navigation. On the Mortgage Planning Compass, north is *your goals* and your *clients' goals*. Some typical client goals are eliminating debt faster, retiring sooner and avoiding nonstrategic debt. Your goals as a Mortgage Planner should be things such as satisfying every client, generating two referrals by close of escrow with every client, and conducting a transaction every three to five years with every past client. If you aren't clear about this point on your Mortgage Planner Compass, you're going to be tossed in a sea of professional confusion.

Practices: The second point on your compass is *Practices*. To actually reach your goals and those of your clients, you need best practices. These best practices, properly oriented around your purpose statement and working hand-in-hand with your and your clients' goals, are the only way that you as a Mortgage Planner can navigate your way to long-term success based on residual income. The best practices you'll learn about in this part of the book include properly positioning yourself, asking the right questions, dollarizing the total cost of various debt structures over time, illustrating the recast point and integrating clients' mortgages into their overall financial goals.

> The Mortgage Planning Compass guides Mortgage Planners toward personal success and wealth by creating and focusing on long-term, high-value client relationships.

Services: The third point on the Mortgage Planning Compass is *Services*. It's not enough to simply have best practices: you must know how to combine these practices to create unique and compelling services that your clients will value and recommend to their circle of influence. Some examples of services are Mortgage Plans, RateWatch Reviews, Quarterly Credit Reviews, Annual Equity Reviews, Recast Point Reviews and Freedom Point Reviews.

Strategies: The fourth and final point on the Mortgage Planning Compass is *Strategies*. Strategies are solutions that Mortgage Planners develop using their services to improve the fortunes of their clients. Each strategy must be appropriate to the services it seeks to carry out and the goals it's designed to reach. Strategies include using traditionally amortized mortgages and prepaying the debt and using interest-only loans while investing the difference with a financial planner to reach the Freedom Point faster.

When you know your purpose and the goals, practices, services and strategies that will help you succeed, you'll be well on your way toward the golden land of residual income. So let's see how this compass works and what you can do to follow it.

Chapter Six

The Mortgage Planning Compass: Purpose Statement

KEY TAKEAWAYS

- *A purpose statement is the Mortgage Planner's constant source of orientation in fluctuating market conditions and business cycles.*
- *A clear purpose statement is critical to every Mortgage Planner's success.*
- *In order to earn clients' trust and confidence, a Mortgage Planner's purpose statement must assure clients that they'll provide a mortgage program that truly fits the client's individual needs for the long term.*

Planning on purpose

Everyone who was paying attention in grade school knows how a compass works: The earth has a magnetic field that causes the magnetized iron needle in the compass to be drawn toward the earth's magnetic poles—in the northern hemisphere, that's north. Because of this amazing fact of nature, anyone who has a compass can know instantly which direction is "up"—even if they're in the middle of the ocean and the sun and stars are hidden by the clouds.

Just as a compass is oriented toward the earth's magnetic poles, The Mortgage Planning Compass also has a constant source of orientation. That source of direction is your purpose statement as

a Mortgage Planner. Show me a Mortgage Planner with a good purpose statement and I know that's a Mortgage Planner who knows where to go and how to get there.

> Show me a Mortgage Planner with a good Purpose Statement and I know that's a Mortgage Planner who knows where to go and how to get there.

Making a statement

There's nothing like a clearly defined purpose and a carefully articulated purpose statement to keep you and your team focused on what's truly important in your Mortgage Planning practice.

To craft such a statement, you must first identify what's most important to you and your practice and separate that from everything that's less important. Because you've read the first part of this book, you know that the most important thing to do as a Mortgage Planner is to reach your final destination—residual income that's based on long-term, mutually beneficial client relationships. If you keep this foremost in your mind, creating your purpose statement will be relatively straightforward.

A good purpose statement consists of two equally important components: a vision statement and a longer mission statement. A vision statement should sum up in one sentence or phrase what your ultimate goal is in your practice. A powerful and classic example of a vision statement—one that changed the world as we know it—is the one created by Microsoft founders, Bill Gates and Paul Allen, in 1975: "A computer in every home." This mission statement enlarges upon the vision statement and deals with a person's or company's present business scope and reason for existence. Again, Microsoft provides an excellent and recognizable example: "At Microsoft, we work to help people and businesses throughout the world realize their full potential. This is our mission. Everything we do reflects this mission and the values that make it possible." Together, a vision statement and a mission statement form a purpose statement.

I recently asked some of the leading Mortgage Planners nationwide what their purpose statements were. Here's what they told me:

Steven Marshall—To help our clients manage their home equity
As Mortgage Planners, we help our clients successfully manage their home equity to increase liquidity, safety, rate of return and tax deductions. Unlike a traditional loan officer, our role is to help our clients integrate the loan that they select into their overall long- and short-term financial and investment plan to help minimize taxes, improve cash flow, and minimize interest expense.

Jim McMahan—To build wealth for our clients' family
A mortgage is a financial-planning instrument that must be integrated into a client's long- and short-term personal financial plan. My goal is to help my clients create a mortgage strategy that builds wealth for their family.

John Bell—To help our clients optimize their assets
We are a comprehensive Mortgage Planning firm specializing in asset optimization, risk mitigation and family banking enrichment. We assist our clients in identifying their financial

strengths, weaknesses, and opportunities and then help them design a clear path of success for the future.

Eric Union—To eliminate financial stress
My goal is to become my clients' trusted advisor and to help them make informed decisions regarding their real estate debt and equity structure. This will allow my clients to become financially bulletproof and put them on a wealth-building track to financial independence.

Todd Ballenger—To minimize the wealth my clients unknowingly transfer to others
All the wealth my clients ever need will flow through their house during their lifetime. Most borrowers are unaware that the wealth they unknowingly transfer to others could have remained theirs. In reviewing their approach to borrowing, I help my clients to see if there are specific wealth transfers that can be diverted back toward making them wealthier over their lifetime.

Finally, here's my own purpose statement:

Dave Savage—To help borrowers to make the most informed decision possible
As a Mortgage Planner, I am dedicated to helping people make the most informed mortgage decision possible—one that integrates with their personal financial plan and major life goals such as retirement and wealth accumulation. I help people realize that a mortgage isn't just a loan, but one of the most important financial-planning tools they will ever have.

Note how successful Mortgage Planners center their purpose statement around integrating the mortgage into their clients' overall financial goals. When you write your purpose statement, remember that providing your clients with a mortgage program that truly fits their individual needs for the long-term is the key to earning your clients' trust and confidence. Make sure you convey this in your purpose statement.

Remember that providing your clients with a mortgage program that truly fits their individual needs for the long-term is the key to maintaining clients' trust and confidence. Make sure you convey this in your purpose statement.

Mortgage Planning Compass: Purpose Statement

In order to remind myself and my team of what's important in our Mortgage Planning practice, I have written the following purpose statement:

My Purpose Statement:

Remember:

A good purpose statement consists of two equally important components: a vision statement and a longer mission statement. A vision statement should sum up in one sentence or phrase what your ultimate goal is in your practice. Successful Mortgage Planners center their purpose statement around integrating the mortgage into their clients' overall financial goals. When you write your purpose statement, remember that providing your clients with a mortgage program that truly fits their individual needs for the long-term is the key to earning your clients' trust and confidence. Make sure you convey this in your purpose statement.

Examples:

Steven Marshall—To help our clients manage their home equity

As Mortgage Planners, we help our clients successfully manage their home equity to increase liquidity, safety, rate of return and tax deductions. Unlike a traditional loan officer, our role is to help our clients integrate the loan that they select into their overall long- and short-term financial and investment plan to help minimize taxes, improve cash flow, and minimize interest expense.

Todd Ballenger—To minimize the wealth my clients unknowingly transfer to others

All the wealth my clients ever need will flow through their house during their lifetime. Most borrowers are unaware that the wealth that they unknowingly transfer to others that could have remained theirs. In reviewing their approach to borrowing, I help my clients to see if there are specific wealth transfers that can be diverted back toward making them wealthier over their lifetime.

Dave Savage, founder and CEO of The Mortgage Coach—To help borrowers to make the most informed decision possible

As a Mortgage Planner, I am dedicated to helping people make the most informed mortgage decision possible—one that integrates with their personal financial plan and major life-goals such as retirement and wealth accumulation. I help people to realize that a mortgage isn't just a loan but one of the most important financial-planning tools they will ever have.

Chapter Seven

The Mortgage Planning Compass: Goals

KEY TAKEAWAYS

- *Two kinds of goals are important to Mortgage Planners: their clients' financial goals and their own professional goals.*
- *By asking the right questions, Mortgage Planners uncover a gap between their clients' personal goals and personal trends and in so doing, have the chance to deliver sound advice that will be tremendously relevant and valuable to their clients.*
- *Unlike loan officers' goals, which are short-term transactional outcomes, the goals that Mortgage Planners set are smart, long-term and strategic.*
- *Two effective ways that Mortgage Planners make sure they are meeting their goals are (1) keeping track of their goals with the Mortgage Planner Scoreboard and (2) knowing their Net Promoter® score.*

When we think of the word *goal*, dozens of objectives may compete for our attention. However, once a Mortgage Planner determines his or her purpose, it's critical to formulate concrete and clearly established goals. There are two types of goals you should consider: (1) your clients' financial goals, and (2) your professional goals as a Mortgage Planner.

Identifying your clients' goals

To deliver a unique experience that has obvious value to homeowners, it's crucial that you establish goals that focus on your clients' most important goals. Most borrowers' goals fit into one or more of these categories:

- Eliminating debt faster
- Retiring sooner
- Increasing their savings rate
- Increasing their liquidity
- Not wasting money on bad debt decisions
- Improving their financial security
- Boosting their financial wealth
- Saving and investing for long-term goals
- Reducing the cost of debt
- Enlarging the return on investment of their equity

Any mortgage professional who tries to sell a loan without first asking quality questions of their clients and listening carefully to the answers has no business "helping" people who are making financial decisions. Your clients' goals are just too important for

While every client has at least one of these goals, not all clients have the same set of goals or the same hierarchy of financial priorities. Therefore, it's essential that you understand what each individual client is trying to achieve and what their personal priorities are. You need to have a clear understanding of your clients' goals and respective priorities and know how a mortgage decision will fit into their goals and priorities. Only then can you begin to help your clients select the right mortgage for their individual needs.

Two "do-or-die" questions loan officers never ask … but Mortgage Planners do

To understand your clients' top issues and life goals, there's nothing more important than asking them the right questions and listening carefully to their answers. Let me repeat that last part again: you need to listen carefully. Don't assume you know what's best for all your clients. There are two questions in particular that responsible Mortgage Planners should ask every client. It wouldn't be too much to say that any mortgage professional who tries to sell a loan without first asking quality questions of their clients and listening carefully to the answers has no business "helping" people who are making financial decisions. Your clients' goals are just too important for that.

So what are the most important questions and why should you ask them? The first question is designed to get straight to the heart of their goals in securing a mortgage:

> *How old do you want to be when you finish paying off your home or when paying it off becomes a strategic decision?*

If they ask what a strategic decision is, take some time to educate them. Explain to them that paying off their mortgage becomes a strategic decision when they've enough saved to make paying off their mortgage a decision they make for financial and tax benefits. The point at which paying off their

home becomes a strategic decision is their Freedom Point.

Once your client has shared with you when they wish to reach their Freedom Point, you should proceed to the second question:

> *You've told me what your ideal Freedom Point date is. Now, taking into account your current trend as of today, how old are you going to be when you reach your Freedom Point?*

There's usually a five-, 10- or even 15-year gap between when they want to be able to pay off their home and when they'll actually be able to do so.

By asking these two questions, you've uncovered a gap between their personal goals and trends. Now that you and your client have mutually agreed on the gap, your ability to deliver sound advice that can reduce this gap will be tremendously relevant and valuable to your client. It's at this moment of financial clarity on the part of your client that you have a chance to shine. This is because as a Mortgage Planner you're able to help reduce or even eliminate that gap and get your client to their Freedom Point on schedule or even faster.

At this point, you may want to have a conversation with your client in which you discuss the reasons for the timing of their Freedom Point. This is the time where you and they can discuss "need to" versus "want to." This goal-determining discussion will help decide the kind of mortgage you recommend to them. This is a critical step toward delivering advice and service that's relevant and appreciated by the homeowner and moves you toward gaining their lasting trust and lifelong need for your services.

Setting your own goals: The wrong way and the right way

The second set of goals you need to consider are your own. To set strategic goals—goals that help you to achieve what you expressed in your purpose statement—you need to stop thinking like a loan officer and start thinking like the Mortgage Planner you are becoming.

For the most part, loan officers focus on goals that are actually nothing more than short-term transactional outcomes. For example:

1. Attracting new customers
2. Winning the loan application that's currently on the table
3. Closing X number of loans this month and next
4. Increasing the amount of money they make per loan in the next month or two

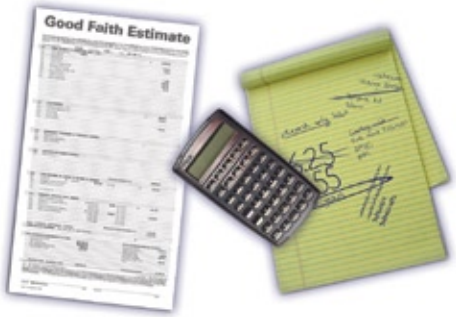
Unlike traditional loan officers, whose goals are typically shortrange and nonstrategic, Mortgage Planners don't judge their performance only by the number of applications they get in a given month or dollars they make within the next few weeks. Instead of being concerned simply with increasing their database or earning more money on tomorrow's deal, Mortgage Planners focus on the number of referrals they generate at the point of sale. They do this by looking at their number of mortgages under management and their annual past client pull-through rate. The typical loan officer celebrates when they get a social security number. But a Mortgage Planner sets goals based on performance indicators

that'll provide future success and celebrate only when they've provided a valued service worthy of a referral.

So, when a Mortgage Planner sits down and lists his or her most important goals, the list is short, sweet and above all smart:

1. Surpassing the expectations of each and every client
2. Generating two referrals by close of escrow with every client
3. Having a past client pull-through rate of 15 percent or better
4. Increasing every client's savings rate and helping them reach their Freedom Point faster
5. Becoming the team captain of the Wealth Team
6. Reducing clients' wasteful spending on the wrong debt structure
7. Helping each client make the most informed mortgage decision possible—one that gives them the peace of mind and confidence that they'll reach their long-term goals

The distinction between the goals of the typical loan officer and the professional Mortgage Planner is summed up in Figure 10.



Professional Mortgage Planner's Goals	Typical Loan Officer's Goals
Focusing on advice	Focusing on price
Dollarizing the lifetime cost of the loan	Quoting a rate
Building profitable lifetime relationships	Making a transaction
Conducting Freedom Point Reviews	Providing good faith estimates
Being the team captain on the Wealth Team	Being a benchwarmer on the Wealth Team
Becoming a referral magnet	Hoping for referrals
Providing a unique and valuable experience to each client	Selling loans
Achieving an annual past client pull-through rate of at least 15%	Closing a certain number of loans

Figure 10: Strategic Goals: Loan officers versus Mortgage Planners. By focusing on long-term goals for both your clients and yourself, you as a Mortgage Planner will not only generate business for today but will be improving your life and your clients' lives for decades to come.

Keeping track of your goals with the Mortgage Planner Scoreboard

We've covered the Mortgage Planner's goals. However, setting goals is one thing; achieving them is quite another. I suggest you keep track of your goals with the Mortgage Planner Scoreboard, part of the Mortgage Planner Dashboard from The Mortgage Coach. The Mortgage Planner Scoreboard keeps track of how many mortgages a Mortgage Planner has under management, how much savings they've offered their clients over the length of their practice, how many reports they've printed from each module and more. In other words, the Mortgage Planner Scorecard is a simple and convenient tool that tracks the critical values that Mortgage Planners bring to their clients. This makes the Mortgage Planner Scoreboard one of the most valuable and strategically important tools a Mortgage Planner can have in their toolbox (Figure 11).

> Stop thinking like a typical loan officer and start thinking like a Mortgage Planner.

Mortgage Planner Scoreboard

	Actual	Goal	% of Goal
# of Clients	237	500	47%
Mortgages Under Management	$82,373,616	$200,000,000	41%
Mortgages Analyzed	$1,270,708,608	$3,000,000,00	42%
Proposed Savings	$35,689	300,000	12%
Equity Under Management	$8,237,362	$20,000,000	41%

Figure 11: The Mortgage Planner Scoreboard—one of the most valuable and strategically important tools a Mortgage Planner can have. (Source: The Mortgage Planner Dashboard in The Mortgage Coach Software)

> The typical loan officer celebrates when they get a social security number. But a Mortgage Planner sets goals based on performance indicators that'll provide future success and celebrate only when they've provided a valued service worthy of a referral.

Knowing your Net Promoter® score

Another helpful performance indicator that'll gauge whether you're reaching your goals is the Net Promoter Score (NPS).*

> Does the service you provide inspire your clients to recommend you to their friends and family?

The Net Promoter Score was developed by loyalty expert Fred Reichheld and is explained in his recent book, *The Ultimate Question: Driving Profits and True Growth* (Harvard Business School Press). The score is based on the concept that all customers can be divided into three categories: promoters, passives and detractors. Promoters are your best, most loyal customers and are consequently reliable sources of referral business. Passives are satisfied but unenthusiastic customers who can easily be drawn to the competition. Detractors are unsatisfied customers who are at the highest risk of defection. You determine customers' status by asking what Reichheld calls "the ultimate question": "How likely is it that you would recommend our company to a friend or colleague?"

By rating each client according to Reichheld's simple system, you as a Mortgage Planner can determine whether you're developing client satisfaction and, most importantly, whether or not your clients will recommend you to their family and friends. After all, it's a referral and residual-income-based business model that you're ultimately pursuing. For every Mortgage Planner who wants to stay firmly grounded in reality, making a goal of keeping track of your Net Promoter Score is a practice that could mean the difference between achieving your financial dreams and living with financial stress.

To learn more about your Net Promoter Score and "The Ultimate Question" you should be asking at every client review, refer to the following blog posts and articles:

- "How to Spotlight Your Best Customers" (**mortgagecoach.com/hb/?spotlight)**
- "How Does the Ultimate Question Apply to the Mortgage Industry?" (**mortgagecoach.com/hb/?ultimate)**
- "A Satisfied Customer Isn't Enough" by Fred Reichheld (drawn from *The Ultimate Question: Driving Profits and True Growth*, Harvard Business School Press, Boston, Mass., 2006) (**workingknowledge.hbs.edu/archive/5236.html**)

Captaining your client's wealth team

Finally, I'd like to talk about one of the most important goals you can set as a Mortgage Planner—becoming the captain of your client's wealth team. Your client's wealth team is comprised of his or her financial planner, CPA, Realtor, insurance agent, asset manager, estate attorney and the loan professional. Traditionally, the team captain role is filled by the CPA, the "first-string players" are the financial planner and the Realtor, and the "bench players" are the insurance agent, the asset manager, the estate attorney and, down at the end of the bench, the loan officer (Figure 12).

**Net Promoter® is a registered trademark of Satmetrix Systems Inc., Bain & Company and Fred Reichheld.*

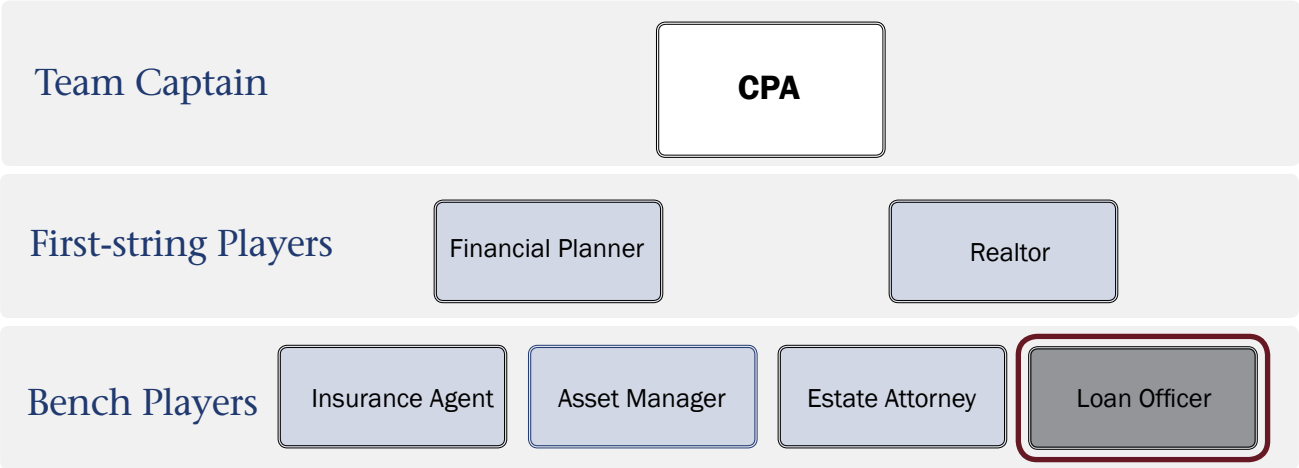


Figure 12: The traditional wealth team: The CPA is the team captain and the loan officer is a benchwarmer.

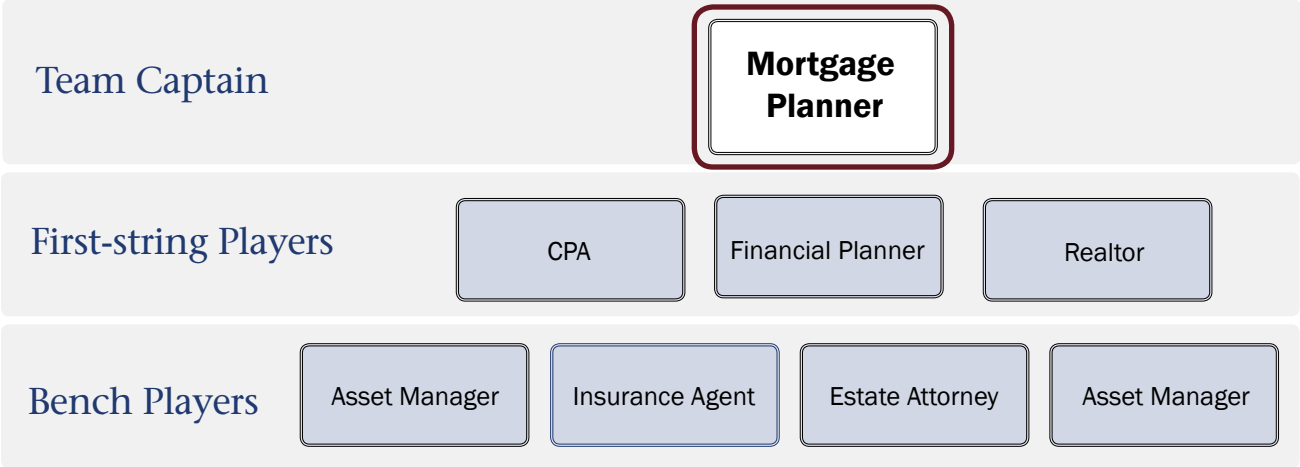


Figure 13: The new wealth team: You, the Mortgage Planner, are the captain.

As a professional Mortgage Planner, it's your responsibility to step up and take the team's leadership position. Instead of being at the end of the bench, you should be the team captain (Figure 13). Millions of Americans are receiving bad financial advice every year. It's up to you to begin to change that by taking responsibility for coordinating the advice they receive.

So how do you become this all-important team captain? First and foremost, you need to deliver advice and services that have obvious and tangible value to homeowners. Next, you need to be a trusted resource to homeowners so that they trust you for introductions to the members of the wealth team. Last, you need to provide ongoing services throughout the year so that you continually deliver advice and value to homeowners. These services include RateWatch, Credit Reviews and Equity Reviews, together with Freedom Point Reviews and Recast Reviews when relevant.

Once you're the captain, your goal is two-fold: to take care of your client and to maintain a productive relationship with the other members of the wealth team. With regard to your client, keep doing the things that made you captain in the first place: deliver continued value month after month and year after year. Of all the homeowner's advisors, you should be the one that strives to become the most trusted and valuable. Further, heed the advice that the homeowner receives from the other members of the wealth team. Based on that advice, provide tools and services to your client that help them save more money and make good liability decisions. In order to maintain the team, work on developing deep and healthy relationships with trusted advisors who follow though and deliver value for your client. It's also vitally important that you become a consistent source of trusted referrals to the other members of the team. Your providing them with value will keep your position as captain secure and your reputation for excellence well-maintained.

Mortgage Planning Compass: Goals

While there are many goals that I can pursue as a Mortgage Planner, the following three are my main goals. These are the professional goals that are most important to me and the goals that I will work hardest to achieve.

1.
2.
3.

Examples:

- To conduct a transaction with 20 percent of my past clients annually
- To make sure that 10 percent or more of my production comes from proactive equity management strategies
- To have new referral sources start sending you business within 30 days of the first meeting
- To have 100 percent of my practice be referral based after five years
- To use my practice to create a $2 million annuity within five years
- To have less than 20 percent of my prospects rate-shop me
- To stop selling loans and start creating wealth!

I also realize that my clients have various goals. Here are the goals that are most important to my clients and are therefore most important to me:

1.
2.
3.
4.
5.

Examples:

- To retire early
- To eliminate debt
- To increase liquidity
- To increase financial security
- To save and invest for long-term goals
- To reduce the cost of debt
- To increase the ROI of equity

Goal Tracker Worksheet

	MORTGAGE PLANNNER (BENCHMARK)		YOU
The number of loans closed last month for past clients:	6.6		
The number of months in a year:	x 12		x 12
The approximate number of loans for past clients closed in the past 12 months:	79		
The average number of past clients in a loan officer's database:	÷ 393	÷	
Annual past-client pull-through rate:	**20%**		
Average commission per loan:*	$3,272*		
The approximate number of loans for past clients closed in the past 12 months:	x 79	x	
Yearly commissions:			
Mortgage Planner (benchmark) yearly commissions:		–	
The total annual commissions you are currently missing out on:			

My goals after reading this book:

- ☐ I am going to eliminate my clients' unstrategic debt.
- ☐ I am going to make sure my clients think strategically about their equity and debt as financial planning instruments.
- ☐ I am going to increase my mortgages under management by _____%, from _____ mortgages currently to _____.
- ☐ I am going to increase my average commissions per loan from $_____ to $_____.
- ☐ I am going to increase my current past client pull-through rate from _____% to _____%.
- ☐ By accomplishing this, my personal annual income will increase from $_____ to $_____.
- ☐ I am going to increase my clients' savings rate from ___% to over _____%.
- ☐ Additional goal: _____
- ☐ Additional goal: _____

Chapter Eight

The Mortgage Planning Compass: Practices

KEY TAKEAWAYS

- *The key to properly positioning yourself is to present your purpose statement to your client in a straightforward and impactful way.*
- *Learning to ask quality questions and listening intently will pave the way to doing business with many new and existing clients.*
- *Show your client what they'll save and what they'll earn, and what they'll earn through investing, by choosing the right mortgage vehicle by using the Total Cost Analysis.*
- *Understand all the Mortgage Coach principles.*
- *There's no tactic more important for a Mortgage Planner than helping a homeowner reduce the time it takes to achieve their Freedom Point.*
- *Always ask for referrals with the Mortgage Coach two-step process.*
- *Conduct a Recast Point Review for clients who have an option ARM.*
- *Always include key members of the wealth team in their respective roles.*
- *Capture first-time homebuyers' business by building trust and educating them about the long-term value of homeownership.*

Improving your practices

You've probably heard about the aspiring musician who stopped an older gentleman on the streets of New York City and asked the way to Carnegie Hall, the world-famous concert hall. The wise old man's answer, of course, was "Practice." It's conventional wisdom that practice makes perfect.

> "Practice does not make perfect. Only *perfect* practice makes perfect."
> — Vince Lombardi

Some folks, however, are not the type who go in for conventional wisdom. When Vince Lombardi took over as head coach for the Green Bay Packers in 1959, the team had just finished a 1-10-1 season—one of the weakest records of any team in the history of professional football. In his very first season, Coach Lombardi turned the team around and posted a 7-5 record. Over the next eight years under Lombardi's leadership, his Packers owned the league, winning six divisional championships, five NFL championships and Super Bowls I and II. Lombardi—steely competitor, astute observer of human nature, and one of the most revered names in American sports—knew from experience that there's more to perfection than practice. "Practice does not make *perfect*," he said. "Only perfect practice makes perfect."

Here's my point: Every loan officer has certain practices. The question is whether or not these practices are perfect practices—or what are known in the business world as "best practices." Just as in football, when it comes to the world of loans and mortgages, there are bad ways, average ways, and best ways of doing things. Like a star quarterback, the Mortgage Planner who consistently practices the best ways wins the most. And like Vince Lombardi, the managers who are the most successful are the ones who identify the best things and then train and coach their teams to execute the best ways most often.

In the spirit of making the transition "from good to great" (to borrow a phrase), take a moment and be honest with yourself. Are your practices those that are most beneficial to you and your clients?

> Every loan officer has practices. The question is whether or not those practices are best practices. Are your practices the practices that are most beneficial to you and your clients?

Do you follow the best practices of successful Mortgage Planners? Unfortunately, many standard practices in the mortgage industry fall short of best. This is why it's so important for every loan officer to recalibrate and improve their practices. With best practices to accompany a well-formed purpose and intelligent goals, you as a loan officer can become a highly successful Mortgage Planner.

15 critical best practices

One of the best ways to recalibrate your current practices is to evaluate them against the best practices that have been guiding the nation's best Mortgage Planners to success. Listed below are 15 of the most powerful best practices in the mortgage industry. As you read each item, make it a point to ask yourself whether you've made that particular best practice *your* best practice. The results may be illuminating.

Best Practice #1
Change the game on typical loan officers by helping every homeowner achieve their Freedom Point faster.

Best Practice #2
Properly position yourself as a trusted advisor both when you're making your first impression with clients as well as throughout your relationship with them.

Best Practice #3
Have your proposals professionally designed so that they convey professionalism, give your advice an additional sense of exclusivity and add overall value to your recommendations.

Best Practice #4
Run an efficient practice by employing specific systems and tools to make the delivery of your services and advice easily and effectively deployable.

Best Practice #5
Ask the right questions so that you can ascertain your clients' current financial situation, discover their financial goals, and calculate their Freedom Point.

Best Practice #6
Identify your clients' current savings rate and analyze various possible mortgage options that are in line with your clients' savings goals.

Best Practice #7
Dollarize the total cost of different mortgage programs over time that are in line with your clients' long-term goals.

Best Practice #8
Become the team captain of the Wealth Team by integrating your clients' mortgage decision into their overall financial plan.

Best Practice #9
If your clients are considering an option ARM, identify and illustrate the estimated recast point based on fundamental assumptions and ensure that they're committed to saving the difference in their Freedom Account.

Best Practice #10
Discuss with your clients how managing their mortgages with a long-term view can save

them hundreds of thousands of dollars over their lifetime.

Best Practice #11
Help your clients by reducing their misconsumption of non-tax-preferred debt, such as credit cards and auto loans.

Best Practice #12
Conduct Freedom Point Reviews.

Best Practice #13
Provide Recast Point Reviews.

Best Practice #14
Always follow the Mortgage Coach two-step referral process.

Best Practice #15
Continue to deliver valuable services to your clients with RateWatch Reports, Quarterly Credit Reviews and Annual Equity Reviews.

Once you've made a thorough and honest evaluation of where you stand with regard to these best practices, you'll be well on your way to becoming a helpful and effective Mortgage Planner and a major residual-income earner.

Best practice spotlight

To make the transition to best practices easier, I'll highlight and explain some best practices that the nation's most successful Mortgage Planners have found most helpful.

Properly position yourself

Before progressing too far with your potential clients, it's critical to position yourself properly. This sets the stage for the unique and valuable experience you're preparing to deliver. The key to properly positioning yourself is to present your purpose statement to your client in a straightforward and impactful way. In Chapter 6, we took a look at some of the purpose statements of some the nation's best Mortgage Planners. Here, I present these purpose statements a second time, this time in the way that they might present them in a meeting setting.

Jim McMahan: "Today, I see a mortgage, more than ever, not as a mortgage loan once was, but instead as a financial planning instrument that must be integrated into your long- and short-term personal financial plan. My goal is to help you create a mortgage strategy that builds wealth for your family."

John Bell: "We are a comprehensive Mortgage Planning firm specializing in asset optimization, risk mitigation and family banking enrichment. We assist our clients in identifying their financial strengths, weaknesses, and opportunities and then help them design a clear path of success for the future."

Eric Union: "Financial stress is one of the leading causes of divorce and family breakdown in America today. My goal is to become your trusted advisor to help you make informed decisions regarding your real estate debt and equity structure—decisions that will allow you to become financially bulletproof and will put you on a wealth-building track to financial independence."

Todd Ballenger: "All the wealth you'll ever need will flow through your house during your lifetime. Most of us are heating our house with the windows wide open, and unaware of the wealth that we transfer to others that could have remained ours. In reviewing your approach to borrowing, we'll see if there are specific wealth transfers that can be diverted back toward making you wealthier over your lifetime."

Steven Marshall: "We'll help you successfully manage your home equity to increase liquidity, safety, rate of return and tax deductions."

Ask the right questions

Recently, I surveyed some of the industry's most successful Mortgage Planners to find out their strategies for building the ultimate mortgage practice. My goal was two-fold. First, I wanted to find out which questions were critical at each stage of the process for building lifelong relationships. But more than that, I wanted to understand the mindset that drives these Mortgage Planners' success. I thought that their winning mindset would appear in the questions they asked their clients. Sure enough, their answers were a trove of insight into what inspires a successful Mortgage Planner. Here are some of their most critical best-practice questions, presented roughly in the order you might ask them next time you're conversing with a client.

> Before progressing too far with your potential clients, it's critical to position yourself properly. This sets the stage for the unique and valuable experience you are preparing to deliver.

Let's begin with some questions you should ask near the beginning of your first meeting with a new client:

- What are the one or two things that were weighing on your mind before we got together today?
- What are the issues that you'd like me to address and add clarity to?
- What are your expectations for our time together?

Once you've asked these questions, continue with queries that will help open clients' minds and perhaps even change the way they think about their financial future:

- How old do you want to be when you retire?
- Based on your current savings plan, are you on track?

- What percentage of your monthly income are you currently saving per month? What's holding you back from saving more?

Once you've understood where your client is coming from, discovered what's of special concern to them, and helped them make an honest assessment of their own financial situation, you're prepared to ask questions that will help you tailor your knowledge to fit their individual situation:

- I want to help you determine how long you're going to use this real estate asset. Do you plan to live in your home (a) less than three years, (b) between three and seven years or (c) more than seven years?
- During the period that you live in this home, do you anticipate that your income will (a) increase, (b) remain stable or (c) decrease?
- Would you rate your financial mindset as (a) conservative, (b) moderate or (c) aggressive?
- What percentage of your monthly income are you currently paying toward your mortgage?

At this point, you might also want to discover what their long-term plans are for their career. Here's a question I've found to be especially helpful in getting such a conversation going:

- How much do you need in assets to stop swapping time for money?

When it's time to conduct an Annual Equity Review, there are a number of questions you can ask to uncover some critical information about your client's current financial situation and how they're thinking about the future:

- Where are you feeling financial stress?
- How is your team of advisors performing?
- How long do you intend to use this asset (i.e., your primary residence)?
- Do you want to see how your financial rating has changed since last year?
- Are you familiar with the concept of using your home equity to increase your net worth and/or plan for your retirement?

Toward the end of the meeting, it's good to get some feedback about how you've performed. A simple question can let you know what your client thinks of your services thus far:

- Are you better prepared financially after having met with me than you were before our meeting?

Your clients' answers to each of these questions will form the basis upon which you'll help them make a loan decision. It's vital that you to learn how to ask these questions, listen carefully to your clients' answers and provide your clients with Mortgage Planning that meshes perfectly with their expressed needs and desires. This kind of careful attentiveness to your clients' concerns will form solid long-term relationships that will be the source of your residual-income-based practice for years to come.

Finally, never end a conversation without asking for referrals. This is a crucial point that is often overlooked. Even when loan officers remember to do this, they frequently do it in an average way.

At the point of sale, after completing the mortgage documents, make it a practice to ask these two final questions. First, ask:

- Do you have any family members who would benefit from my special services?

After they respond, ask the second question:

- Do you have any friends or co-workers who would benefit from my special services?

This pair of questions I call the "Mortgage Coach

> Not asking for a referral is the bad way of doing things. Just asking for a referral is the average way. Using the Mortgage Coach Two-Step Referral-Maximizer Process is the best method of getting

LoanNow Opportunity!

Never end a conversation without asking for referrals the right way. First, ask your client whether they have any *family members* who'd benefit from your special services. Second, ask them whether they have any *friends or co-workers* who would benefit from your special services. By asking about these two separate groups of potential clients separately, you're helping focus your client's mind so they'll refer more potential clients to you. This two-pronged approach yields substantially more referrals than the standard blanket approach.

Two-Step Referral-Maximizer Process." At first blush, it may seem that I'm asking the same question twice. However, there's a subtle difference between them. The first time I ask solely about family members. This helps the client focus their mind only on a close circle of family members. Then, after they've answered the first question, I ask them again to focus their mind, this time on another discreet group of people—their friends or co-workers. The strategy of asking two specific questions will generate more referrals than simply asking, "Do you know anyone?" Also, note that I don't ask clients whether they know anyone who is thinking about buying a home or looking to refinance. While typical loan officers may ask for referrals in this way, I ask clients if they know any family members who might be interested in my special services. Not commoditizing myself simply as a loan officer but indicating that I offer special services is another subtle yet high-impact strategy that I've found to yield more referrals.

DOWNLOAD

Jim McMahan gives his specific mortgage recommendations based on the answers to the questions he asked most often. These can be found at ***certifiedscripts.com***.

Dollarize the total cost over time

One leading best practice is showing your client what they'll save, and what they'll earn through investing, by choosing the right mortgage vehicle. And by far the strongest way to approach this is by presenting your client a Total Cost Analysis report.

> A Total Cost Analysis is a disciplined analytical process that dollarized how much one mortgage structure saves you over another over time.

A Total Cost Analysis is a disciplined analytical process that "dollarizes" how much one mortgage strategy saves you over another over time. (To dollarize is to show the value of the best plan in dollars saved.) This analysis allows you to show a client four different mortgage options side by side and display what each of them will cost over a given period of time. By tallying the total cost of each alternative, the analysis shows that the best option may not have the lowest interest rate; but when the cost of the risk is factored in, the analysis shows how much money they can save. For example, one mortgage option may have the potential of saving a client several thousand dollars over five years, but it may have considerable risk and the savings may not be worth the risk. By displaying the information in dollars, the Total Cost Analysis report helps the client weigh their options and make a well- informed mortgage decision that's right for them.

By using this tool, the Mortgage Planner can compare different mortgage types, including fees and payments, in a way that's simple and easy for borrowers to understand. Most importantly, this tool allows you to dollarize the total cost of each mortgage option over time and integrate the mortgage options into the client's financial goals. This way, they can see the impact that different decisions have on their long-term financial life (Figure 14).

		No Cost	0 Point	1 Point	2 Point
1st	Loan Amount	$270,000	$270,000	$270,000	$270,000
	Interest Rate	6.125%	5.750%	5.500%	5.250%
	Term (months)	360	360	360	360
	P&I	$1,641	$1,576	$1,533	$1,491
	MI	$0	$0	$0	$0
	MI Cut Off	N/A	N/A	N/A	N/A
2nd	Loan Amount	$0	$0	$0	$0
	Interest Rate	0.000%	0.000%	0.000%	0.000%
	Term (months)	Int. Only	Int. Only	Int. Only	Int. Only
	P&I	$0	$0	$0	$0
Totals	Total Payment	$1,641	$1,576	$1,533	$1,491
	Net Savings	$0	$65	$108	$150

Figure 14: Comparing different mortgages using Total Cost Analysis. (Source: The Mortgage Coach, Total Cost Analysis report, Summary section, page 1)

The middle section of the report is the actual Total Cost Analysis. It puts the mortgage options in a clear side-by-side numbers comparison that demonstrate how your clients can reduce wasteful spending on the wrong debt by making a mortgage choice that's more appropriate to their financial goals. When it comes right down to it, this is the only viable way to select the best mortgage for your client's individual needs (Figure 15).

onths: 84	No Cost	0 Point	1 Point	2 Point
Total Payment	$137,806	$137,814	$137,847	$137,840
Principal Paid	$27,438	$35,772	$41,232	$46,544
Int / MI Paid	$110,369	$102,042	$96,614	$91,296
Balance Left	$242,562	$234,228	$228,768	$223,456
Closing & Pts.	$0	$3,200	$5,900	$8,600
Total Cost	$110,369	$105,242	$102,514	$99,896
Net Savings	$0	$5,127	$7,854	$10,473

Figure 15: Helping a client make the right mortgage choice by using Total Cost Analysis. (Source: The Mortgage Coach, Total Cost Analysis report, Total Cost Analysis section, page 1)

With the third section of the Total Cost Analysis report, you can help homeowners determine how much they need to modify their savings rate in order for them to reach their desired Freedom Point according to plan. This

	30 Yr Fixed	5/1 Int Only	10/1 Int Only
Monthly Amount	$0	$403	$362
Int. Rate	0.00%	8.00%	8.00%
Home Value	$578,813	$578,813	$578,813
Loan Balance	$385,669	$400,000	$400,000
Equity	$193,144	$178,813	$178,813
Accum. Total	$0	$16,336	$14,674
Net Worth	**$193,144**	**$195,148**	**$193,486**
Home Value	$638,141	$638,141	$638,141
Loan Balance	$374,444	$400,000	$400,000
Equity	$263,697	$238,141	$238,141
Accum. Total	$0	$29,611	$26,599
Net Worth	**$263,697**	**$267,752**	**$264,739**
Assets > Debts	30.00 yrs.	25.00 yrs.	25.42 yrs.

Freedom Point.

Figure 16: The Total Cost Analysis illustrates a client's Freedom Point given various loan and asset accumulation strategies. (Source: The Mortgage Coach, Total Cost Analysis report, Mortgage Plan With Asset Accumulation section, page 1)

section will help you to accomplish this by showing your client the dollar value of investing what they save by entering into a more appropriate mortgage program (Figure 16).

Aside from helping clients see with their own eyes just how a mortgage decision can put them on track to financial freedom, dollarizing your advice gives you an "unfair advantage" over your competition. Just ask John Weller of Megastar Financial Corporation, who uses the Total Cost Analysis report to defend himself from rate shopping. "I've been very good at having clients not shop me on price," he says. The reason, he observes, is straightforward. Says Weller, "I've been able to show people the difference between three different kinds of loans rather than the same loan with three different points and fees." Many of Weller's competitors send out good faith estimates that have points and fees on them with a particular interest rate. That simply can't compare with what Weller does with Total Cost Analysis. "Many times," Weller says, "I'll just show the difference between the structures—for instance, a 30-year, five-year ARM, 1-year ARM and MTA ARM—and help them understand the mortgage decision in general. Only once they become my client do we go into a conversation about specific closing costs and fees."

> "The Total Cost Analysis is the number-one report loan officers should use. I definitely use it all the time."
> — Drew Beverage

Drew Beverage, a Mortgage Planner with Partners Mortgage in San Jose, California, heartily agrees: "The Total Cost Analysis is the number one report loan officers should use. I definitely use it all the time. From there, you can leverage the conversation of the term reduction—the additional payment toward the mortgage, the tax benefits of that mortgage," and so forth.

Another veteran Mortgage Planner also uses it "all the time, especially if they're coming to me with prepared estimates from other people and they're heavy rate shoppers." Once a doctor came to see him. She had paperwork on a specialty loan just for doctors—a 30-year with zero down and no points. The Mortgage Planner says, "She was a heavy rate shopper when she got to us—very commoditized and non-relationship driven. But we caught her attention with a Mortgage Planning approach using the Total Cost Analysis report. And she went with us."

So take a tip from Weller, Beverage, and experienced Mortgage Planners everywhere and add dollarizing the total cost to your arsenal of best practices. You can't go wrong.

Conduct Freedom Point Reviews

Every chance I get, I try to drive home the fact that the best way for loan officers to increase their wealth and achieve their own goals is to help the homeowners they serve do the same. Within that strategic framework, there's no tactic more important for a Mortgage Planner than helping a homeowner reduce the time it takes to achieve their Freedom Point.

> The best way for loan officers to increase their wealth and achieve their own goals is to help the homeowners they serve do the same.

> There's nothing more important for a Mortgage Planner than helping homeowners reduce the time it takes to achieve their Freedom Point.

A homeowner's Freedom Point is the point at which they either (a) become debt-free or (b) have liquid assets that exceed their debts and that make paying off their mortgage a strategic financial-planning decision (as opposed to a do-or-die obligation). Some mortgage programs gradually reach their Freedom Point automatically over a predictable time frame; others help homeowners accelerate their Freedom Point and wealth creation. It's up to you to help your clients make informed decisions that are best for them both today and down the road.

There are two very different strategies for accelerating a homeowner's Freedom Point. First, you can advise them that they can prepay a traditional mortgage program by making extra monthly or annual payments on the mortgage itself. This is a safe strategy that has a predictable return on investment. Below is an example of the impact of this strategy illustrated by the Total Cost Analysis report (Figure 17). In this example, based on basic subjective assumptions made by the Mortgage Planner (predictions as to how the index will perform, assumptions concerning rate of return on the investment, etc.) the homeowner could be debt-free in 22 years rather than 30 and would save them $108,620 in interest!

		30 Yr Regular	30 Yr Redux
1st	Reduction	$0	$250
	5 years	$0	$17,443
	10 years	$0	$40,970
	15 years	$0	$72,705
Totals	Debt Free In	30.0 yrs.	22.3 yrs
	Interest Saved	$0	$108,620
2nd	Reduction	$0	$0
	0 years	$0	$0
Totals	Debt Free In	30.0 yrs.	30.0 yrs
	Interest Saved	$0	$0

Figure 17: The impact of prepaying a traditional mortgage program by making extra monthly payments. (Source: The Mortgage Coach Professional, Total Cost Analysis report)

Second, you can illustrate for the homeowner how choosing a low monthly payment mortgage program such as an option ARM, a 5/1, or a 30-year fixed with 10-year interest only can be to their benefit. (Keep in mind that an option ARM isn't

designed to be a lifetime loan. If the mortgage is being managed proactively, the homeowner will likely refinance every three to five years.) Many factors determine the overall interest accrual in these types of loans—index, margin and adjustment caps to name a few. But if the interest accrual is properly managed, homeowners who invest the difference between the 30-year fixed monthly payment and the low interest-only or negative amortization monthly payment in an interest-bearing account have the potential to shave additional years off their mortgage and achieve their Freedom Point faster than they could with a traditional debt-reduction plan. Beyond that, the client will have more liquidity should a life emergency arise and they become unable to earn an income.

I illustrate this second option with Figure 18. In this example, the Freedom Point is reached in under 23 years by using an option ARM. This saves the client $245,755 in mortgage interest expenses.

Of course, which mortgage strategy your clients choose will be based on their savings discipline and goals, the rate of return on their investment and the performance and quality of their financial planner.

So what's the key to helping your clients achieve their Freedom Point faster? First and foremost, you need to educate them about their options. Then, once they've chosen a program, you should help them measure and monitor their progress by conducting an annual Freedom Point Review. As part of the Annual Equity Review, A Freedom Point Review is a proactive service that you provide in which you analyze the number of years your client currently needs to achieve their Freedom Point based on their savings rate and/or their mortgage prepayment trend. It's strongly recommended that homeowners review their Freedom Point annually so they understand how their mortgage is tracking with their long-term financial goals. Regularly Freedom Point Reviews ultimately allow clients to adjust their savings strategy so that they can reach their Freedom Point in the time frame originally planned.

Years: 5			
Home Value	$608,326	$608,326	$608,326
Loan Balance	$372,217	$400,000	$400,000
Equity	$236,109	$208,326	$208,326
Accum. Total	$0	$29,611	$26,599
Net Worth	**$236,109**	**$252,927**	**$246,755**
Assets > Debts	**30.00 yrs.**	**22.92 yrs.**	**22.58 yrs.**

Freedom Point

Figure 18: The benefits of a Freedom Point Review. (Source: The Mortgage Coach Professional, Total Cost Analysis report)

> The key to helping your clients achieve their Freedom Point faster is to educate them about their options and then, once they've chosen a program, to help them measure and monitor their progress by conducting an annual Freedom Point Review.

For more on the Freedom Point and the Freedom Account, see my blog post on the topic at ***mortgagecoach.com/hb/?FreedomPoint.***

Want to become an expert in securing referrals from certified financial planners? Download the step-by-step program "The Art of Referrals" at: ***mortgagecoach.com/hb/?AOR.***

Nobody is situated better to conduct Freedom Point Reviews than you. By helping your clients achieve their Freedom Point, you'll be positioned as a trusted advisor whom your clients know to have their best interests in mind. These clients will call you first before calling Realtors and will return to you several more times over the course of their lifetime for your proven insight, thus generating thousands of dollars in residual income for you.

LoanNow Opportunity!

Contact all your referral sources, including Realtors, financial planners, and CPAs and offer to do free Freedom Point and Recast Point Reviews for their clients.

Conduct Recast Point Reviews

Put yourself in your client's shoes for a moment. If you had an option ARM, you wouldn't want to be caught short when the loan recasts and gorilla payments suddenly start competing with shoes for the kids and gas for the car. And neither would your clients. Therefore, in addition to conducting Freedom Point Reviews, successful Mortgage Planners should conduct annual Recast Point Reviews. And if doing it because it's the right thing to do isn't enough motivation for you, then do it for the advantage it will give you over typical loan officers who don't know how to illustrate the recast point. A Recast Point Review ensures clients who have an option ARM that they are on track to either refinance, sell the property by the time the loan recasts or alerts them ahead of time to make sure that they have sufficient money in their Freedom Account to pay the increased monthly payments. With an annual Freedom Point Review (and an annual Recast Point Review), all homeowners will be better prepared to achieve their overall financial goals more securely and with less stress.

It's critical that homeowners who have an option ARM are proactively managing their mortgage and saving money monthly in a Freedom Account so they can save for the future and avoid payment shock. During a Recast Point Review, forecast and illustrate the estimated date your client's monthly payment will recast, based on the current interest rates over the next 12 to 18 months.

It is recommended that homeowners who have an option ARM save money monthly in a Freedom Account so that the recast point doesn't increase the time it will take them to achieve their Freedom Point. Many times, a recast can cause the client's payment to increase by as much as 80 percent to 120 percent. Obviously, if homeowners aren't able to increase their savings and their investment assets, this type of payment shock can be devastating to a homeowner. In fact, improperly sold option ARMs and a lack of understanding of payment recasting by homeowners was the topic of a well-read *Business Week* article, "How Toxic Is Your Mortgage?"

All loan officers have an obligation to educate their clients to ensure that they understand their mortgage options. There are many different reasons why homeowners choose option ARMs. For instance, they could be investing in a property for cash flow and exposure reasons and may be selling it before the loan reaches its recast point. Alternately, they could be homebuyers who are anticipating a lump-sum bonus or a raise but want to buy their dream home now.

For the average homeowner who chooses an option ARM, however, the best way to ensure

preparedness for a recast date is to save the difference between their mortgage payment and what the cost of a higher loan (such as a 30-year fixed) would have been so that they can achieve their Freedom Point faster. If the homeowner isn't saving this money in a safe and secure financial account, then they are spending their future and destroying their ability both to achieve their Freedom Point and to handle their recast payment.

Mortgage Planners should illustrate the recast point of an option ARM at the point of sale with borrowers and at least once per year thereafter. The best practice for doing this is using the amortization schedule from a Total Cost Analysis Report, combined with the Recast Review Proposal in the Mortgage Coach Marketing Machine (Figure 19).

> All loan officers have an obligation to educate their clients to ensure that they understand their mortgage options.

Many top Mortgage Planners are helping homeowners avoid the shock of having their monthly payment unexpectedly recast simply by providing this proactive service.

Bottom line: Recast Point Reviews have the potential to drive new business and to build long-lasting relationships. Consequently, Mortgage Planners who conduct a Recast Point Review as part of the Annual Equity Review for all appropriate clients will not only be doing the right thing, but will be forming a competitive advantage over loan officers who don't clearly illustrate the recast point.

Consequently, I strongly recommend that you adopt this best practice immediately by reaching out to all your referral sources—including Realtors, financial planners, and CPAs—to offer this invaluable service to their clients. I also recommend that every time you conduct this service for a client, you ask them if they know anyone else who might benefit from a Recast Point

Pmt Period	Interest Rate	Payment	Principal	Interest	Total Payment	Total Principal	Total Interest	Total Balance
36	6.577%	$1,540.46	($853.89)	$2,394.35	$51,677.34	($37,731.87)	$89,409.21	$437,731.87
37	6.577%	$1,655.99	($743.04)	$2,399.03	$53,333.33	($38,474.91)	$91,808.23	$438,474.91
38	6.577%	$1,655.99	($747.11)	$2,403.10	$54,989.32	($39,222.01)	$94,211.33	$439,222.01
39	6.577%	$1,655.99	($751.20)	$2,407.19	$56,645.31	($39,973.22)	$96,618.53	$439,973.22
40	6.577%	$1,655.99	($755.32)	$2,411.31	$58,301.30	($40,728.54)	$99,029.83	$440,728.54
41	6.577%	$2,924.09	$508.64	$2,415.45	$61,225.39	($40,219.90)	$101,445.28	$440,219.90
42	6.577%	$2,924.09	$511.43	$2,412.66	$64,149.48	($39,708.47)	$103,857.95	$439,708.47
43	6.577%	$2,924.09	$514.23	$2,409.86	$67,073.57	($39,194.24)	$106,267.81	$439,194.24

Figure 19: The recast point. The recast point indicates the point at which the minimum monthly payment can go significantly higher based on an 110% increase in the original mortgage balance. (Source: The amortization schedule of the Total Cost Analysis)

To find strategies for overcoming the challenges the Business Week article presents, please refer a blog post I penned on the topic: ***www.mortgagecoach.com/hb/?bwResponse***

Review. Almost everyone who has an option ARM knows others who also have option ARMs. If you find one, you are likely to find a pod of like-minded homeowners with similar programs.

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Considering the inverted yield curve and the fact that over 2 trillion adjustable rate mortgages are coming due now and in the very near future, wise Mortgage Planners will help prepare their clients for their recast points. You can do this by conducting a Recast Point Review for your clients once a year alongside a Freedom Point Review, both of which are part of the Annual Equity Review.

Capture first-time homebuyers' business by building trust and emphasizing the long-term value of homeownership

In addition to taking care of the clients you already have and helping longtime homeowners with their financial futures, a well-rounded Mortgage Planner will always be acquiring business from first-time homebuyers. There's no real trick to this. It's simply a matter of establishing the best practice of building trust with the new homeowner.

When people who have little or no experience buying homes call a loan officer, they ask about the only thing they know about—rates. Basically, they are looking for the best rate and have little consideration for any of the other important factors that go into choosing the right loan. This is why I recommend that you use a Rent vs. Own Analysis report as your tool for securing client trust and eliminating the rate shopping mentality from first-time homebuyers.

With a Rent vs. Own Analysis report, you'll be able to make a side-by-side comparison of renting and owning. Using this report, you'll be able to show them the net monthly cost of homeownership as opposed to the cost of renting in clear, convincing and easy-to-understand figures and language.

In addition to taking care of the clients you already have and helping longtime homeowners with their financial futures, a well-rounded Mortgage Planner will always be acquiring business from first-time

The summary portion of this report includes two columns—the rent column, which displays the client's current monthly rent payment amount, and the buy column, which reflects the cost and benefits of homeownership. The "cost of ownership" is determined by backing out the assumed tax benefits and the principle portion of the payment (Figure 20).

Next, the Ownership Analysis section illustrates

To see how a Recast Point Review works first-hand, please view the video "Recast Reviews" at ***www.mortgagecoach.com/hb/?RecastVideo***

the total net cost of homeownership over time along with the assumed equity growth in the property (Figure 21).

After that, the Asset Accumulation area analyzes the opportunity for building net worth by investing large sums or making monthly contributions to an investment account.

Finally, the Benefits section of the report summarizes the figures, showing the big-picture opportunity for growing net worth for homeownership, including an "apples to apples" comparison between the renter sitting on their nest egg and owning their own home. The estimated net worth gain realized is computed by combining the equity that's built up in the home with any investment growth (Figure 22).

Rent		Homeownership	
Rent	$1,500	P&I	$1,255
Insurance/Other	$25	Taxes/Insurance/HOA	$260
Total Rent	**$1,525**	**Total PITI**	**$1,516**
		Tax Benefits	$388
		Principal Paid	$224
Net Monthly Cost	**$1,525**	**Net Monthly Cost**	**$904**

Assumptions		Assumptions	
Rental Increase/Yr	3%	Appreciation	3%
		Tax Bracket	30%
		Purchase Price	$250,000
		Interest Rate	5.375%
		APR	5.635%
		Down Payment	$25,000
		Closing Costs	$6,363
		Total Cash to Close	$31,363

Figure 20: Open your client's eyes by comparing renting to owning. (Source: Mortgage Coach Rent vs. Own Analysis report, Summary section, page 1)

	Rent		Homeownership	
	Total Payment	$56,536	Total PITI	$54,568
	Principal Paid	$0	Principal Paid	$8,734
	Tax Benefit	$0	Tax Benefit	$13,750
	Net Cost	**$56,536**	**Net Cost**	**$32,084**
	Real Estate Value	$0	Real Estate Value	$265,225
hs: 36	Loan Balance	$0	Loan Balance	$216,266
>	**Total Home Equity**	**$0**	**Total Home Equity**	**$48,959**
	Rent		**Homeownership**	
	Total Payment	$97,064	Total PITI	$90,947
	Principal Paid	$0	Principal Paid	$15,388
	Tax Benefit	$0	Tax Benefit	$22,668
	Net Cost	**$97,064**	**Net Cost**	**$52,891**
	Real Estate Value	$0	Real Estate Value	$281,377
ths: 60	Loan Balance	$0	Loan Balance	$209,612
>	**Total Home Equity**	**$0**	**Total Home Equity**	**$71,765**

Figure 21: Illustrating the total net cost of homeownership over time. (Source: The Mortgage Coach Rent vs. Own Analysis report, Ownership Analysis section)

Weller is enthusiastic about his success with this best practice. "I've had great success using the Rent vs. Own Analysis report to help people who are reticent about moving forward to buy right now." He continues, "I recently received an e-mail from a Realtor saying that someone is making an offer on something. This was the day after they came into my office and I showed them the Rent vs. Own Analysis report." After spending just a little time with Weller, the clients were able to see that the real after-tax cost of buying, when incorporating even a small amount of appreciation in real estate, was actually less than maintaining the current rental plan they were on.

Dylan Kramer, Agency Director of Starpointe Mortgage in Chicago, has developed an easy four-point process to convert renters into first-time home buyers. Spending approximately $1,500 per month in advertising, he does the following:

1. He targets a specific type of renter—one who is either credit-challenged or down-payment-challenged, but preferably not both.
2. He sells the prospect on the idea of an in-office appointment to review their financial situation.
3. He uses the Rent vs. Own Analysis report to demonstrate how buying a home can dramatically improve the financial well-being of his client's family.
4. He controls the transaction by introducing a preferred Realtor and affinity partners.

Using this approach, Kramer generates three transactions per month at $9,000 each in commission for a total of $27,000 in monthly commissions.

Investment		Investment	
Opening Balance	$31,000	Opening Balance	$0
Monthly Amount	$0	Monthly Amount	$388
Return Avg.	8.000%	Return Avg.	8.000%
Years	**Amount**	**Years**	**Amount**
3 yrs	$39,377	3 yrs	$15,728
5 yrs	$46,185	5 yrs	$28,509
Benefits		**Benefits**	
By 5 yrs, your TOTAL NET WORTH will reach $46,185.		By 5 yrs, your home's equity is $71,765. Your asset account is $28,509. Your TOTAL NET WORTH will reach $100,274.	

Figure 22: Open your client's eyes by comparing renting to owning. (Source: Mortgage Coach Rent vs. Own Analysis report, Summary section, page 1)

Each of these clients is a client that he will most likely keep for life and from whom he will generate high levels of residual income. Enjoying a trusted relationship with Kramer, they are also more likely to become valuable referral candidates, multiplying his business even further.

"The Rent vs. Own Analysis report is my strongest client acquisition tool," says Kramer. "It allows me to start building trust from the very first conversation and keeps my new homeowner clients coming back again and again over their lifetime." In addition, he adds, "because they see me as their trusted advisor, they become great referral candidates

Drew Beverage's Three-Point Business Model:

1. **Mail out a RateWatch Report every month whether the rates are high or low.** The key thing is simply getting them out and reporting to clients how their mortgage is doing against the ever-changing market. This gets the phone to ring. Often people don't know what their needs are. The main thing you want to do is get them to call. Once you have them on the phone, you can then qualify the client to uncover any mutual opportunities.

2. **When clients call in, use the face-to-face templates such as the Total Cost Analysis, Rent vs. Own Analysis, Debt Consolidation Analysis or Equity Repositioning Analysis.** When on the phone, clients usually ask whether they are okay or whether they should do something with their mortgage. This question should put you in a consultative mode. You should then ask the following questions and make careful note of their answers:
   - What are your concerns?
   - How is your life changing?
   - What are your goals?
   - How have your goals changed?
   - What do you want to accomplish?
   - Is there an investment you want to buy?
   - How much equity do you have in your house? Do you want to use some of that equity to do something else?

3. **Only once you have performed the above two points should you go through the actual loan process.**
   Do not do this step first! Typical loan officers have it the other way around, starting out by beginning the loan process. However, this is putting the cart before the horse. A good Mortgage Planner knows that only once you establish a relationship with clients and get to know their concerns and goals are you (and they) prepared to begin the loan process.

Drew Beverage
Mortgage Planner, Partners Mortgage
San Jose, California

> "The Rent vs. Own Analysis report is my strongest client acquisition tool. It allows me to start building trust from the very first conversation and keeps my new homeowner clients coming back again and again over their lifetime."
> — Dylan Kramer, Agency Director, Starpointe Mortgage, Chicago, Illinois

as well." Simply by building trust, Kramer—a successful Mortgage Planner—was able to convert an initial business transaction into a business-multiplying vehicle that he will enjoy for years and even decades to come.

Understanding the Mortgage Coach principles

In this chapter, I've outlined many practices that I and other leading Mortgage Planners have discovered. Let me close with six simple words and phrases. These easy-to-re-

> "I've been hearing that a lot of people are down in numbers this year, but I had an up year. My gross revenues were up 15 percent from the previous year, and I attribute a lot of that to the RateWatch Report."
> — Drew Beverage

Changing Lives

To truly understand how being a Mortgage Planner can change your life and the lives of your clients, consider this story from Timothy Burk:

"A long-time friend of ours who is also a client of my wife had been having a very difficult time. Her husband is dying of leukemia. This couple has two young girls, aged seven and nine. The wife was very concerned because the husband's a great breadwinner, great provider, but he's not able to work as consistently as he did when he was healthy. They have a big, beautiful home in a very nice part of Denver, and they were going to sell it, buy a [smaller] home for cash, and put a few thousand dollars in the bank. Before that, however, she came in and we went over some Mortgage Planning. I showed her the Equity Repositioning Analysis. We put 20 percent down and several hundred thousand dollars in the hands of a qualified financial planner who built a plan where the children are going to have college educations and so forth.

"About a week after the mortgage closed, the wife called. I recognized her voice, but I couldn't hear her because she was emotionally distraught. I thought, "Oh my goodness, the husband has passed away," and I started crying for my friend. When we both calmed down, however, she proceeded to tell me that for the first time in 15 years, she had had a good night's sleep. She attributed it to the Mortgage Planning that we were able to do and to the fact that I was able to show her the impact of our suggestions with the Equity Repositioning report. She saw what our plan would mean for her and her family when her husband is no longer there to take care of her and her young daughters. Had they followed the conventional wisdom that her whole family was trying to convince her of, she would have lost everything probably within four or five years. Mortgage Planning changes lives."

Timothy Burk
Mortgage Planner, Cornerstone
Mortgage Company Denver, Colorado

member concepts are foundation on which nearly all Mortgage Planner best practices are based.

1. Dollarize
2. Lifetime value
3. Freedom Point
4. Complex made simple
5. Ordinary to extraordinary
6. Professional design

Internalize each of these principles, and your transition into the best practices in this chapter will be that much more solid.

Mortgage Planning Compass: Best Practices

The following are the best practices I wish to incorporate in my practice as a Mortgage Planner:

1

2

3

4

5

Examples:

- *Properly position myself as a trusted advisor throughout my relationship with them.*
- *Have my proposals professionally designed so that they convey professionalism, give my advice a further sense of exclusivity, and adds value to my recommendations.*
- *Ask the right questions in order to ascertain my clients' current financial situation, discover their financial goals, and calculate their Freedom Point.*
- *Identify my clients' current savings rate and analyze various possible mortgage options in light my clients' savings goals.*
- *Dollarize the total cost of different mortgage programs over time in light of my clients' long-term goals.*
- *Integrate my clients' mortgage decision into their overall financial plan.*
- *Send RateWatch Reports out to all my clients on a regular basis.*

I determine to ask the right questions in order to ascertain my clients' current financial situation, discover their financial goals and calculate their Freedom Point. These are the questions I will ask of my clients when I meet with them:

1

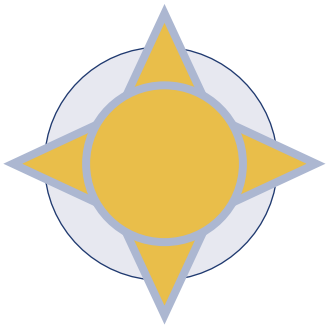
2

3

4

5

Chapter Nine



The Mortgage Planning Compass: Services

KEY TAKEAWAYS

- *A service is a valuable approach to solving a client's problems and financially facilitating their dreams and goals. In execution, a service is an operative framework that encompasses and incorporates various combinations of best practices.*
- *A **Personalized Mortgage Plan** must (1) dollarize the total cost of different debt structures, (2) integrate the mortgage decision into long-term financial goals, (3) deliver tangible value to the homeowner, (4) make the value of the advice obvious and intuitive and (5) be quickly and easily creatable.*
- *A **RateWatch Report** is a monthly service that Mortgage Planners provide to (1) help homeowners track their current interest rates, (2) dollarize the difference in monthly payment between their current mortgage and other mortgage plans that the current market allows and (3) advise them concerning different strategies that will help them achieve their Freedom Point faster.*
- *A **Quarterly Credit Review** is a value-added service that must (1) help the client understand their current credit score, (2) present the advantage of recent market changes and reveal many important factors that can improve the client's financial life.*
- ***An Annual Equity Review** is critical to your clients' ability to execute their mortgage strategy. This yearly review must (1) review the client's progress toward achieving their Freedom Point, (2) evaluate the client's liabilities to ensure the most beneficial structure and lifetime cost and (3) balance the equity position so the client can their plans and goals.*

The relationship that a homeowner and a Mortgage Planner enjoy begins with closing the first sale. However, it doesn't end there. There is a variety of services Mortgage Planners can provide clients at the point of sale and over time to create lifetime relationships. In this section, I want to introduce some of these services and show you the power of the third point of the Mortgage Planner Compass.

Redefining *service*

First, let's make sure we know precisely what's meant by the word *service*. A service is a valuable approach to solving a client's financial problems and facilitating their life dreams and goals. In execution, a service is an operative framework that encompasses and incorporates various combinations of the kind of best practices that I described in the previous chapter. For example, conducting Freedom Point Reviews is a practice; however, the entire solution of helping a client reach their Freedom Point is a service that incorporates the practice of Freedom Point Reviews, as well as many other practices. Simply speaking, a service is a solution—a "recipe" in which individual best practices are ingredients. Services contain best practices, and best practices constitute services.

While there are a variety of services Mortgage Planners can provide clients, I'll focus on five in this chapter. As you develop your practice and learn from industry leaders, you'll no doubt discover and even develop additional services. However, for our purposes in this book, I'll introduce four of the most successful and basic services you'll need to provide:

- The Personalized Mortgage Plan
- The RateWatch Review
- The Quarterly Credit Review
- The Annual Equity Review
- Weekly market updates

The Personalized Mortgage Plan: Making an informed decision

The foundational service of every Mortgage Planner is the Personalized Mortgage Plan. Your Personalized Mortgage Plan can have a powerful impact on your client's overall financial picture. By creating a Personalized Mortgage Plan for your clients, you are empowering them to make solid financial decisions. By receiving this service, they'll understand the total cost and the total benefit of every option available to them. By pointing the way to optimizing equity or debt, aligning the client's mortgage with their financial goals, adjusting for life events and increasing cash flow, this service clarifies their decision making and illuminates their most favorable options.

Without a Mortgage Plan, it's very difficult for a client to make a truly informed mortgage decision. Therefore, creating a personal Mortgage Plan for each client a must for Mortgage Planners.

A Mortgage Plan must fulfill several basic needs both of your client and yourself as well:

> **First,** a Personalized Mortgage Plan must dollarize the total cost of different debt structures over their lifetime. (Best Practice #7)
>
> **Second,** it must integrate the homeowner's mortgage decision into their financial goals and take into account their Freedom Point (Best Practice #6)

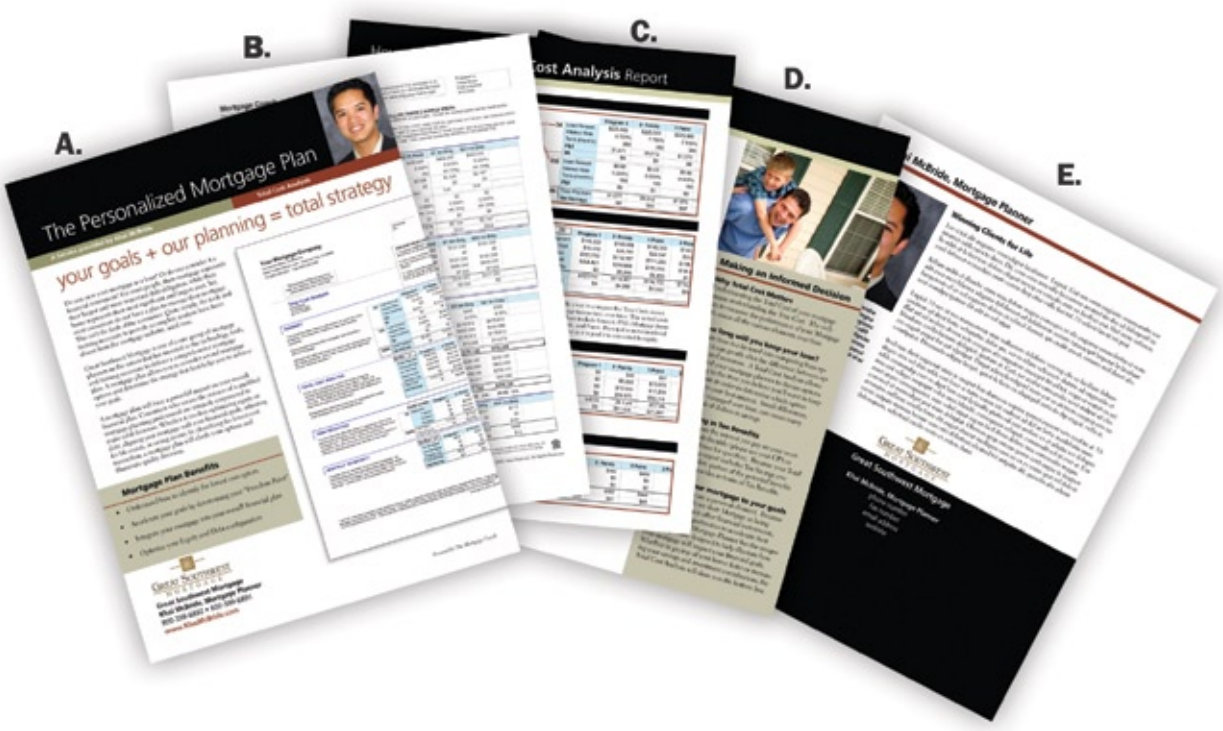
Third, it must be professionally packaged so that it delivers tangible value to the homeowner (Best Practice #7).

Fourth, it must make the value of the advice visually obvious and easy to understand.

Fifth, it must be quick and easy to create and should include a schedule for monthly and annual reviews (Best Practice #4).

By its very nature, a Personalized Mortgage Plan includes all the best practices. Since we covered have a number of these best practices in considerable detail, there's little need for more explanation. Instead, I've reproduced a complete Mortgage Plan like the one Khai McBride uses (Figures 23-27).

> The foundational service of every Mortgage Planner is the Personalized Mortgage Plan.



The Personalized Mortgage Plan

A Service provided by Khai McBride

Total Cost Analysis

your goals + our planning = total strategy

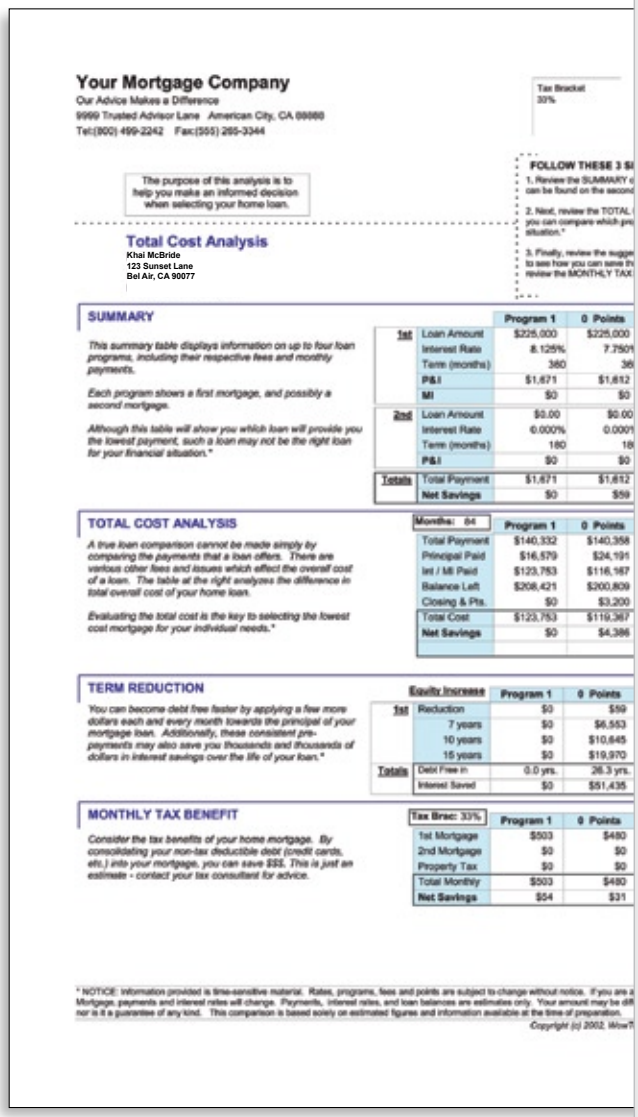
Do you view your mortgage as a loan? Or do you consider it a financial instrument? For most people, their mortgage represents their largest and most important debt obligation, while their home represents their most significant and largest asset. Yet, most consumers do not have a plan to manage their mortgage. This isn't the fault of the consumer. Quite simply, the tools and training necessary to provide a complete analysis have been absent from the mortgage industry, until now.

Great Southwest Mortgage is one of a rare group of mortgage planners in the nation that has invested in the technology, tools, and training necessary to deliver a comprehensive mortgage plan. A mortgage plan allows you to consider several mortgage options and determine the strategy that best helps you to achieve your goals.

A mortgage plan will have a powerful impact on your overall financial plan. Consumers who secure the services of a qualified mortgage planning professional are uniquely empowered to make solid decisions. Whether it involves optimizing equity or debt, aligning your mortgage with your financial goals, adjusting for life events, or saving money by identifying the lowest cost transaction, a mortgage plan will clarify your options and illuminate quality decisions.

Mortgage Plan Benefits

- Understand how to identify the lowest cost option.
- Accelerate your goals by determining your "Freedom Point"
- Integrate your mortgage into your overall financial plan
- Optimize your Equity and Debt configuration



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Tel:(800) 499-2242 Fax:(555) 285-3344

Tax Bracket
33%

The purpose of this analysis is to help you make an informed decision when selecting your home loan.

FOLLOW THESE 3 S
1. Review the SUMMARY c can be found on the second
2. Next, review the TOTAL you can compare which pro situation."
3. Finally, review the sugge to see how you can save th review the MONTHLY TAX

Total Cost Analysis
Khai McBride
123 Sunset Lane
Bel Air, CA 90077

SUMMARY

This summary table displays information on up to four loan programs, including their respective fees and monthly payments.

Each program shows a first mortgage, and possibly a second mortgage.

Although this table will show you which loan will provide you the lowest payment, such a loan may not be the right loan for your financial situation."

		Program 1	0 Points
1st	Loan Amount	$225,000	$225,000
	Interest Rate	8.125%	7.750
	Term (months)	360	36
	P&I	$1,671	$1,612
	MI	$0	$0
2nd	Loan Amount	$0.00	$0.00
	Interest Rate	0.000%	0.000
	Term (months)	180	18
	P&I	$0	$0
Totals	Total Payment	$1,671	$1,612
	Net Savings	$0	$59

TOTAL COST ANALYSIS

A true loan comparison cannot be made simply by comparing the payments that a loan offers. There are various other fees and issues which effect the overall cost of a loan. The table at the right analyzes the difference in total overall cost of your home loan.

Evaluating the total cost is the key to selecting the lowest cost mortgage for your individual needs."

Months: 84	Program 1	0 Points
Total Payment	$140,332	$140,358
Principal Paid	$16,579	$24,191
Int / MI Paid	$123,753	$116,167
Balance Left	$208,421	$200,809
Closing & Pts.	$0	$3,200
Total Cost	$123,753	$119,367
Net Savings	$0	$4,386

TERM REDUCTION

You can become debt free faster by applying a few more dollars each and every month towards the principal of your mortgage loan. Additionally, these consistent pre-payments may also save you thousands and thousands of dollars in interest savings over the life of your loan."

	Equity Increase	Program 1	0 Points
1st	Reduction	$0	$59
	7 years	$0	$6,553
	10 years	$0	$10,645
	15 years	$0	$19,970
Totals	Debt Free in	0.0 yrs.	26.3 yrs.
	Interest Saved	$0	$51,435

MONTHLY TAX BENEFIT

Consider the tax benefits of your home mortgage. By consolidating your non-tax deductible debt (credit cards, etc.) into your mortgage, you can save $$$. This is just an estimate - contact your tax consultant for advice.

Tax Brac: 33%	Program 1	0 Points
1st Mortgage	$503	$480
2nd Mortgage	$0	$0
Property Tax	$0	$0
Total Monthly	$503	$480
Net Savings	$54	$31

* NOTICE: Information provided is time-sensitive material. Rates, programs, fees and points are subject to change without notice. If you are a Mortgage, payments and interest rates will change. Payments, interest rates, and loan balances are estimates only. Your amount may be dif nor is it a guarantee of any kind. This comparison is based solely on estimated figures and information available at the time of preparation.

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GREAT SOUTHWEST MORTGAGE

Great Southwest Mortgage
Khai McBride, Mortgage Planner
800-399-6892 • 800-399-6891
www.KhaiMcBride.com

Powered by The Mortgage Coach

Figure 23: Personalized Mortgage Plan: Introduction (Source: The Marketing Machine, Mortgage Plan; image for illustration purposes only)

Mortgage Coach
Our Advice Makes a Difference
123 Main Street Irvine, CA 92618
Tel:(800) 951-2696 Fax:(800) 951-2696

The purpose of this analysis is to help you make an informed decision when selecting your home loan.

Prepared by
Philip Meyer
Date prepared
9/12/2006

Total Cost Analysis

Khai McBride
1234 Main Street
Encino, CA 91316

FOLLOW THESE 3 SIMPLE STEPS:
1. Review the SUMMARY of your loans. Details for each program can be found on the second page.
2. Next, review the TOTAL COST ANALYSIS for each loan so that you can compare which program might be right for your financial situation.*
3. Finally, review the suggested Debt Free or Asset Accum. plan to see how you can save thousands on your loan. Also, you can review the MONTHLY TAX BENEFITS.

1

SUMMARY

This summary table displays information on up to four loan programs, including their respective fees and monthly payments.

Each program shows a first mortgage, and possibly a second mortgage.

*Although this table will show you which loan will provide you the lowest payment, such a loan may not be the right loan for your financial situation.**

Current Property Value: $500,000.00

		30 Yr Fixed	5/1 Int Only	10/1 Int Only
1st	Loan Amount	$400,000	$400,000	$400,000
	Interest Rate	6.500%	6.375%	6.500%
	Term (months)	360	Int. Only	Int. Only
	P&I	$2,528	$2,125	$2,167
	MI	$0	$0	$0
	MI Cut Off	N/A	N/A	N/A
2nd	Loan Amount	$0	$0	$0
	Interest Rate	0.000%	0.000%	0.000%
	Term (months)	Int. Only	Int. Only	Int. Only
	P&I	$0	$0	$0
Totals	Total Payment	$2,528	$2,125	$2,167
	Net Savings	$0	$403	$362

2

TOTAL COST ANALYSIS

A true loan comparison cannot be made simply by comparing the payments that a loan offers. There are various other fees and issues which effect the overall cost of a loan. The table at the right analyzes the difference in total overall cost of your home loan.

*Evaluating the total cost is the key to selecting the lowest cost mortgage for your individual needs.**

Months: 60	30 Yr Fixed	5/1 Int Only	10/1 Int Only
Total Payment	$151,696	$127,500	$130,000
Principal Paid	$25,556	$0	$0
Int / MI Paid	$126,140	$127,500	$130,000
Balance Left	$374,444	$400,000	$400,000
Closing & Pts.	$7,500	$7,500	$7,500
Total Cost	$133,640	$135,000	$137,500
Net Savings	$3,860	$2,500	$0

3

MORTGAGE PLAN WITH ASSET ACCUMULATION

*This Mortgage Plan is designed to help you make an informed decision on a mortgage integrated with your overall financial plan. This example displays an estimated Real Estate value combined with potential investment account growth.**

	30 Yr Fixed	5/1 Int Only	10/1 Int Only
Monthly Amount	$0	$403	$362
Int. Rate	0.00%	8.00%	8.00%
Home Value	$578,813	$578,813	$578,813
Loan Balance	$385,669	$400,000	$400,000
Equity	$193,144	$178,813	$178,813
Accum. Total	$0	$16,336	$14,674
Net Worth (Years: 3)	**$193,144**	**$195,148**	**$193,486**
Home Value	$638,141	$638,141	$638,141
Loan Balance	$374,444	$400,000	$400,000
Equity	$263,697	$238,141	$238,141
Accum. Total	$0	$29,611	$26,599
Net Worth (Years: 5)	**$263,697**	**$267,752**	**$264,739**
Assets > Debts	30.00 yrs.	25.00 yrs.	25.42 yrs.

4

MONTHLY TAX BENEFIT

Consider the tax benefits of your home mortgage. By consolidating your non-tax deductible debt (credit cards, etc.) into your mortgage, you can save $$$. This is just an estimate - contact your tax consultant for advice.

Tax Brac: 33%	30 Yr Fixed	5/1 Int Only	10/1 Int Only
1st Mortgage	$715	$701	$715
2nd Mortgage	$0	$0	$0
Property Tax	$151	$151	$151
Total Monthly	$866	$853	$866
Net Savings	$14	$0	$14

NOTICE AND DISCLAIMER: The results above are based on (i) information provided by you, (ii) estimates of interest rates, your ability to save, your tax bracket, closing costs and other amounts, (iii) currently available loan programs and (iv) information and assumptions discussed with your advisor, all of which might change over time. If the information or assumptions are not correct or change, then the results above will change. Your advisor will provide additional information about costs, fees and other information required by state and federal law.

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Figure 24: Personalized Mortgage Plan: Total Cost Analysis (Source: The Marketing Machine, Mortgage Plan; image for illustration purposes only)

How to read your **Total Cost Analysis** Report

1 Review the Summary Options

The summary table offers information on up to four mortgage configurations. A few of the key data points include:

- **A** **1st and 2nd Mortgage:** This is a breakdown of the loan amounts, interest rates and term for both the first mortgage and the second mortgage.
- **B** **Totals:** The Totals area helps you understand the Total Payment (P&I= principal and interest only) and then identify the Net Savings for the lower payment options.
- **C** **MI:** If your first mortgage requires Mortgage Insurance, the amount of the premium will show up on this line and is included in the Total Payment.

		Program 1	0 Points	1 Point
1st	Loan Amount	$225,000	$225,000	$225,000
	Interest Rate	8.125%	7.750%	7.500%
	Term (months)	360	360	360
	P&I	$1,671	$1,612	$1,573
	MI	$0	$0	$0
2nd	Loan Amount	$0.00	$0.00	$0.00
	Interest Rate	0.000%	0.000%	0.000%
	Term (months)	180	180	180
	P&I	$0	$0	$0
Totals	Total Payment	$1,671	$1,612	$1,573
	Net Savings	$0	$59	$97

2 Calculate the Bottom Line

An Optimized Mortgage will maximize the bottom line. This key area of the report empowers you to make informed decisions by first breaking down the Total Cost:

- **A** **Months:** Reviewing the Total Cost over a specific time frame allows you to align your decision with your goals.
- **B** **Total Payment Factors:** Over the period specified in the Months, your payments are Totaled and then broken down by the amount that has been applied to your Principal and how much Interest you've paid.
- **C** **Closing and Pts:** What is missing from most mortgage analysis is factoring the costs associated with Closing and Points. MORTGAGE PLANNER'S NAME wants you top make an informed decision by including this information.

Months: 84	Program 1	0 Points	1 Point	2 Poin
Total Payment	$140,332	$140,358	$140,300	$140,
Principal Paid	$16,579	$21,191	$29,047	$33,
Int / MI Paid	$123,753	$118,167	$111,253	$106,
Balance Left	$200,421	$200,809	$195,953	$191,
Closing & Pts.	$0	$3,200	$5,450	$7,
Total Cost	$123,753	$119,367	$116,703	$114,
Net Savings	$0	$4,386	$7,050	$9,

- **D** Total Cost: Finally a way to compare the True Costs associated with a mortgage transaction, over time. The actual costs associated with a loan include Interest, PMI (Mortgage Insurance), Closing Costs, and Points. Principal is not considered a cost factor, because as it is paid it is converted to equity.

3 Understand How Each Options Impacts Your Strategy and Goals

Your Mortgage Plan integrates the costs and timelines and calculates how each option assists you in reaching your goals.

- **A** **Equity Increase:** If your goal is to pay down your mortgage principle faster, the Equity Increase Plan will illustrate over several periods of time, how each option impacts that goal.
- **B** **Debt Free In and Interest Saved:** By singling out the least effective option, your report shows you how long each option will take to pay off your mortgage and what you will save in Interest.

Equity Increase		Program 1	0 Points	1 Point	2
1st	Reduction	$0	$59	$97	
	7 years	$0	$6,553	$10,673	
	10 years	$0	$10,845	$17,259	
	15 years	$0	$19,970	$32,118	
Totals	Debt Free In	0.0 yrs.	26.3 yrs.	24.7 yrs.	
	Interest Saved	$0	$51,435	$71,817	

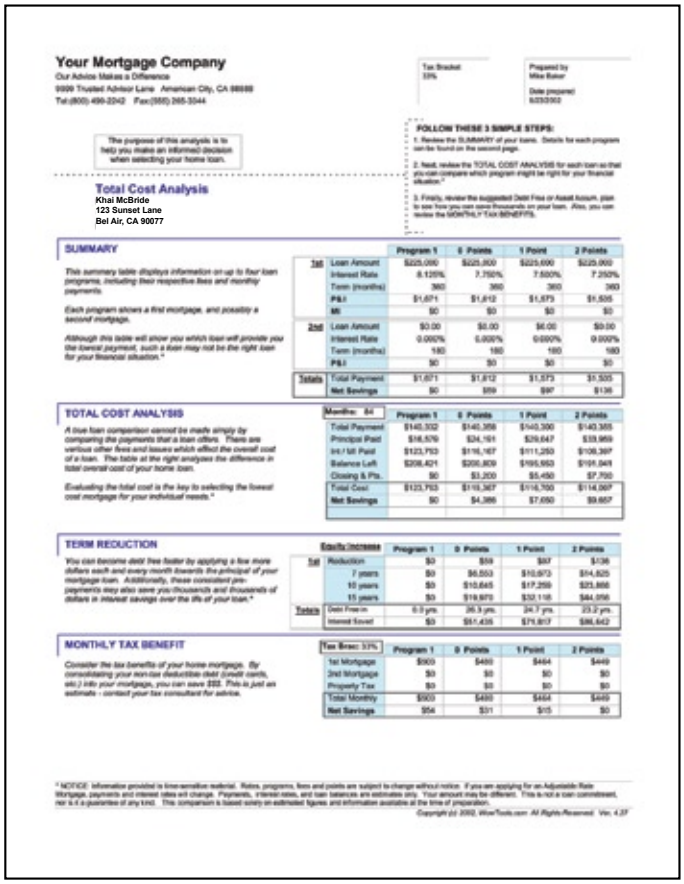
4 Understand the Likely Tax Benefits

Because the IRS allows most borrowers (see a qualified tax advisor for specifics) to deduct the cost of interest and property taxes from their income, you will want to review the potential impact.

- **A** **Tax Brac:** MORTGAGE PLANNER'S NAME has estimated your likely tax bracket to use in calculating your tax benefit.
- **B** **Total Monthly and Net Savings:** The likely total benefit is calculated and then compared to the least favorable option to show you your Net Savings.

Tax Brac: 33%	Program 1	0 Points	1 Point	2 Po
1st Mortgage	$503	$480	$464	
2nd Mortgage	$0	$0	$0	
Property Tax	$0	$0	$0	
Total Monthly	$503	$480	$464	
Net Savings	$54	$31	$15	

Figure 25: Personalized Mortgage Plan: How to Read Your Total Cost Analysis (1) (Source: The Marketing Machine, Mortgage Plan; image for illustration purposes only)



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Tel:(800) 499-2242 Fax:(888) 265-3044

Tax Bracket 33%

Prepared by Mike Baker

Date prepared 5/23/2002

The purpose of this analysis is to help you make an informed decision when selecting your home loan.

FOLLOW THESE 3 SIMPLE STEPS:

1. Review the SUMMARY of your loans. Details for each program can be found on the second page.

2. Next, review the TOTAL COST ANALYSIS for each loan so that you can compare which program might be right for your financial situation.*

3. Finally, review the suggested Debt Free or Asset Accum. plan to see how you can save thousands on your loan. Also, you can review the MONTHLY TAX BENEFITS.

Total Cost Analysis
Khal McBride
123 Sunset Lane
Bel Air, CA 90077

SUMMARY

This summary table displays information on up to four loan programs, including their respective fees and monthly payments.

Each program shows a first mortgage, and possibly a second mortgage.

Although this table will show you which loan will provide you the lowest payment, such a loan may not be the right loan for your financial situation.*

		Program 1	0 Points	1 Point	2 Points
1st	Loan Amount	$225,000	$225,000	$225,000	$225,000
	Interest Rate	8.125%	7.750%	7.500%	7.250%
	Term (months)	360	360	360	360
	P&I	$1,671	$1,612	$1,573	$1,535
	MI	$0	$0	$0	$0
2nd	Loan Amount	$0.00	$0.00	$0.00	$0.00
	Interest Rate	0.000%	0.000%	0.000%	0.000%
	Term (months)	180	180	180	180
	P&I	$0	$0	$0	$0
Totals	Total Payment	$1,671	$1,612	$1,573	$1,535
	Net Savings	$0	$59	$97	$136

TOTAL COST ANALYSIS

A true loan comparison cannot be made simply by comparing the payments that a loan offers. There are various other fees and issues which affect the overall cost of a loan. The table at the right analyzes the difference in total overall cost of your home loan.

Evaluating the total cost is the key to selecting the lowest cost mortgage for your individual needs.*

Months: 84	Program 1	0 Points	1 Point	2 Points
Total Payment	$140,332	$140,359	$140,300	$140,365
Principal Paid	$16,576	$24,161	$29,047	$33,969
Int./ MI Paid	$123,753	$116,167	$111,253	$106,397
Balance Left	$208,421	$200,839	$195,953	$191,049
Closing & Pts.	$0	$3,200	$5,450	$7,700
Total Cost	$123,753	$119,367	$116,700	$114,097
Net Savings	$0	$4,386	$7,050	$9,657

TERM REDUCTION

You can become debt free faster by applying a few more dollars each and every month towards the principal of your mortgage loan. Additionally, these consistent pre-payments may also save you thousands and thousands of dollars in interest savings over the life of your loan.*

Equity Increase		Program 1	0 Points	1 Point	2 Points
1st	Reduction	$0	$59	$97	$136
	7 years	$0	$6,553	$10,973	$14,825
	10 years	$0	$10,645	$17,259	$23,866
	15 years	$0	$19,973	$32,118	$44,056
Totals	Debt Free in	0.0 yrs.	26.3 yrs.	24.7 yrs.	23.2 yrs.
	Interest Saved	$0	$51,435	$75,817	$96,642

MONTHLY TAX BENEFIT

Consider the tax benefits of your home mortgage. By consolidating your non-tax deductible debt (credit cards, etc.) into your mortgage, you can save $$$. This is just an estimate - contact your tax consultant for advice.

Tax Brac: 33%	Program 1	0 Points	1 Point	2 Points
1st Mortgage	$903	$480	$464	$449
2nd Mortgage	$0	$0	$0	$0
Property Tax	$0	$0	$0	$0
Total Monthly	$903	$480	$464	$449
Net Savings	$54	$31	$15	$0

* NOTICE: Information provided is time-sensitive material. Rates, programs, fees and points are subject to change without notice. If you are applying for an Adjustable Rate Mortgage, payments and interest rates will change. Payments, interest rates, and loan balances are estimates only. Your amount may be different. This is not a loan commitment, nor is it a guarantee of any kind. This comparison is based solely on estimated figures and information available at the time of preparation.

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The Total Cost Analysis

The TCA performs the industry's most powerful side-by-side analysis of the net cost of a loan over time. More importantly, it highlights two specific areas of the total loan cost. First, it measures the financial impact the homeowner would experience if he or she were to invest the savings of a given loan into an asset-accumulation account. Second, it demonstrates the power of repaying the loan and the savings.

Making an Informed Decision

Why Total Cost Matters

Understanding the Total Cost of your mortgage means understanding the True Cost. The only way to measure the performance of your Mortgage is to assess all the various elements over time.

How long will you keep your loan?

When time is a factored into comparing loan options it can greatly alter the difference between options and scenarios. A Total Cost Analysis allows you and your mortgage planner to discuss options relative to the time you believe you'll want to keep your loan in order to determine which option is truly in your best interest. Small differences, properly managed over time, can mean many thousands of dollars in savings.

Factoring in Tax Benefits

In most cases the interest you pay on your mortgage is tax deductible (please see your CPA or other tax advisor for specifics). Because your Total Cost Analysis report includes Tax Savings you have a complete picture of the potential benefits your home provides in terms of Tax Benefits.

Aligning your mortgage to your goals

Financial goals are a personal element. Because most individuals see their Mortgage as being separate from their other financial instruments, they can miss opportunities to accelerate their objectives. Your Mortgage Planner has the unique software specially designed to help illustrate how your mortgage will impact your financial goals. Whether its paying off your home faster or increasing your savings and investment contributions, the Total Cost Analysis will show you the bottom line.

Figure 26: Personalized Mortgage Plan: How to Read Your Total Cost Analysis (2) (Source: The Marketing Machine, Mortgage Plan; image for illustration purposes only)

Khai McBride, Mortgage Planner

"With their help, we were not only able to afford our new home, but we were also able to reduce our overall monthly obligations significantly, which relieved a lot of the monthly debt pressure, allowing us to breathe again."

You Deserve World-Class Service

The McBride Group believes in a client-centric approach to business. We believe the only thing that matters in a mortgage transaction is that all our client's expectations are met and exceeded. Referrals are the lifeblood of our business, and we feel each and every referral needs to be earned. Because of this, we strive to offer unparalleled levels of client service. We take pride in guiding our clients through the mortgage process.

Superstar Originator

Using the systems he learned from the LoanToolbox, along with Bill Hillestad's teachings on marketing, Khai closed 99 loans his first year in 2003 by executing a database growth strategy. In 2004, Khai changed course and began focusing exclusively on nurturing his database. This resulted in 116 closed loans. In 2005, in his third full year as an originator, Khai came into his own. He combined his efforts for growing and nurturing his database into one effective system, and closed 204 loans, resulting in $78 million in production! In 2006, Khai opened a First Magnus/Great Southwest Mortgage net branch with his partner Howard Blank. Khai takes on the daily challenges of recruiting, training, and managing his branch of 10 loan officers while maintaining his personal loan production of 15 fundings per month.

At Business Plan 2007, Khai shared his personal system for success, which is based on the following principles:

- Run your business like a business.
- Buy brain cells with database marketing.
- Use a client-centric approach that addresses the 13 judgments.
- Systematize and create predictable systems to achieve consistent results.
- Constantly assess and evaluate yourself and your business.
- Follow the Flywheel Principle – it is not one big step that makes you successful, rather a series of small ones.

GREAT SOUTHWEST MORTGAGE

Great Southwest Mortgage

Khai McBride, Mortgage Planner
phone: 800-399-6892
fax: 800-399-6891
email: Khai@KhaiMcBride.com
website: www.KhaiMcBride.com

Figure 27: Personalized Mortgage Plan: Mortgage Planner spotlight (Source: The Marketing Machine, Mortgage Plan; image for illustration purposes only)

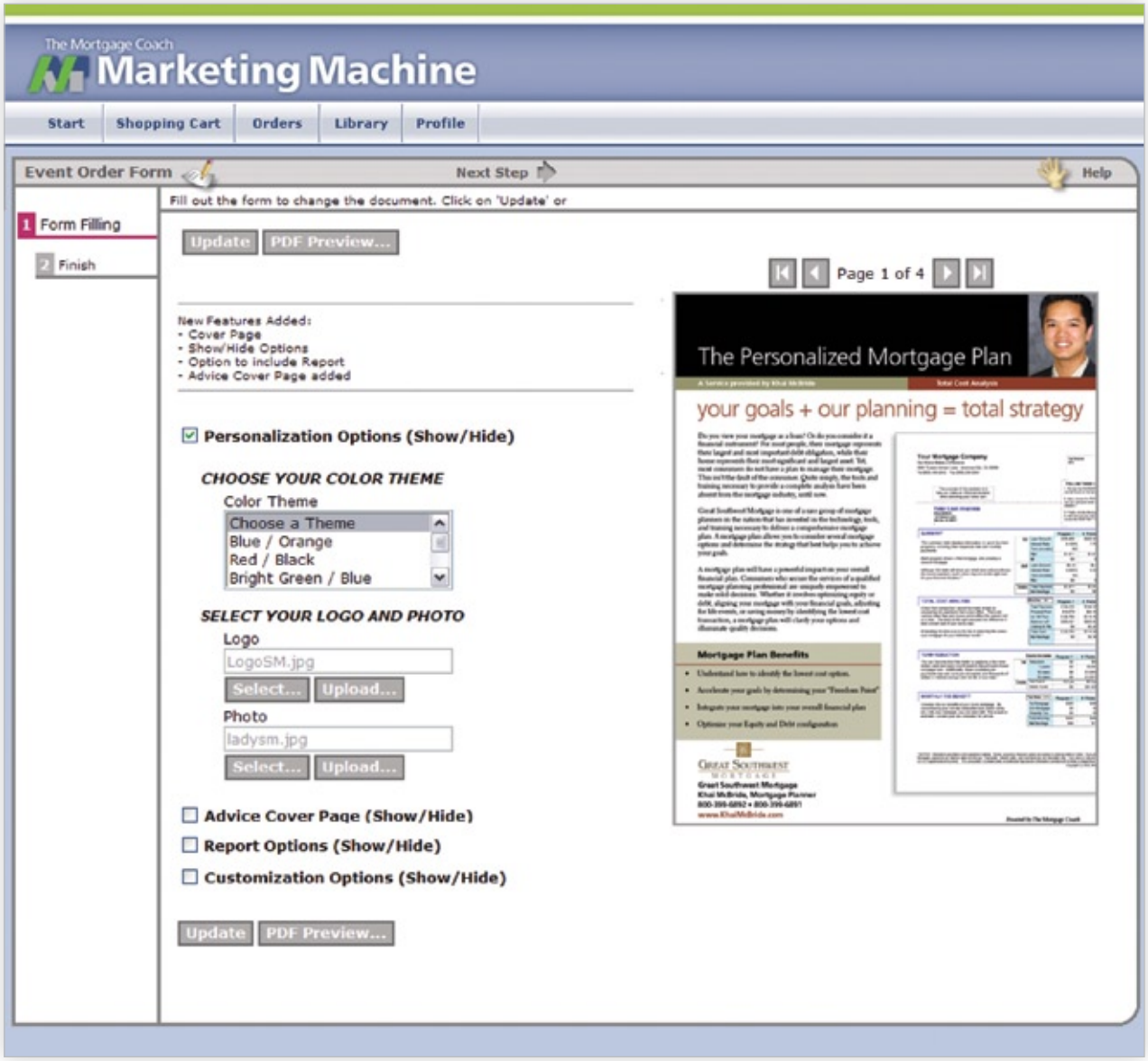


Figure 28: Marketing Machine website user interface (Source: www.mcmarketingmachine.com; image for illustration purposes only; image for illustration purposes only)

The RateWatch Report: Maintaining constant control

The first stage of Mortgage Planning, of course, is providing the Personalized Mortgage Plan. Once you've earned a client's respect and trust by delivering sound advice and obvious value to them, you are in a position in which you can manage your clients' relationships and their mortgages. This is what I call "Mortgages under Management," or "MuM" for short.

Monthly mortgage reviews

One of the most important MuM services that Mortgage Planners conduct is a monthly mortgage review. A monthly mortgage review is a monthly service that Mortgage Planners provide to help homeowners track their current interest rates and mortgage program and compare them to current market conditions.

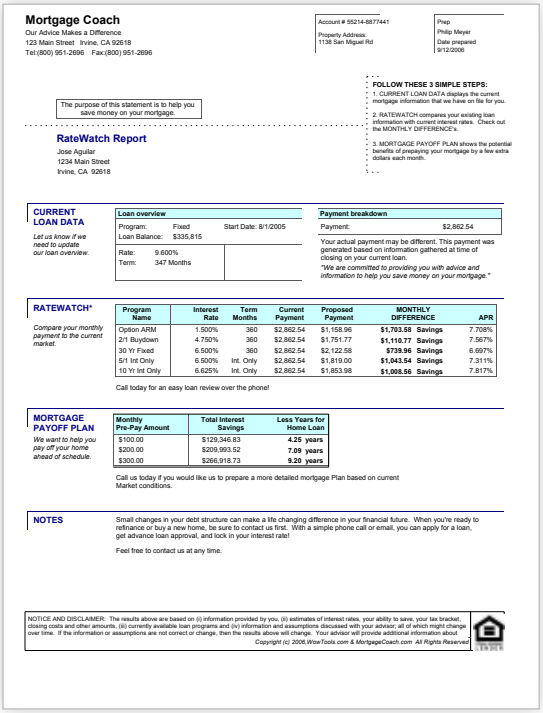
> The most powerful weapon in your wealth-building arsenal is your ability to keep in constant *relevant* communication with each *individual* client.

A mothmly mortgage review must first of all be relevant. As citizens of the Information Age, the last thing anyone wants is a loan officer dumping useless or irrelevant information on them. Second, the review must be individually tailored to each of your clients respectively. All communication with your clients must have obvious value specifically to them. It must be relevant and personalized.

The RateWatch revolution

The best way for a Mortgage Planner to conduct a relevant and individualized monthly mortgage review is to use the RateWatch Report from The Mortgage Coach (Figure 29). The RateWatch Report has the nickname "The Lead Machine", and for good reason. This automated one-page report can be bulk-mailed in a window business envelope to all clients in your database. With the RateWatch Report, you'll be able to provide past clients and prospects with a highly customized monthly review that compares their current loan data with several of the best available loan programs and rates currently on the market. It shows their payment savings and any

> Clients will be 520 percent more likely to conduct their next mortgage transaction with the Mortgage Planner who sends out a RateWatch Report.



Mortgage Coach
Our Advice Makes a Difference
123 Main Street Irvine, CA 92618
Tel:(800) 951-2696 Fax:(800) 951-2696

Account # 55214-8877441
Property Address:
1138 San Miguel Rd

Prep
Philip Meyer
Date prepared
9/12/2006

The purpose of this statement is to help you save money on your mortgage.

RateWatch Report
Jose Aguilar
1234 Main Street
Irvine, CA 92618

FOLLOW THESE 3 SIMPLE STEPS:
1. CURRENT LOAN DATA displays the current mortgage information that we have on file for you.
2. RATEWATCH compares your existing loan information with current interest rates. Check out the MONTHLY DIFFERENCE's.
3. MORTGAGE PAYOFF PLAN shows the potential benefits of prepaying your mortgage by a few extra dollars each month.

CURRENT LOAN DATA
Let us know if we need to update our loan overview.

Loan overview
Program: Fixed Start Date: 8/1/2005
Loan Balance: $335,815
Rate: 9.600%
Term: 347 Months

Payment breakdown
Payment: $2,862.54

Your actual payment may be different. This payment was generated based on information gathered at time of closing on your current loan.
"We are committed to providing you with advice and information to help you save money on your mortgage."

RATEWATCH
Compare your monthly payment to the current market.

Program Name	Interest Rate	Term Months	Current Payment	Proposed Payment	MONTHLY DIFFERENCE		APR
Option ARM	1.500%	360	$2,862.54	$1,158.96	**$1,703.58**	**Savings**	7.708%
2/1 Buydown	4.750%	360	$2,862.54	$1,751.77	**$1,110.77**	**Savings**	7.567%
30 Yr Fixed	6.500%	360	$2,862.54	$2,122.58	**$739.96**	**Savings**	6.697%
5/1 Int Only	6.500%	Int. Only	$2,862.54	$1,819.00	**$1,043.54**	**Savings**	7.311%
10 Yr Int Only	6.625%	Int. Only	$2,862.54	$1,853.98	**$1,008.56**	**Savings**	7.817%

Call today for an easy loan review over the phone!

MORTGAGE PAYOFF PLAN
We want to help you pay off your home ahead of schedule.

Monthly Pre-Pay Amount	Total Interest Savings	Less Years for Home Loan
$100.00	$129,346.83	**4.25 years**
$200.00	$209,993.52	**7.09 years**
$300.00	$266,918.73	**9.20 years**

Call us today if you would like us to prepare a more detailed mortgage Plan based on current Market conditions.

NOTES
Small changes in your debt structure can make a life changing difference in your financial future. When you're ready to refinance or buy a new home, be sure to contact us first. With a simple phone call or email, you can apply for a loan, get advance loan approval, and lock in your interest rate!

Feel free to contact us at any time.

NOTICE AND DISCLAIMER: The results above are based on (i) information provided by you, (ii) estimates of interest rates, your ability to save, your tax bracket, closing costs and other amounts, (iii) currently available loan programs and (iv) information and assumptions discussed with your advisor; all of which might change over time. If the information or assumptions are not correct or change, then the results above will change. Your advisor will provide additional information about
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Figure 29: The RateWatch Report. By using RateWatch report, you can give clients the confidence that they are in control of their own mortgage. (Source: The Mortgage Coach, RateWatch Report)

payment increase. This helps clients determine the right time to refinance as they seek to manage their mortgage debt more effectively.

Not only does the RateWatch Report keep your clients informed about financial issues that are important to them, but it keeps your name and services in your clients' mind month after month. Based on past performance statistics, clients will be 520 percent more likely to conduct their next mortgage transaction with the Mortgage Planner who sends out a RateWatch Report. This invaluable service helps mortgage professionals have 20 percent of their past clients conducting a transaction with you annually.

Sending RateWatch Reports is critical to optimizing your annual past client pull through rate as it will result in more referrals and more closed loans from your present client base. In the long term, showing clients that you care enough to keep them abreast of the mortgage market and help them manage their mortgage pays off not only for your clients, but for you, as well. When clients receive and are helped by a RateWatch Report, they'll tell their friends, neighbors and family that they are dealing with someone who is an authority in the mortgage business.

It's important to note that homeowners frequently don't know what their needs are, so one key benefit of the RateWatch Report is that it gets them to call you with their questions. Once they call, you can qualify what their needs are. All you want RateWatch to do is get them to call.

CURRENT LOAN DATA

Let us know if we need to update our loan overview.

Loan overview		
Program:	Fixed	Start Date: 6/1/2002
Loan Balance:	$207,772	
Rate:	6.250%	
Term:	326 Months	

Payment breakdown	
Payment:	$1,305.32

Your actual payment may be different. This payment was generated based on information gathered at time of closing on your current loan.

"We are committed to providing you with advice and information to help you save money on your mortgage."

Figure 30: Current Loan Data as presented in the RateWatch Report (Source: Mortgage Coach, RateWatch Report, Current Loan Data section, page 1)

Program Name	Interest Rate	Term Months	Current Payment	Proposed Payment	MONTHLY DIFFERENCE		APR
Option ARM	1.500%	360	$2,862.54	$1,158.96	**$1,703.58**	**Savings**	7.708%
2/1 Buydown	4.750%	360	$2,862.54	$1,751.77	**$1,110.77**	**Savings**	7.567%
30 Yr Fixed	6.500%	360	$2,862.54	$2,122.58	**$739.96**	**Savings**	6.697%
5/1 Int Only	6.500%	Int. Only	$2,862.54	$1,819.00	**$1,043.54**	**Savings**	7.311%
10 Yr Int Only	6.625%	Int. Only	$2,862.54	$1,853.98	**$1,008.56**	**Savings**	7.817%

Figure 31: The loan program comparison within the RateWatch Report (Source: Mortgage Coach, RateWatch Report, RateWatch section, page 1)

Personalized information

One of the beauties of the RateWatch Report is that as long as you have a prospect's current mortgage information, you can build relationships with them (Figure 30).

If you have your clients' current loan data, you can calculate the numbers for the RateWatch section

of the report. This section dollarizes the homeowner's monthly payment to what they could be paying given the current marketplace (Figure 31).

Monthly Pre-Pay Amount	Total Interest Savings	Less Years for Home Loan
$100.00	$52,951.53	4.35 years
$200.00	$86,075.54	7.36 years
$300.00	$109,148.92	9.60 years

Figure 32: The Mortgage Payoff Plan outlined in the RateWatch Report (Source: Mortgage Coach, RateWatch Report, Mortgage Payoff Plan section, page 1)

The third section of the report, the Mortgage Payoff Plan, reinforces the idea of the Freedom Point by demonstrating to each client how they can dramatically reduce interest and years off their mortgage simply by paying an additional amount on the principal each month (Figure 32).

Finally, a Personalized Notes section is included at the bottom of the report so that you can provide each client with additional custom information. These individualized messages from you to them can have a tremendously positive life-changing impact on your clients' financial picture.

RateWatch in real life

Let's take a look at some real cases of how the RateWatch Report works in real life.

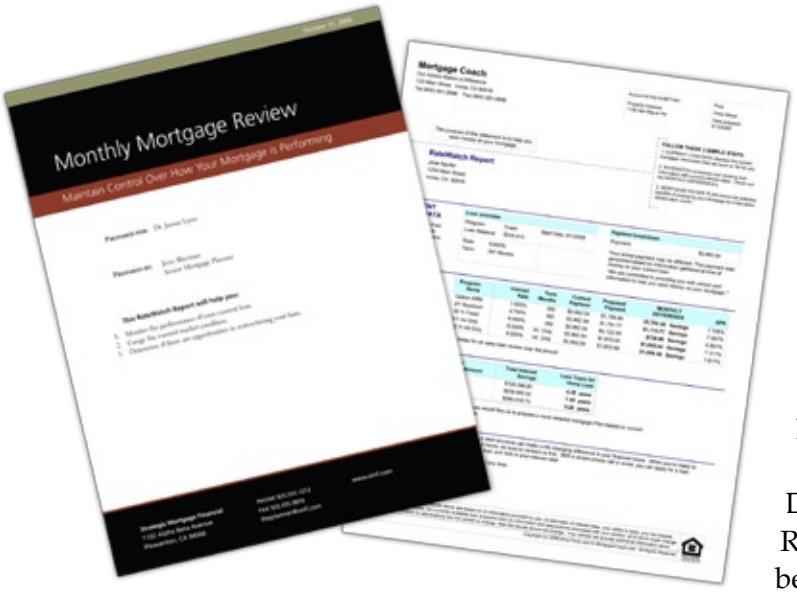

Figure 33: The RateWatch Report coupled Marketing Machine presentation wrapper (Sources: RateWatch Report from The Mortgage Coach and The Marketing Machine)

Dylan Kramer had 453 clients in his database. He mailed each of them an individualized RateWatch Report four times a year, which cost him about $700 in annual postage. As a direct result of these mailings, Kramer closed 41 loans, averaging $3,300 each. His net gain: $135,000 in gross revenue and a 17 percent annual pull-through rate on his past clients.

Drew Beverage also uses the RateWatch Report. "My number one best practice for mortgages under management is that all closed loans must go on RateWatch before they even sign the loan documents," says Beverage. "I put them on RateWatch at the time of the closing so that the very next month they are receiving a RateWatch Report on the loan they closed." After Beverage started providing his clients with the RateWatch Report consistently back in February of 2005, he had been hearing that a lot of loan officers were down in numbers. Because of RateWatch Reports, however, he experienced an up year. "My gross revenues were up 15 percent from the previous year," say Beverage, "and I attribute a lot of that to RateWatch."

John Weller uses RateWatch as a tool to stay in touch with clients. He observes, "most likely that first-time homebuyer is going to be another transaction within two or three years. So you could argue that inside of five years, the same client is going to conduct three transactions. By doing the first one right, you ensure the opportunities to do the next two." Weller exposes a common mistake that loan officers make: "Sometimes people think first-time homebuyers are small deals and are not

> "That first-time homebuyer is going to be another transaction within two or three years. Inside of five years, the same client might conduct three transactions. By doing the first one right, you ensure the opportunities to do the next two."
> — John Weller
> Vice President and Certified Mortgage Planner,
> Megastar Financial Corporation, Denver, Colorado

as profitable. But that's really short-sighted because most of them turn into triples. They're also the people who are most likely to refer others—as opposed to the million-dollar people who have all kinds of financial planners who are referring other mortgage people to them. First-time homebuyers don't have as many people pushing them to use somebody else."

RateWatch best practices

Finally, in order to make the RateWatch Report an effective program in your Mortgage Planner's arsenal, you'll need to maintain three best practices:

1. Update your RateWatch database on a weekly basis.
2. Send out the RateWatch Reports in 9"x12" envelopes. These envelopes should have a message on the outside that reinforces your value proposition.
3. Send out monthly regardless of the direction interest rates are taking.

To give you a full idea of how RateWatch Reports can and should be presented to clients, I've reproduced an entire RateWatch offering as presented using the Marketing Machine (Figures 33 and 34-38).

On September 9, 2006, Eric Bohn left a note about RateWatch on the Loan Toolbox Message Board. This is what he had to say:

After going back and forth for several months trying to decide whether I should spend the money and buy Mortgage Coach, I finally took the plunge last week and purchased it. I had the pleasure of speaking to Tim [Braheem] at a *Mortgage Originator* magazine event in Southfield [Michigan] yesterday and he encouraged me to let Mortgage Coach and my fellow LTB members know my results.

We sent out 100 RateWatch Reports, as we wanted to see what would happen with a small sample size. I now have 16 new loans worth $3.2 million in my pipeline as a direct result of that mailing. One of my past clients is refinancing four of his investment properties and his personal home; I have one client buying a second home; eight past clients are refinancing their primary homes, and one of my past clients brought the RateWatch Report into work and showed the report to two of his co-workers and then referred them both to me to do the financing for their new homes!

Now I just need to get the rest of my client database loaded into MC [The Mortgage Coach] so that I can, hopefully, more effectively farm my current database for more loans.

If you are on the fence right now as to whether or not you should purchase MC, I encourage you to not repeat my mistake of waiting for months and to go ahead and make MC an integral part of your Mortgage Planning practice.
(Source: Loan Toolbox Message Board: **loantoolbox.com***)*

Your Monthly RateWatch

Maintaining Constant Control of Your Mortgage

Prepared for: Mr. Neil Armstrong
Mrs. Janet Armstrong

Prepared by: Dylan Kramer
Mortgage Planner

Starpointe Mortgage
1100 Jorie Blvd., Suite 201,
Oak Brook, IL

PHONE 630.368.3300
FAX 630.368.1688
info@emailaddress.com

www.starpointechicago.com

Figure 34: RateWatch: Cover sheet (Source: Marketing Machine, RateWatch Report; image for illustration purposes only)

STARPOINTE Mortgage

Prepared for: Mr. Neil Armstrong, Mrs. Janet Armstrong
Prepared by: Dylan Kramer, Mortgage Planner

Mr. Armstrong:

I want to introduce you to a service I will be offering for your benefit—the Monthly RateWatch. The report will be generated using the most up-to-date information on your mortgage. By doing this, I ensure that my advice is accurate, that it will address your financial needs, and will put you in control of your own financial future.

Every time I send you a RateWatch Report, you will receive the following items:

Your RateWatch Report: The centerpiece of this periodic service is your RateWatch Report. Your RateWatch report ensures that you are aware of the best rates and loan programs available to you in the current market. It does this by (1) displaying the current mortgage information we have on file for you, (2) comparing your existing loan information with current interest rates and other factors vital to your mortgage situation, and (3) showing the potential benefits of prepaying your mortgage by a few extra dollars each month.

How to Read Your RateWatch Report: Referring to this document as you step through your RateWatch Report is a simple way to understand what your mortgage situation means to your financial future.

Supporting Material: Upon occasion I will enclose articles or reports that I think would be useful to you in light of your mortgage position.

Together these components will inform you about current financial trends and what they mean for your mortgage. Ultimately, the goal of your RateWatch Report is to enable you to maintain control over your mortgage and your financial future.

As you review the enclosed material, you will probably have several questions or concerns regarding the opportunities that I include in the report. Please call me with these questions. I welcome the chance to discuss your mortgage at any time.

Warmest regards,

Dylan Kramer

Dylan Kramer

Starpointe Mortgage
1100 Jorie Blvd., Suite 201, Oak Brook, IL

PHONE 925.555.1212
FAX 925.555.9876

info@emailaddress.com
www.starpointechicago.com

Figure 35: RateWatch: Cover letter (Source: Marketing Machine, RateWatch Report; image for illustration purposes only)

Starpointe Mortgage

Our Advice Makes a Difference
123 Main Street Irvine, CA 92618
Tel:(800) 951-2696 Fax:(800) 951-2696

Account # 55214-8877441
Property Address:
1138 San Miguel Rd

Prep
Dylan Kramer
Date prepared
9/12/2006

The purpose of this statement is to help you save money on your mortgage.

FOLLOW THESE 3 SIMPLE STEPS:

1. CURRENT LOAN DATA displays the current mortgage information that we have on file for you.
2. RATEWATCH compares your existing loan information with current interest rates. Check out the MONTHLY DIFFERENCE's.
3. MORTGAGE PAYOFF PLAN shows the potential benefits of prepaying your mortgage by a few extra dollars each month.

RateWatch Report

Neil Armstrong
123 Sunset Lane,
Fullerton, CA 92615

CURRENT LOAN DATA

Let us know if we need to update our loan overview.

Loan overview

Program:	Fixed	Start Date: 8/1/2005
Loan Balance:	$335,815	
Rate:	9.600%	
Term:	347 Months	

Payment breakdown

Payment:	$2,862.54

Your actual payment may be different. This payment was generated based on information gathered at time of closing on your current loan.

"We are committed to providing you with advice and information to help you save money on your mortgage."

RATEWATCH*

Compare your monthly payment to the current market.

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Monthly Pre-Pay Amount	Total Interest Savings	Less Years for Home Loan
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Call us today if you would like us to prepare a more detailed mortgage Plan based on current Market conditions.

NOTES

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Feel free to contact us at any time.

NOTICE AND DISCLAIMER: The results above are based on (i) information provided by you, (ii) estimates of interest rates, your ability to save, your tax bracket, closing costs and other amounts, (iii) currently available loan programs and (iv) information and assumptions discussed with your advisor; all of which might change over time. If the information or assumptions are not correct or change, then the results above will change. Your advisor will provide additional information about

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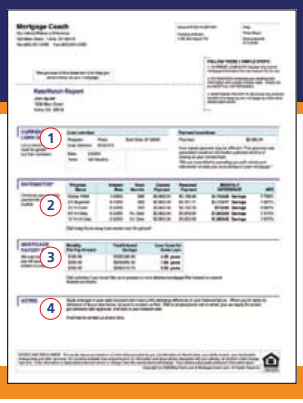
EQUAL HOUSING LENDER

Figure 36: RateWatch: RateWatch Report (Source: Marketing Machine, RateWatch Report; image for illustration purposes only)

How To Read Your **RateWatch** Report



The **RateWatch report** ensures that you receive the lowest rate possible and have the loan program that best allows you to meet your needs and reach your dreams. By comparing your monthly payment to available market options, and highlighting your mortgage payoff plan, this report will allow you to rest assured that you are in control of your mortgage and that your mortgage debt is being managed by your trusted Mortgage Planner.

1 Review Your Current Loan Data.

RateWatch displays the most current information I have on file for your mortgage. If it's not up to date, please call me so I can update my analysis.

Loan overview

Program:	Fixed	Start Date: 8/1/2005
Loan Balance:	$335,815	
Rate:	9.600%	
Term:	347 Months	

Payment breakdown

Payment: $2,862.54

Your actual payment may be different. This payment was generated based on information gathered at time of closing on your current loan.

"We are committed to providing you with advice and information to help you save money on your mortgage."

2 Discover Potential Savings.

I have listed the best loan programs and rates available to you. Compare these options to your current loan and evaluate your potential for short and long-term savings.

Program Name	Interest Rate	Term Months	Current Payment	Proposed Payment	MONTHLY DIFFERENCE		APR
Option ARM	1.500%	360	$2,862.54	$1,158.96	**$1,703.58**	**Savings**	7.708%
2/1 Buydown	4.750%	360	$2,862.54	$1,751.77	**$1,110.77**	**Savings**	7.567%
30 Yr Fixed	6.500%	360	$2,862.54	$2,122.58	**$739.96**	**Savings**	6.697%
5/1 Int Only	6.500%	Int. Only	$2,862.54	$1,819.00	**$1,043.54**	**Savings**	7.311%
10 Yr Int Only	6.625%	Int. Only	$2,862.54	$1,853.98	**$1,008.56**	**Savings**	7.817%

3 Lower Your Monthly Payment… And Pay Off Your Home ahead of Schedule.

Of course, it's not just a lower monthly payment you're after. You also want a mortgage payoff plan that will allow you to pay off your home ahead of schedule. In this section, I illustrate how you can pre-pay your loan given several possible scenarios. By taking my recommendations, you can save on interest and simultaneously pay off your home loan more quickly!

Monthly Pre-Pay Amount	Total Interest Savings	Less Years for Home Loan
$100.00	$129,346.83	**4.25 years**
$200.00	$209,993.52	**7.09 years**
$300.00	$266,918.73	**9.20 years**

4 Notes

When I prepare this report, I frequently include messages and additional information that can have a positive, life-changing impact on your financial picture.

NOTES

Small changes in your debt structure ca
refinance or buy a new home, be sure tc
get advance loan approval, and lock in y

Feel free to contact us at any time.

Starpointe Mortgage
1100 Jorie Blvd., Suite 201, Oak Brook, IL

PHONE 925.555.1212
FAX 925.555.9876

info@emailaddress.com
www.starpointechicago.com

Figure 37: RateWatch: How to Read Your RateWatch Report (Source: Marketing Machine, RateWatch Report; image for illustration purposes only)

Maintaining Constant Control of Your Mortgage

Services for Life

As a professional Mortgage Planner, I offer a suite of services that revolves around your debts, your home, and the value your home contains. I would be honored to provide you with any or all of these special services. Each of these services is grounded in expert advice and professional experience.

"Our purpose at Starpointe Mortgage is to improve our client's lives, helping them achieve their long term goals by ensuring they use their mortgage as a dynamic, integrated part of their full scale financial plan."

Mortgage Plan

Making an informed decision.

Your Personalized Mortgage Plan can have a powerful impact on your overall financial picture. Consumers who secure the services of a mortgage planning professional are uniquely empowered to make solid decisions. Through the Personalized Mortgage Plan you will understand the total cost and the total benefit of every mortgage option available to you. Whether it be optimizing equity or debt, aligning your mortgage with financial goals, adjusting for life events, or preserving cash-flow, a Personalized Mortgage Plan clarifies decision-making and illuminates options.

RateWatch

Maintain constant control

As your Mortgage Planner, I consider that my work really begins with the closing of your loan. Your RateWatch Report is a service designed to help you maintain continual control over the performance of your mortgage. I will proactively provide you with the information and analysis to review how your loan compares to other options. You will enjoy the constant control of regularly having the financial data necessary to determine if changes in your life or market conditions warrant fine-tuning your mortgage instrument.

Equity Review

Optimizing equity for life.

It's been said that the only thing in life that is constant is change. The Equity Review takes an in-depth look at the various aspects of your mortgage's performance, allowing you to determine whether your loan is continuing to contribute to the acceleration of your financial goals. If changes in your life warrant changes in your financing, you'll be able to make that determination. Just as you go to the doctor for regular physical checkups, the Equity Review will empower you to optimize your equity by helping you assess your mortgage's "health" each year.

STARPOINTE Mortgage

Starpointe Mortgage
Dylan Kramer, Mortgage Planner
1100 Jorie Blvd., Suite 201, Oak Brook,IL
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<State and local laws prohibit discrimination on other bases, which might include sexual orientation, age, marital status, veteran status, income source and others. All such discrimination violates the rules of this site. Ads must not include any discriminatory statement or image>

Figure 38: RateWatch: Mortgage Planner Spotlight (Source: Marketing Machine, RateWatch Report; image for illustration purposes only)

The Quarterly Credit Review: Protecting your clients' path to financial opportunity

Another excellent opportunity that Mortgage Planners are beginning to take advantage of is sending borrowers Quarterly Credit Reviews. This innovation was pioneered in large part by marketing guru Bill Hillstead and top producer Khai McBride of Great Southwest Mortgage. McBride closed 398 loans in the past two years for a total of $143 million. With a total database of 3000 and 300 mortgages under management, McBride knows whereof he speaks.

> Mortgage Planners have an incredible opportunity to educate millions of people in this country as to the importance of credit and the opportunities that good credit represents.

According to McBride, Americans have spent $7.5 billion buying credit reports and signing up for credit monitoring services. There are at least two things driving this huge growth in consumer interest in credit: the increase of Internet transactions and the increase in opportunities for identity thieves to ruin consumers' credit. In response to the growing demand for credit-related services, McBride got the idea to provide a credit-monitoring service to his clients free of cost (many companies charge upwards of $39 a month for this service)—a service he calls a Quarterly Credit Review.

In addition to realizing that clients desperately wanted credit protection, McBride realized that the credit report was his clients' financial passport to all sorts of life opportunities—everything from buying a car to getting a student loan to securing a mortgage. The problem is that not many Americans are cognizant of the opportunities that good credit and improving credit can offer them. In addition to this market, there's an emerging market of people who have recently arrived to this country—people who need to be educated on the importance of establishing, maintaining, and monitoring their credit. Hence, Mortgage Planners have an incredible opportunity to educate millions of people as to the importance of credit and the opportunities that good credit represents.

LoanNow Opportunity!

Using Total Cost Analysis, you can quantify and show people the value of improving their credit and FICO score month to month and over time. By using the Total Cost Analysis, you are not just talking about a nebulous interest rate, which may mean very little to a homeowner; rather, you are dollarizing the monthly cost of the loan and show the value and the cost of that monthly dollarization over time.

Given market trends, the complexities of credit and the fact that consumers are waking up to the importance of credit, McBride has identified credit monitoring to be a tangible service that homeowners will recognize as having obvious value. Once again, a Mortgage Planner has recognized a need in the marketplace and is now filling it.

Delivering obvious value

McBride says, "I use the Quarterly Credit Report as a mechanism to provide value to people. I see a person's credit as a key, a passport to their portfolio. Knowing their credit allows me to uncover and unlock a lot of different opportunities for them. I use various reports from The Mortgage Coach—including Total Cost Analysis reports, Equity Repositioning Analysis reports, and Debt Free Analysis reports—to present these opportunities to my clients." These opportunities usually entail improving their FICO score or getting an improved loan, and these options are then dollarized using something like Total Cost Analysis. Using such a report McBride can even show the value and cost of monthly dollarization over time. This is just one opportunity among many that Mortgage Planners can seize to benefit their clients and build long-term relationships.

There's a very significant chunk of the population for whom a Quarterly Credit Review is very attractive. A full 40 percent of McBride's clientele asks for the opportunity to consider this service, and half of these will usually realize the value of the opportunity McBride is presenting them. For McBride, this translates into an extra five to eight extra loans per month just by using the Quarterly Credit Report. In a very real sense, it's his MuM system to keep in touch with his clients and to solidify his relationship with them. With average commissions in 2006 of $6,200, that's an average gross gain for McBride of anywhere between $372,000 and $595,200 every year!

Khai McBride's four best practice steps for Quarterly Credit Reviews

So how does McBride do it? He has four easy steps:

First, he gets permission from the client to begin conducting this service. This authorization can be secured in two ways: First, you can get permission every time you run a credit report. Second, you can have your client sign a perpetual agreement which allows you to pull their credit on a quarterly basis. The first route, which is the traditional way, is generally the most straightforward way of getting permission from clients, but the perpetual agreement is gaining in strength and acceptance.

Second, he runs the actual credit reports, taking care to make no more than one inquiry through any given credit agency every nine months. He does this in order to avoid impacting his client's credit rating.

> A full forty percent of McBride's clientele asks for the opportunity to consider this service.

Third, McBride performs an analysis in which he figures out how much equity the client has in their home and what their assets may be. Says McBride: "A person's liability never tells the big picture unless I look at their assets as well. Even then, I don't look at their assets only in terms of equity from their home, but I want to look at their personal and portfolio assets. In this way, I'm looking at someone's credit not just as a loan officer but as a liability and debt manager. By managing their debt and their liabilities, I start uncovering opportunities for my client." For example, a Quarterly Credit Review may reveal that a client is in a lot of debt and is in a low asset position. Or perhaps they are in an asset imbalance because all of their assets

October 18, 2006

THE MCBRIDE GROUP
Thank You!
APPRECIATION PROGRAM

Jordan Miller
123 Sunset Lane
Bel Air, CA 90077

Dear Jordan:

As someone I value, I wanted to let you know that I am happy you feel it is important to monitor your credit and receive a complimentary Quarterly Credit Review package. With fraud on the rise and more and more erroneous items appearing on credit reports, it is always a great idea to monitor your credit. Knowledge is power and a periodic review of your credit ensures that we can clear up any mistakes or blemishes on your report and also to make sure you are not a victim of fraud.

QUARTERLY CREDIT REVIEW

After reviewing your credit, our analysis is as follows:

Credit Score: 683 (Good)

Areas needing improvements:
1. Pay down debt
Projected FICO increase: 60 points

Based on our analysis of your debt and equity, we recommend you consolidate your debt into your tax preferred mortgage, allowing you to ***save $643 per month*** in mortgage payments. We are pleased to say that you have already been pre-approved for your new mortgage based on the information we currently have on file.

Please review the attached Personal Mortgage Plan outlining your savings benefit. I hope you find this package valuable and we will be contacting you soon to review the information with you.

Sincerely,

Khai McBride
Branch Manager
Great Southwest Mortgage, Encino

PS – If you know someone that would benefit from being a part of our Appreciation Program, please send their contact information or have them contact Brenda Guerrero (800) 399-6890 brenda@mcbridegroup.com.

Figure 39: The cover letter Khai McBride sends out with every Quarterly Credit Review (©Khai McBride)

are trapped in their home and are not liquid. This gives the Mortgage Planner opportunities from a strategic equity point of view.

Although the Quarterly Credit Review provides many opportunities to the Mortgage Planer vis-à-vis their clients, McBride issues a precaution: "You cannot exploit this opportunity and get so excited that you call the borrower and say 'Hey, guess what! I got you an opportunity for a refinance!'" McBride continues: "The way you make the Quarterly Credit Review a value service is to deliver it to people in a tangible format. This is what clients are expecting."

This leads us to the fourth step McBride takes in conducting Quarterly Credit Reviews: "I take the time to print their report, print the Mortgage Coach reports that apply to that borrower's situation, and include a very nice cover letter that thanks the client for recognizing the value of this service and reminds them why credit monitoring is important for their financial health (Figure 39). On this cover letter tell them some of the opportunities they can use to put themselves in better financial state." When clients get something tangible in the mail like this, it becomes value and they're going to be more willing to accept it on a regular basis. Again, McBride encourages Mortgage Planners to be smart: "You have to refrain from calling them about the opportunity until they receive the deliverable." A day or two after they've received it, you can call them and passively ask them whether they've received the package and whether they have any questions. If they're willing, you can then walk them through it, pointing out their options in a friendly, value-adding way.

McBride notes that it's also wise to include supplementary articles that show your clients why credit monitoring is so crucial and how they can improve their credit. Loan Toolbox is an excellent resource in this regard, and it's one that both McBride and I use frequently.

Five opportunities you can find in a client's credit report

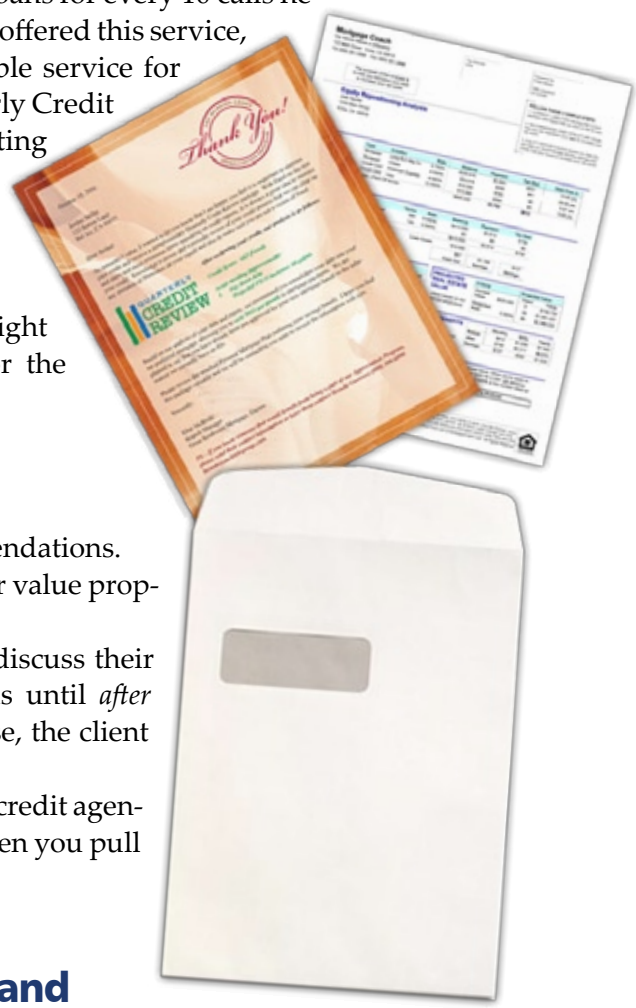
Finally, let's learn what McBride looks for when he review's a client's credit report. Specifically, there are five things that he looks for. The presence of any one of these things signals a strong possibility that he can help his client financially:

1. **Excessive debt:** How much debt is excessive debt? One way to determine whether your client has excessive debt is by figuring out what their monthly obligation to their creditors is. If their monthly obligation is as little as a hundred dollars, they may well be considered to be in excessive debt. At the end of the day, in reviewing a client's credit report, you're looking for anything that could make a significant improvement in their life over the long term. McBride observes that the way you find potential improvement is to have to "have your finger on the pulse of what's important to them." McBride continues: "Something like a college education could be very important to your client, and getting them to understand that the hundred dollars they are spending every month on bad debt could, if properly managed, be the difference between whether their child goes to Stanford or a state school."
2. **Derogatories:** You want every client to have a credit score of 720 or above with no derogatories. Every client with credit a credit score below 720 number is an opportunity to you can take to solidify your relationship with them. After all, this is a free service you're providing in order to help them.
3. **Equity growth:** When McBride does the Quarterly Credit Report and reviews his clients' equity, he looks to see whether there has been any equity growth. If there has been, he considers various

options they may have to use that equity growth, whether it's remodeling their home or moving up.

4. **Equity imbalance:** Another thing McBride is attuned to is too much unused or untapped equity in their home—equity that could be better and more profitably used elsewhere. Again, an opportunity.
5. **Little to no equity:** When a client has little to no equity, you can help put them in a more leveraged position so that they can grow more equity. Here, having a good relationship with financial planners is key. When McBride talks with financial planners, he says this: "There's a reason your client is not able to save much money: they are in debt. If I can get them out of this debt, I can assist you in helping them grow the equity that they don't have."

Eventually, business produced in conjunction with this service accounts for a considerable percentage of McBride's business. In fact, McBride produces two loans for every 10 calls he makes to a Mortgage under Management client who is offered this service, and 50 percent of the people he performs this valuable service for eventually conduct transactions with him. The Quarterly Credit Report is a major piece of McBride's database marketing campaign and can figure just as prominently in your mortgage practice.



Quarterly Credit Review best practices

Before we conclude talking about this service, let's highlight six best practices that you need to make a habit for the Quarterly Review to be effective:

1. Send the credit report in the mail.
2. Include an Equity Repositioning Analysis Report.
3. Include a cover letter that highlights your recommendations.
4. Deliver the report in a letter size envelope with your value proposition printed on the outside.
5. Make it a point not to call the client to review or discuss their credit report or the Equity Repositioning analysis until *after* they've received the package in the mail. Otherwise, the client will think that it is an empty solicitation.
6. Have your client opt-out for solicitations from their credit agencies or they'll get lots of calls from other lenders when you pull their credit report.

The Annual Equity Review: Building and managing long-term growth

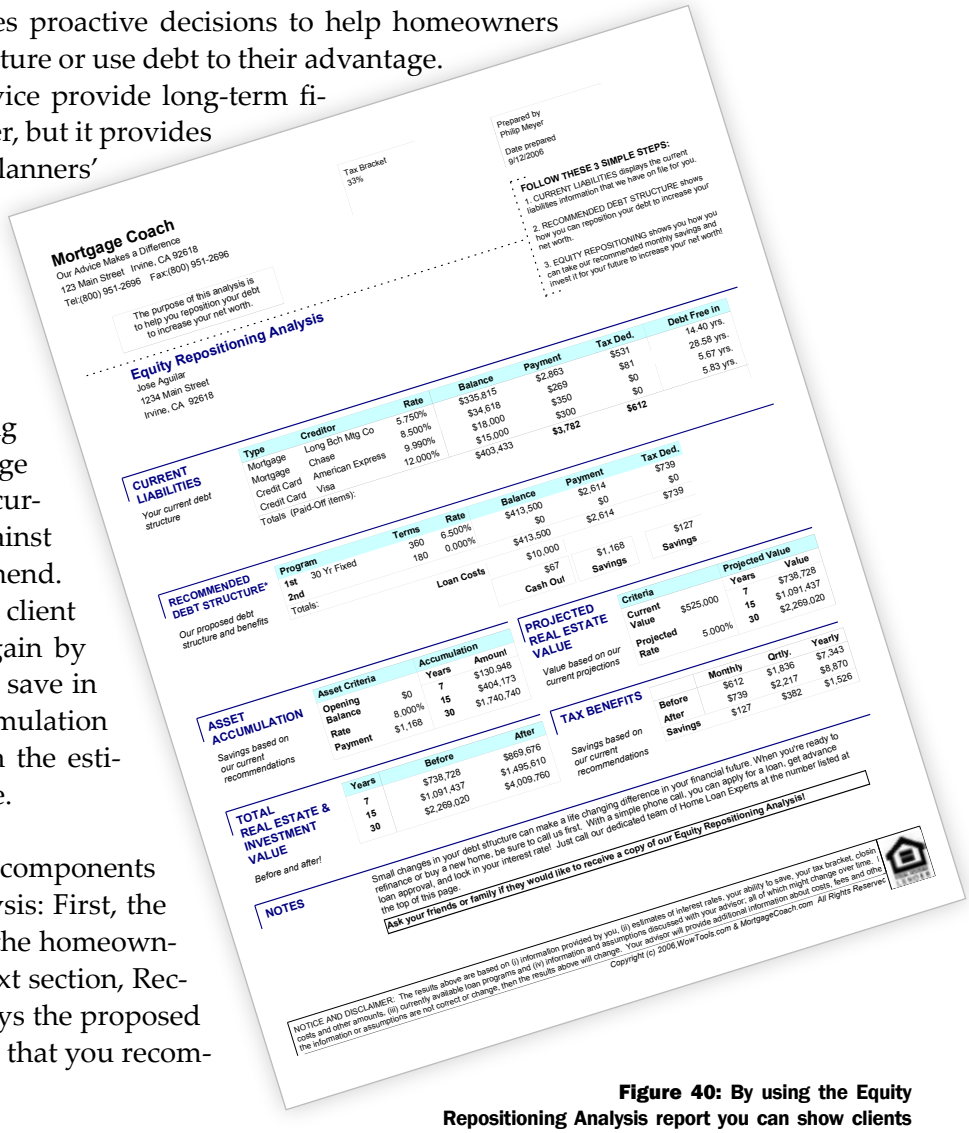
Typically, homeowners don't receive Annual Equity Reviews from loan officers. Yet this type of review is critical to any Mortgage Planner who wishes to help his clients accomplish their long-term goals as well as his own. Thus, beyond creating Personalized Mortgage Plans and conducting Quarterly Credit Reviews, performing Annual Equity Reviews is one of the best services a Mortgage Planner could provide and a homeowner could ask for (Figure 40). A Mortgage Planner who performs Annual

Equity Reviews is one who makes proactive decisions to help homeowners determine the right time to restructure or use debt to their advantage. To repeat, not only does this service provide long-term financial stability for the homeowner, but it provides long-term growth for Mortgage Planners' practices. This service is critical if you want to control your success long-term and lessen the impact of changes in interest rates and the marketplace.

With the Equity Repositioning Analysis report, you as a Mortgage Planner can compare your clients' current debt and equity program against a new program that you recommend. This analysis clearly shows your client how much savings they would gain by putting the difference they would save in the new program in an asset-accumulation account. The interest rate used in the estimate is based on past performance.

Here is a brief breakdown of the components of the Equity Repositioning Analysis: First, the Current Liabilities section shows the homeowner's current debt structure. The next section, Recommended Debt Structure, displays the proposed debt structure, with clear benefits, that you recommend (Figure 41).

Because homeownership has definite tax advantages, the next component of the ERA is Tax Benefits. This section of the report estimates the monthly savings that the recommended tax benefits can bring (Figure 47). (I advise that Mortgage Planners get advice from a tax advisor for this section.)



Mortgage Coach
Our Advice Makes a Difference
123 Main Street Irvine, CA 92618
Tel:(800) 951-2696 Fax:(800) 951-2696

Prepared by Philip Meyer
Date prepared 9/12/2006

Tax Bracket 33%

The purpose of this analysis is to help you repositon your debt to increase your net worth.

FOLLOW THESE 3 SIMPLE STEPS:
1. CURRENT LIABILITIES displays the current liabilities information that we have on file for you.
2. RECOMMENDED DEBT STRUCTURE shows how you can reposition your debt to increase your net worth.
3. EQUITY REPOSITIONING shows you how you can take our recommended monthly savings and invest it for your future to increase your net worth!

Equity Repositioning Analysis
Jose Aguilar
1234 Main Street
Irvine, CA 92618

CURRENT LIABILITIES
Your current debt structure

Type	Creditor	Rate	Balance	Payment	Tax Ded.	Debt Free in
Mortgage	Long Bch Mtg Co	5.750%	$335,815	$2,863	$531	14.40 yrs.
Mortgage	Chase	8.500%	$34,618	$269	$81	28.58 yrs.
Credit Card	American Express	9.990%	$18,000	$350	$0	5.67 yrs.
Credit Card	Visa	12.000%	$15,000	$300	$0	5.83 yrs.
Totals (Paid-Off items):			$403,433	$3,782	$612	

RECOMMENDED DEBT STRUCTURE*
Our proposed debt structure and benefits

Program		Terms	Rate	Balance	Payment	Tax Ded.
1st	30 Yr Fixed	360	6.500%	$413,500	$2,614	$739
2nd		180	0.000%	$0	$0	$0
Totals:				$413,500	$2,614	$739
			Loan Costs	$10,000		
			Cash Out	$67	$1,168	$127
					Savings	Savings

ASSET ACCUMULATION
Savings based on our current recommendations

Asset Criteria		Accumulation Years	Amount
Opening Balance	$0	7	$130,948
Rate	8.000%	15	$404,173
Payment	$1,168	30	$1,740,740

PROJECTED REAL ESTATE VALUE
Value based on our current projections

Criteria		Projected Value Years	Value
Current Value	$525,000	7	$738,728
Projected Rate	5.000%	15	$1,091,437
		30	$2,269,020

TAX BENEFITS
Savings based on our current recommendations

	Monthly	Qrtly.	Yearly
Before	$612	$1,836	$7,343
After	$739	$2,217	$8,870
Savings	$127	$382	$1,526

TOTAL REAL ESTATE & INVESTMENT VALUE
Before and after!

Years	Before	After
7	$738,728	$869,676
15	$1,091,437	$1,495,610
30	$2,269,020	$4,009,760

NOTES
Small changes in your debt structure can make a life changing difference in your financial future. When you're ready to refinance or buy a new home, be sure to call us first. With a simple phone call, you can apply for a loan, get advance loan approval, and lock in your interest rate! Just call our dedicated team of Home Loan Experts at the number listed at the top of this page.
Ask your friends or family if they would like to receive a copy of our Equity Repositioning Analysis!

NOTICE AND DISCLAIMER: The results above are based on (i) information provided by you, (ii) estimates of interest rates, your ability to save, your tax bracket, closing costs and other amounts, (iii) currently available loan programs and (iv) information and assumptions discussed with your advisor, all of which might change over time. The information or assumptions are not correct or change, then the results above will change. Your advisor will provide additional information about costs, fees and other
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Figure 40: By using the Equity Repositioning Analysis report you can show clients how repositioning equity can dramatically effect their long-term financial goals (Source: Mortgage Coach, Equity Repositioning Analysis report, page 1).

CURRENT LIABILITIES
Your current debt structure

Type	Creditor	Rate	Balance	Payment	Tax Ded.
Mortgage	Lunar Credit Union	6.250%	$205,721	$1,305	$354
Mortgage	2nd Mortgage	8.250%	$27,696	$291	$63
Credit Card	Mastercard	19.990%	$18,000	$350	$0
Credit Card	Chase Manhatten	19.990%	$15,125	$268	$0
Credit Card	Ford Motor Credit	9.500%	$12,486	$456	$0
Totals (Paid-Off items):			$279,027	$2,670	$416

RECOMMENDED DEBT STRUCTURE*
Our proposed debt structure and benefits

Program		Terms	Rate	Balance	Payment	Tax Ded.
1st	30 Yr Fixed	360	5.750%	$258,400	$1,508	$409
2nd	HELOC	Int. Only	5.500%	$30,000	$138	$45
Totals:				$288,400	$1,645	$454
			Loan Costs	$6,000		
				$3,373 Cash Out	$1,025 Savings	$38 Savings

Figure 41: Current Liabilities and Recommended Debt Structure as shown in the Equity Repositioning Analysis (Source: Mortgage Coach, Equity Repositioning Analysis report, page 1)

Your Equity Review Service

Optimizing Equity for Life

Prepared for: Mr. Neil Armstrong
Mrs. Janet Armstrong

Prepared by: Khai McBride,
Mortgage Planner

Great Southwest Mortgage
6345 Balboa Boulevard, Building 4, Suite 186, Encino, California

PHONE 800.399.6891
FAX 800.399.6891
info@mcbridegroup.com

www.mcbridegroup.com

Figure 42: Annual Equity Review: Cover sheet (Source: Marketing Machine, Equity Review; image for illustration purposes only)

GREAT SOUTHWEST MORTGAGE

Prepared for: Mr. Neil Armstrong, Mrs. Janet Armstrong
Prepared by: Khai McBride, Mortgage Planner

Dear Armstrong:

Please take a moment to look over the contents of this packet. The Annual Equity Review is designed to help you maintain an optimal equity position, ensure that your mortgage and liabilities remain in alignment with your financial goals, and evaluate your largest financial instrument with respect to economic changes and life events. Here are the components of the review:

Your Equity Status Summary: This brief summary outlines such important matters as your home's recent appreciation, your home's equity, and your Freedom Point. Your Freedom Point is the point at which your assets exceed your debt.

Mortgage Planner Findings: Based on my analysis of your current mortgage and equity situation, I have summarized my findings. When the time is right, we can get together to review and discuss these important matters.

Equity Repositioning Analysis: The foundational analysis for your Annual Equity Review is the Equity Repositioning Analysis. I have performed this analysis for you based on your most up-to-date financial data.

How to Read Your Equity Repositioning Analysis Report: Referring to the "How to Read" document as you step through your Equity Repositioning Analysis is a simple way to understand what your mortgage situation means to your financial future.

Supporting Material: I have also enclosed some additional material that I think would be of interest to you given your current situation.

My personal mission is to assist my clients to achieve their dreams and goals. This Annual review gives us the opportunity to agree together on the best way to help you do this. My assistant will call you to set up an appointment. I look forward to our time together.

Warm regards,

Khai McBride

Khai McBride

Great Southwest Mortgage
6345 Balboa Boulevard, Building 4, Suite 186,
Encino, California

PHONE 800.399.6891
FAX 800.399.6891

info@mcbridegroup.om
www.mcbridegroup.com

Figure 43: Annual Equity Review: Cover Letter (Source: Marketing Machine, Equity Review; image for illustration purposes only)

Jun.08.07

Goals and Equity Snapshot

Optimizing Equity for Life

Your Goals

In previous interaction, you shared your financial objectives with me. Here are some of the goals you highlighted:

- Increase monthly cash flow
- Save money for kid's college
- Reduce credit card debt

Equity Snapshot

Based on your goals and your current equity status, I have assembled some of the most important things you can know about your current equity.

- During the past **year**, your home has appreciated **by $132,000,**
- During the past **year**, the amount of equity in your home has **increased by $313,315**.
- During the past **year**, the amount of non-preferred debt you are responsible for has **increased by $321,123**.
- **Neil's** credit score is **720.**
- **Janet's** credit score is **754.**

Great Southwest Mortgage
6345 Balboa Boulevard, Building 4, Suite 186,
Encino, California

PHONE 800.399.6891
FAX 800.399.6891

info@mcbridegroup.om
www.mcbridegroup.com

Figure 44: Annual Equity Review: Goals and Equity Snapshot (Source: Marketing Machine, Equity Review; image for illustration purposes only)

Jun.08.07

Mortgage Planner Findings

Optimizing Equity for Life

Your Opportunities

I've crunched the numbers on your current debt structure. It turns out that you have considerable potential to accelerate your financial objectives. I have performed an Equity Repositioning Analysis and have found that you have the following opportunities:

- Decrease monthly mortgage payments
- Increase your monthly cash-flow
- Restructure your debt
- Increase your net worth
- Purchase an investment property
- Invest in a child's education
- Pay off your home and grow your investments
- Make informed decisions about your money

Each of these opportunities represents a potential for a significant, long-run improvement in your personal financial situation. I would value the opportunity to schedule an appointment with you so that we could review your options together and you could set yourself on a sustainable path toward fulfilling your financial aspirations.

Great Southwest Mortgage
6345 Balboa Boulevard, Building 4, Suite 186,
Encino, California

PHONE 800.399.6891
FAX 800.399.6891

info@mcbridegroup.om
www.mcbridegroup.com

Figure 45: Annual Equity Review: Mortgage Planner Findings (Source: Marketing Machine, Equity Review; image for illustration purposes only)

Great Southwest Mortgage

Our Advice Makes a Difference
6345 Balboa Boulevard, Building 4, Suite 186
Tel:(800) 399-6891 Fax:(800) 399-6891

Tax Bracket
33%

Prepared by
Khai McBride

Date prepared
9/12/2006

The purpose of this analysis is to help you reposition your debt to increase your net worth.

FOLLOW THESE 3 SIMPLE STEPS:

1. CURRENT LIABILITIES displays the current liabilities information that we have on file for you.
2. RECOMMENDED DEBT STRUCTURE shows how you can reposition your debt to increase your net worth.
3. EQUITY REPOSITIONING shows you how you can take our recommended monthly savings and invest it for your future to increase your net worth!

Equity Repositioning Analysis

Neil Armstrong
123 Sunset Lane,
Fullerton, CA 92615

CURRENT LIABILITIES

Your current debt structure

Type	Creditor	Rate	Balance	Payment	Tax Ded.	Debt Free in
Mortgage	Long Bch Mtg Co	5.750%	$335,815	$2,863	$531	14.40 yrs.
Mortgage	Chase	8.500%	$34,618	$269	$81	28.58 yrs.
Credit Card	American Express	9.990%	$18,000	$350	$0	5.67 yrs.
Credit Card	Visa	12.000%	$15,000	$300	$0	5.83 yrs.
Totals (Paid-Off items):			$403,433	**$3,782**	**$612**	

RECOMMENDED DEBT STRUCTURE*

Our proposed debt structure and benefits

Program		Terms	Rate	Balance	Payment	Tax Ded.
1st	30 Yr Fixed	360	6.500%	$413,500	$2,614	$739
2nd		180	0.000%	$0	$0	$0
Totals:				$413,500	$2,614	$739
			Loan Costs	$10,000		
				$67	$1,168	$127
				Cash Out	**Savings**	**Savings**

ASSET ACCUMULATION

Savings based on our current recommendations

Asset Criteria		Accumulation	
		Years	Amount
Opening Balance	$0	**7**	$130,948
Rate	8.000%	**15**	$404,173
Payment	$1,168	**30**	$1,740,740

PROJECTED REAL ESTATE VALUE

Value based on our current projections

Criteria		Projected Value	
		Years	Value
Current Value	$525,000	**7**	$738,728
Projected Rate	5.000%	**15**	$1,091,437
		30	$2,269,020

TOTAL REAL ESTATE & INVESTMENT VALUE

Before and after!

Years	Before	After
7	$738,728	$869,676
15	$1,091,437	$1,495,610
30	$2,269,020	$4,009,760

TAX BENEFITS

Savings based on our current recommendations

	Monthly	Qrtly.	Yearly
Before	$612	$1,836	$7,343
After	$739	$2,217	$8,870
Savings	$127	$382	$1,526

NOTES

Small changes in your debt structure can make a life changing difference in your financial future. When you're ready to refinance or buy a new home, be sure to call us first. With a simple phone call, you can apply for a loan, get advance loan approval, and lock in your interest rate! Just call our dedicated team of Home Loan Experts at the number listed at the top of this page.

Ask your friends or family if they would like to receive a copy of our Equity Repositioning Analysis!

NOTICE AND DISCLAIMER: The results above are based on (i) information provided by you, (ii) estimates of interest rates, your ability to save, your tax bracket, closin costs and other amounts, (iii) currently available loan programs and (iv) information and assumptions discussed with your advisor; all of which might change over time. I the information or assumptions are not correct or change, then the results above will change. Your advisor will provide additional information about costs, fees and othe

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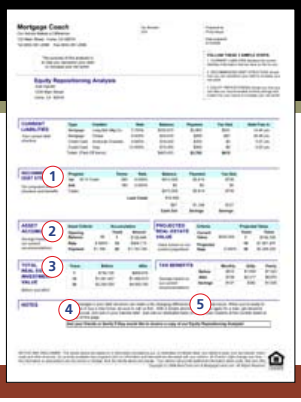
EQUAL HOUSING LENDER

Figure 47: Annual Equity Review: Equity Repositioning Analysis (Source: Marketing Machine, Equity Review; image for illustration purposes only)

How To Read Your

Equity Repositioning Analysis Report



A favorite with Financial Planners, the **Equity Repositioning Analysis** gives you vital information that will assist you to make informed decisions regarding your mortgage debt with your long-term interest in mind. Here are some instructions to help you understand the key elements of this report.

1 Know Your Current Debt Structure

A summary table lists your current debt structure and gives you a bird's-eye view of your liabilities. Given your current financial situation, you may wish to consider repositioning your debt into a structure that will serve you better. As you review this section, there are several points you should consider:

Type	Creditor	Rate	Balance	Payment	Tax Ded.	Debt Free in
Mortgage	Long Bch Mtg Co	5.750%	$335,815	$2,863	$531	14.40 yrs.
Mortgage	Chase	8.500%	$34,618	$269	$81	28.58 yrs.
Credit Card	American Express	9.990%	$18,000	$350	$0	5.67 yrs.
Credit Card	Visa	12.000%	$15,000	$300	$0	5.83 yrs.
Totals (Paid-Off items):			$403,433	$3,782	$612	

A Is Your Information Accurate?
My analysis of your equity, and your decision to get into a healthier debt situation, is based on the information I have included here. Please make sure that your balance, interest rate, and payment information is accurate.

B Experience Debt Freedom!
Given your present debt structure, I have calculated your Freedom Point for each debt. Your Freedom Point is the point in time when you will become debt free.

C Tax Deductions
Certain liabilities, such as mortgages, have a tax deductibility component. This column represents your potential tax deduction based on your estimated tax bracket.

2 Review Your Recommended New Debt Structure

This section represents my recommendation for a restructuring of your debt. Here are some key points to consider:

Program	Terms	Rate	Balance	Payment	Tax Ded.
1st 30 Yr Fixed	360	6.500%	$413,500	$2,614	$739
2nd	180	0.000%	$0	$0	$0
Totals:			$413,500	$2,614	$739
		Loan Costs	B $10,000		
			$67 Cash Out	A $1,168 Savings	$127 Savings

A Total Monthly Savings
Find out how much your total payments will decrease once you have implemented my proposed debt structure. Go on to discover what your monthly tax savings will be.

B Know Your Loan Costs
While loan officers might prefer to downplay the cost of financing, I, as your professional Mortgage Planner, know how crucial it is for you to factor these costs into your decision-making. This report reflects my best estimate of what the costs associated with your new loan structure would be.

3 Calculate Your Potential Asset Accumulation

Improving your debt structure will allow your money to work for you. In this report, I demonstrate what would happen if you placed the money you save each month in an asset accumulation account. We always recommend working with a qualified financial advisor in choosing your investment options. When you review your report, consider the following:

Asset Criteria		Accumulation	
		Years	Amount
Opening Balance	$0	7	$130,948
Rate	8.000%	15	$404,173
Payment	$1,168	30	$1,740,740

A Investment Payment Details
The opening balance I list is the amount you would deposit the first month at the listed rate of return. The payment amount is what you would pay into your investment account every month thereafter.

B Earning Interest
Assuming an investment yielding the rate of return I assume, your balance would accumulate to the listed amounts in three given time scenarios.

Great Southwest Mortgage
6345 Balboa Boulevard, Building 4, Suite 186,
Encino, California

PHONE 800.399.6891
FAX 800.399.6891

info@mcbridegroup.om
www.mcbridegroup.com

Figure 47: Annual Equity Review: How to Read Your Equity Repositioning Analysis (page 1 only) (Source: Marketing Machine, Equity Review; image for illustration purposes only)

Optimizing Equity for Life

"With their help, we were not only able to afford our new home, but we were also able to reduce our overall monthly obligations significantly, which relieved a lot of the monthly debt pressure, allowing us to breathe again."

You Deserve a World-Class Service

The McBride Group believe in a client-centric approach to business. We believe the only thing that matters in a mortgage transaction is that all of our clients' expectations are met and exceeded. Referrals are the lifeblood of our business, and we feel each and every referral needs to be earned. Because of this, we strive to offer unparalleled levels of client service. We take pride in guiding our clients as easily through the mortgage process as possible.

Services for Life

Mortgage Plan
Making an informed decision.

RateWatch
Maintain constant control

Equity Review
Making an informed decision.

GREAT SOUTHWEST
MORTGAGE

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Figure 48: Annual Equity Review: Mortgage Planner Service Offerings (Source: Marketing Machine, Equity Review; image for illustration purposes only)

TAX BENEFITS

Savings based on our current recommendations

	Monthly	Qrtly.	Yearly
Before	$612	$1,836	$7,343
After	$739	$2,217	$8,870
Savings	$127	$382	$1,526

Figure 49: Total Real Estate and Investment Value and Tax Benefits as shown in the Equity Repositioning Analysis (Source: Mortgage Coach, Equity Repositioning Analysis report, page 1.)

Six key steps for conducting an effective Annual Equity Review

There are six key steps for conducting an effective Annual Equity Review.

1. Run a recent copy of your client's credit report.
2. Verify the value of the property with the Realtor and/or title company.
3. Create an Equity Repositioning Analysis based on the client's current mortgage values.
4. Make sure that you and the client are on the same page by meeting with them to review their current credit standing and current mortgage values (ascertained in previous steps).
5. Present potential options that will allow your client to pay down their debt faster, borrow more money or increase the savings to their Freedom Account.
6. If your client is not ready, ask the ultimate two-step referral question (first for family, then for friends and co-workers) so you can generate new business while you're waiting for the most appropriate time for the homeowner to refinance.

A competitive advantage

"I sleep with the Equity Repositioning Analysis under my pillow," says Timothy Burk. "That report is the lifeblood of my practice. It takes complicated data with many variables and presents a very simple solution that's easy for homeowners to understand."

Dylan Kramer's experience backs up Burk's assessment: "We have almost 500 clients we do an Annual Equity Review for. From January 1 through August 31 of 2006, 26 of those clients transacted with us, generating $101,000 in fees at an average of $3,800 per loan."

Chuck Oliver, Chief Solutions Officer with American Equity Home Loans LLC in Springfield, Ohio, uses the Equity Repositioning Analysis report as part of his initial consultation with every client. "It's the number one report in that it gives a snapshot of 'before and after' the sale." He continues: "One of the key things we show our clients is projected real estate value. That way, they understand that we're doing this plan today and we're also talking about the plan we're doing 30 days or six months from now. We explain that our relationship really begins after the first case closes. Being able to illustrate that on an Equity Repositioning Analysis has given us a big competitive advantage."

Drew Beverage also values this service. "On refinance conversations, the consolidation analysis is great. 'A new loan to pay off?' I'll ask a client. 'Well, here are your existing

"We have almost 500 clients we do an Annual Equity Review for. From January 1 through August 31 of 2006, 26 of those clients transacted with us, generating $101,000 in fees at an average of $3,800 per loan."
— Dylan Kramer, Agency Director, Starpointe Mortgage, Chicago, Illinois

liabilities. We're going to consolidate them into another one, show the tax benefits there, then take that savings and put it either into reducing your debt, paying off the mortgage early or putting it in an asset accumulation account.' That just changes a client's thinking in a huge way."

Take it from Jim McQuaig, a leading industry Mortgage Planner who receives—hold on to your hat—one transaction from every two Annual Equity Reviews. This service works!

To see how Khai McBride presents an Annual Equity Review using the Marketing Machine, please refer to Figures 42-48.

Figure 50: Khai McBride presents his suite of services using The Mortgage Coach Marketing Machine

Weekly market updates

Another key service you as a Mortgage Planner can provide is the weekly market update. Such updates are a great way to keep your finger on the pulse of the what, why and when of economic news that will effect homeowners.

Market updates are regular e-mails that keep you updated on economic news that impacts interest rates and real estate markets and provides market insights on other key market news. I highly recommend that you use Barry Habib's Mortgage Market GuideSM as your weekly market update (mortgagemarketguide.com). First, Habib's service provides his expert analysis of the current market conditions. This includes a suggested position and risk factor associated with that position and Barry's stance regarding locking or floating, complete with his reasoning that supports his position. Second, the Mortgage Market Guide is designed to be sent to your clients and professional contacts once you receive it. It's a great way to add value to your relationships.

When you provide weekly market updates to your clients, they'll recognize you as the person who knows what rates are doing. Habib recommends that you explain to your recipients that you've invested in the Mortgage Market Guide because you are committed to their success. For financial professionals as well as homeowners who are in the market, send the market update weekly. For those who are not currently in the market, send it on a monthly basis. This is one of the best ways I know of for allowing your clients to stay on top of what the market is doing and know who their trusted advisor is.

A package deal

Finally, I'd like to mention an excellent packaging of services that Khai McBride has developed in his practice as a Mortgage Planner. First, he keeps clients up to date with their mortgage using a RateWatch Report. Second, he provides his clients with a Quarterly Credit Review. Third, he conducts an Annual Equity Review for each of his clients. With this powerful trio of services, McBride has become one of the most respected and successful Mortgage Planners around (Figure 50).

Onward and upward

In this section, we have discussed the third point of the Mortgage Planning Compass—Services. Specifically, we have learned that services are solutions that Mortgage Planners put together using many of the best practices that I outlined in the previous section. Once we are clear concerning the invaluable nature of services and the purpose, goals, and practices that support them, it's time to turn our attention to the fourth and final point of the Mortgage Planning Compass—Strategies.

Mortgage Planning Compass: Services

The following are the key services that I will provide to my clients:

Examples:

- Personalized Mortgage Plans
- RateWatch Reviews
- Annual Equity Review
- Quarterly Credit Reviews

Chapter Ten

The Mortgage Planning Compass: Strategies

KEY TAKEAWAYS

- *Strategies are opportunities to provide borrowers with specific mortgage programs that are integrated into their long-term goals.*
- *Your loan strategies must fortify the long-term health of your clients' fiscal health. It is crucial for you ensure that the loans you recommend to your clients do what they are meant to do.*

Up to this point, we have explored four crucial aspects of the Mortgage Planning Compass, including the purpose statement, goals, practices and services. But the success with which a Mortgage Planner deploys these elements depends entirely upon their ability to capitalize on market conditions by using certain key strategies. Just as there's no such thing as a three-pointed compass, there's no such thing as a successful Mortgage Planner without strategies.

Changing conditions, changing strategies

Strategies are opportunities to provide borrowers with a specific mortgage program that is integrated into their long-term goals, such as reaching their Freedom Point. Strategies are like sails; while their configuration or orientation may change to meet prevailing conditions, they always allow the navigator to reach his or her destination. Thus, with the proper strategies, a Mortgage Planner will thrive and excel in any marketplace, regardless how turbulent.

Military strategists are always quick to observe that no battle plan ever survives contact with the enemy. Thus, while a good command is distinguished by consistency over time, it will adapt to the war at hand. Today's military leaders know that they are not fighting the battles of previous centuries, and so they are adapting their strategies to meet the demands of current conflicts. In the same way, Mortgage Planners need to capitalize on different mortgage opportunities depending on whatever market conditions are prevailing. Specifically, we are no longer experiencing the refinance boom that loan officers were recently enjoying. The market has changed, and with it mortgage opportunities. Only the most hard-headed and backward-looking loan officers try to do business the old way. Times have changed, and so must our strategies.

Only the most hard-headed and backward-looking loan officers try to do business the old way. Times have changed, and so must our strategies.

The power over success or failure

Regardless of market conditions, however, the best mortgage strategies consist fundamentally of two elements: a mortgage program and a specific investment or financial planning approach. Both of these elements must be present in every solid mortgage strategy. This is another way of saying that whenever you construct a Mortgage Plan, you need to keep both liabilities and assets in mind. A Mortgage Plan without one or the other is like a ship with only half a hull: not only does it not live up to its name, but people are going to get hurt.

Whether you've ever considered it or not, you as a Mortgage Planner hold in your hands a vital part of your clients' financial life. With this in mind, you must make sure that your loan strategies fortify the long-term health of your clients' fiscal health. It's incumbent on you as a Mortgage Planner to ensure that the loans you recommend to your clients do what they are meant to do. The loans your clients choose are not ends in themselves. They are only necessary means your clients and their families need to achieve their highest dreams and goals. While your own financial health cannot be compromised, neither can that of your client, who is trusting you to provide the best, healthiest advice available in the marketplace. Never let them down, and both they and you'll be rewarded beyond all expectation.

Once you internalize the fact that proper mortgage strategy takes complete account of the clients' liabilities and assets, you are prepared to take hold of the opportunities available to you in today's market.

Seven opportunities you can seize immediately

Of course, there are many opportunities in today's market. But seven stand out:

1. Homeowners who want to move into a bigger home
2. Renters who want to own a home
3. Homeowners who want to invest in more real estate
4. Homeowners who have auto loans
5. Homeowners who have nonstrategic debt, such as credit card debt

6. Homeowners who have negative amortization loans that are going to recast within the next 24 months
7. Homeowners who currently have ARMs that have high indices (e.g. LIBORs).

Solutions and strategies for successfully handling the above opportunities include:

- Interest-only mortgages, where the homeowner invests the difference
- Traditionally amortized loans and prepaying the mortgage to accelerate debt reduction
- An option ARM, where the homeowner invests the difference
- Transferring from an option ARM or interest-only mortgage into a traditional mortgage so that the client can achieve their Freedom Point
- Transferring from a 30-year fixed to 5-year ARM to increase the homeowner's saving rate
- A "Missed Fortune" interest-only loan, where the client invests in life insurance
- A five-year ARM with accelerated debt reduction for five years to build equity (mortgage prepayment)
- Repositioning auto loan and/or credit-card debt
- Repositioning equity to purchase another property
- Restructuring debt with a debt-free objective
- Debt optimization for investing in additional real estate

Mortgage Planning Compass: Strategies

In my Mortgage Planning practice, I choose to incorporate the following strategies:

1.

2.

3.

4.

5.

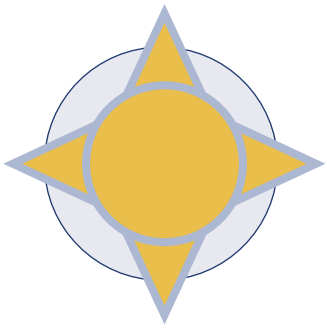
Examples:

- Interest-only mortgages, where the homeowner invests the difference
- Traditionally amortized loans and accelerated debt reduction
- An option ARM, where the homeowner invests the difference
- Transferring from an option ARM or interest-only mortgage into a traditional mortgage so that the client can achieve their Freedom Point
- Transferring from a 30-year fixed to 5-year ARM to increase the homeowner's saving rate
- A "Missed Fortune" interest-only loan, where the client invests in life insurance
- A five-year ARM in which the client prepays mortgage to accelerate debt reduction for five years to build equity (mortgage prepayment)
- Repositioning auto loan and/or credit-card debt
- Repositioning equity to purchase another property
- Restructuring debt with a debt-free objective
- Debt optimization for investing in additional real estate

Part 3

Incorporating The Mortgage Planning Compass Into Your Mortgage Practice

Chapter Eleven



Putting Your Mortgage Planning Strategy to Work

KEY TAKEAWAYS

- *To have a successful Mortgage Planning practice, keep the five components of the Mortgage Planning Compass before you at all times. This will allos you to enjoy having 20 percent of your past clients conduct a transaction with you every year regardless of market conditions.*
- *Put your Mortgage Planning strategy to work by following through on 10 action items, which include looking out for your clients' best interest, following the five steps of the Mortgage Planning Compass, using RateWatch Reports, soliciting referrals from Realtors, financial planners, and clients, always learning, and listening to your clients.*

When Christopher Columbus set out on his famous voyage, he was well equipped. Through a combination of wits and good fortune, Columbus gained an audience with Ferdinand and Isabella, king and queen of Spain, and secured an all-expenses paid expedition across the Atlantic. Comfortably underwritten by the Spanish crown, Columbus had everything he needed: three ships, crew, supplies for the journey and a royal contract guaranteeing him ten percent of all profits derived from his discoveries.

Yet even with all those resources at his disposal, there was still one thing that he could not leave the shore without. The success of his historic venture hinged on a small, seemingly insignificant instrument. Without a compass, there'd be no Columbus.

Navigating today's market

Mortgage Planners and explorers are similar in that without a compass, neither of them amount to much. If either a navigator or a loan officer is to succeed, a compass is basic equipment.

We began this book by identifying the destination that all Mortgage Planners are out to attain: a successful practice that is grounded on residual income. At the very outset I distinguished Mortgage Planners from run-of-the-mill loan officers and determined that while loan officers are generally shortsighted and looking for a quick buck, Mortgage Planners are relationship-oriented financial experts who are guided by the long-term interest of their clients and their own practice. I also highlighted the all-important role of expert advise in a Mortgage Planner's practice and emphasized that, in the long run, it's advice, not merely price, that wins client trust, perpetuates residual income and inspires a steady referral stream.

However, simply knowing what a Mortgage Planner is will not make you a Mortgage Planner. The residual income-oriented loan professional, like the explorers of old, needs more than just wits and resources: they need an unswerving sense of direction. They need a compass. Thus, in this book I've sought to equip you, an aspiring Mortgage Planner, with the Mortgage Planning Compass.

Just as a compass is oriented toward the earth's magnetic poles, The Mortgage Planning Compass also has a constant source of orientation. That source of direction is your *purpose statement*. A Mortgage Planner with a purpose statement is a Mortgage Planner who knows not only where he's going but also how he's going to get there. The purpose statement encapsulates both your vision and your mission. In other words, it expresses both your long-term dream and the general approach you'll take to achieve that dream. Equally important, it motivates and directs your effort as you seek to reach your destination.

> If you as a Mortgage Planner have these five things—a strong purpose statement, goals, best practices, services, and strategies—you'll be ready to navigate the high seas of any market, any time.

Once you have a purpose statement—and I hope you wrote it in the space provided for that purpose at the end of Chapter 6—we turned to the four cardinal points of the Mortgage Planning Compass. The first point is *Goals*. As you'll recall, a Mortgage Planner's goals can be broken into two groups: client goals and your personal goals. If you don't have your goals set, both you and your clients are going to be washed overboard the moment you weigh anchor.

The second point on the Mortgage Planning Compass is *Practices*. Best practices are the way that you'll reach both the goals you've set for yourself and the goals that your client wants to achieve. These best practices, properly oriented around your purpose statement and working hand-in-hand with your and your clients' goals, are the only way that you as a Mortgage Planner can navigate

your way to long-term, residual-income-based success.

Services is the third point on the Mortgage Planning Compass. This is because it's not enough to simply have best practices: you must know how to combine these practices to create unique and compelling services that your clients will value over time and recommend to their circle of friends and family members.

Fourth and finally, we discussed the importance of *Strategies*, the final point on the Mortgage Planning Compass. Strategies are financial solutions that Mortgage Planners provide on behalf of their clients. Each strategy must be appropriate goals it's designed to reach.

We can sum up the Mortgage Planning Compass with five simple actions:

1. Create a **purpose statement** to remind you and your team of what's really important.
2. Identify your clients' personal financial **goals** as well as your own goals as a Mortgage Planner.
3. Deliver key **best practices**.
4. Create lifetime relationships by providing **services** at the point of sale and over time.
5. Identify **strategies** and opportunities to provide borrowers with specific mortgage programs that are integrated into their long-term goals.

If you as a Mortgage Planner have these five things—a strong purpose statement, goals, best practices, services, and strategies—you'll be ready to navigate the high seas of any market, any time. You'll be on your way to delivering advice and services, closing more sales that meet the long-term needs of your clients, and increasing your wealth in the process. More to the point, you'll be able to create a business where your clients conduct transactions with you, on average, every three years. Imagine if 18 percent of past clients conducted a transaction with you every year, regardless of market conditions. By now, this should not be hard to imagine. After all, it's both possible and easy to accomplish. All you need to do is change your mindset from that of a loan officer to that of a Mortgage Planner and follow the steps of the Mortgage Planning Compass. It's that easy.

Finally, you don't have to make the transition from loan officer to Mortgage Planner alone. The Mortgage Coach has a resource called The Marketing Machine that can get you up and running immediately. The resource includes professionally designed proposals, brochures, presentations, and other resources that highlight and differentiate your advice and services. All the deliverables that are generated by the Marketing Machine can be customized to fit your own practice and allow you to add your photo and company logo. For more information on the Marketing Machine, see the resources section of this report.

Making your Mortgage Planning strategy work

The final step as you begin this exciting journey to residual-income-based wealth is simply a matter of putting your Mortgage Planning strategy to work. As you begin this new and exciting way of conducting your business, simply keep 11 action items foremost in your mind. You might even download the poster I've made of these points and put it on your wall so you can see it every day (*mortgagecoach.com/hb/poster.pdf*).

1. **Follow the five steps of the Mortgage Planning Compass:** Purpose Statement, Goals, Practices, Services, and Strategies.
2. **Change your mindset and keep an eye on your client's best interest.** Stop selling one loan at a time and start incorporating the mortgage decision into your client's overall financial goals.
3. **Handle the mortgage application process properly.** Never start a conversation with a rate. Leverage the Total Cost Analysis report. This will allow you to present your client with options and educate them so they can choose the right mortgage for their lifestyle and their long-term goals. Always try to get the person who is on the phone with you into your office, where you can show them their options face to face. If you do have to deliver advice over the phone, make sure you e-mail the Mortgage Plan or use desktop sharing so that you can reference the plan while you're talking. If your client doesn't have the actual Mortgage Plan in front of them, they won't be able to understand everything you are attempting to explain.
4. **Deliver a Mortgage Plan at the point of sale.** While you can win an application without a Mortgage Plan, you can't consistently surpass the expectations of your clients and optimize relationships without a great Mortgage Plan and system from which to deliver it.
5. **Work your "mortgages under management" every month.** Use the RateWatch Report from The Mortgage Coach to keep your brand and your name in front of your client. Then when they have a question or are ready to apply for a new mortgage, you are the person they call. Use RateWatch also to get your name in front of new prospects. It's not necessary for you to have conducted their last transaction. You can always adopt a mortgage—all you need to have is their current mortgage details so that you can start building a relationship with them.
6. **Conduct Quarterly Credit Reviews.** Use The Mortgage Coach and Marketing Machine with their reports (such as the Total Cost Analysis, Equity Repositioning Analysis, and DebtFree Analysis) and presentations.
7. **Conduct Annual Equity Reviews.** This is the key to creating proactive opportunities. At least once a year, provide your clients with a detailed Annual Equity Review using the Mortgage Coach's Equity Repositioning Analysis to let them know how much equity they have in their home and what their home is currently worth. Always include a Freedom Point Review and Recast Point Review where appropriate in order to help them make a decision on the right time to take out a new loan.
8. **Proactively solicit referrals from clients, Realtors and financial planners.** Never let a client or visitor walk away without asking for referrals. Of course, you want to wait for the right moment, but every single person you interact with has referral potential, and the sooner you ask, the more value the request will generate. Make sure you use the two-step process to optimize success.
9. **Learn from the best.** Attend conferences, seminars and webinars. Purchase books and audio tapes. Regularly visit the websites and blogs of the mortgage industry leaders and listen to what they have to say. Never stop learning and never stop growing. Always ask yourself, how can my team and I make the experience better for both our clients and ourselves?
10. **Listen to your clients.** A good Mortgage Planner listens more than he talks. Listen to your clients' dreams, goals and aspirations. Ask quality questions about their financial situation so that you can provide them with the best possible mortgage solution to meet their needs. If you listen to them, they'll listen to you.
11. **Transform clients into promoters who will be an ongoing source of referrals.** Do more than sell loans. Start creating wealth by turning your client base into a fan club. The better you treat your clients, the more you surpass their expectations, and the more they see the value of

your advice and ongoing services, the more they'll send their friends and family your way. Spread the wealth: make the experience you provide something your clients want to share!

> If you as a Mortgage Planner have these five things—a strong purpose statement, goals, best practices, services, and strategies—you'll be ready to navigate the high seas of any market, any time.

Anchors Aweigh!

I hope that this book has delivered value to you and is a resource that you can reach for time and again as you plot your route toward an advice-based and residual-income-based future. Once you've identified your destination, solidified your purpose statement and have your compass in working order, there's no limit to what you can do. You'll help your clients more than you ever thought possible. You'll attain the professional pride that comes with a job well done. And you and your loved ones will enjoy the fruits of your labors. You have everything you need. It's time to set sail.

Just one more thing: don't forget to come back to reference this book month after month to keep your bearings and sharpen your focus.

Bon voyage!

All of the tables and illustrations in this report were powered by The Mortgage Coach Professional software or the Marketing Machine unless otherwise noted. For more information about how The Mortgage Coach and the Marketing Machine can help you transition your business from a loan officer to a Mortgage Planner, go to mortgagecoach.com.

Author's Note

I plan on updating this book on a regular basis by adding new best practices that are most relevant to the changing marketplace. If you have any ideas or suggestions that you feel would help those who use this book, please submit your recommendations to ***ideas@mortgagecoach.com***.

References and Resources

Mortgage Coach resources:

- **Mortgage Coach Software:** mortgagecoach.com/products/mc/overview.aspx
- **The Mortgage Coach Marketing Machine:** http//www.mortgagecoach.com/products/marketingmachine.aspx
- **MC Exclusive Sales Library:** mortgagecoach.com/learning_center/sales_library.aspx
- **MC Exclusive Conference Calls:** mortgagecoach.com/learning_center/calls/conference_calls.aspx
- **IndexAnalyzer.com:** ia.mortgagecoach.com
- **Dave Savage's Blog:** savageinsights.com
- **Mortgage Coach's Mortgage Planner's Service brochure:** mortgagecoach.com

Other key Mortgage Planning resources:

- **Certified Scripts:** certifiedscripts.com
- **CMPS Institute:** cmpsinstitute.org/professional
- **Duncan Group:** theduncangroup.com
- **Ellie Mae:** elliemae.com
- **Kendall Todd:** kendalltodd.com
- **Loan Toolbox:** loantoolbox.com
- **Mortgage Market Guide:** mortgagemarketguide.com
- **Mortgage Mastery Club:** mortgagemasteryclub.com
- **My Resource Center:** myresourcecenter.com
- **Missed Fortune:** missedfortune.com
- **Rebiz:** rebiz.com
- **Strategic Equity:** strategicequity.com
- **Top Producer Strategies:** topproducerstrategies.com

Blogs by industry leaders:

Reading the following mortgage industry blogs is a great way to stay up-to-date with what's going on in the world of Mortgage Planning.

- **Dave Savage (Savage Insights):** davesavage.typepad.com
- **Todd Ballenger (Borrow Smart, Retire Rich):** toddballenger.typepad.com/
- **Matthew Bowe (Inside Marketing Machine):** mbowe.typepad.com
- **Todd Carpenter (Lenderama):** lenderama.com
- **Dan Green (The Mortgage Reports):** themortgagereports.com
- **Ronnie Roach:** ronnieroach.com

Mortgage Planner Glossary

Many terms are used in this book that may not be familiar to users. For the sake convenience, this glossary has been provided to clarify frequently used terms that appear throughout this book.

Accelerated Debt Reduction: Paying down the balance of the mortgage faster than the terms of the mortgage program. Also known as prepaying one's mortgage.

Annual Equity Review: A once-yearly comparison of a homeowner's home value, equity, debt, interest rate and mortgage program against the current rates and programs available to determine the right time to borrow equity, refinance, sell, or purchase additional property.

CMPS Certification: A training, examination, certification and ongoing membership program for financial professionals who provide mortgage and real estate equity advice. A mortgage professional with CMPS credentials has met rigorous, peer-developed and reviewed standards endorsed by a national professional body. The CMPS Institute was formed as a joint effort by leaders in the mortgage and financial planning industries to raise professional standards among mortgage professionals and integrate sound financial planning advice into the mortgage process. Recognized for its preeminence within the industry, the CMPS curriculum represents the core knowledge expected of residential mortgage advisors, regardless of the diversity of specializations within the industry. (Source: CMPS Institute)

Constant Prepayment Rate (CPR): Established by the Public Securities Association, the CPR assumes increasing prepayment rates for the first 30 months of the lifetime and constant rates for the months thereafter. The standard model works as follows: starting with an annualized prepayment rate of 0 percent in month 0, the rate increases by 0.2 percent each month, until it peaks at 6 percent after 30 months. From the thirtieth month on, the model assumes an annual "constant prepayment rate" of 6 percent. (Source: Wikipedia, s.v. PSA Prepayment Model)

Debt Optimization: The process of analyzing and comparing current debt structure to today's best options. The most common strategy is to reposition equity to pay off auto loans and other non-tax preferred debts. This service is recommended annually to reduce mis-consumption of debt.

Equity Management and Optimization: A process of analyze equity to increase liquidity, rate of return and diversification of assets. It is recommended that only the homeowner or the financial planner should recommend this strategy. Most mortgage professionals don't have the expertise to recommend or manage this approach without expert advise from the asset advisor and/or from the homeowners themselves.

Equity Repositioning Analysis (ERA): An ERA allows Mortgage Planners to show homeowners how much money they would save it they "reposition" their equity in another loan structure.

Freedom Account: A bank or investment account, separate from the mortgage, in which

the homeowner saves enough money to either pay off the accumulated option ARM debt at the recast point or to pay down the mortgage faster than the terms of that homeowner's mortgage dictate.

Freedom Payment: The regular continuous payment, monthly or otherwise, the homeowner makes into their Freedom Account.

Freedom Point Review: A proactive service that analyzes the homeowner's current number of years to achieve their Freedom Point based on their savings rate and/or their mortgage prepayment trend. It is recommended that homeowners review their Freedom Point annually.

Freedom Point: Until recently, the moment in time when a borrower owned their home outright by paying off their home loan. Today, the Freedom Point includes the point in time when a homeowner's assets exceed their debts and when paying off their mortgage becomes a strategic financial planning decision.

Interest-Only Mortgage: An interest-only loan enables a borrower to only pay the interest on the principal balance of a mortgage loan for a set term, leaving the principal balance unchanged. Interest-only loans are popular ways of borrowing money to buy an asset that is unlikely to depreciate much and which can be sold at the end of the loan to repay the capital. For example, second homes or rental properties.

Loan Officer: A licensed mortgage originator who transacts a loan with a customer.

LoanNOW Opportunity: This is a short-term opportunity that a Mortgage Planner can take advantage of to quickly generate new business or close a loan within the next 30 days.

Mortgage Plan: A professional report designed to help homeowners make informed decisions that integrate with their personal financial plan and dollarize the total mortgage cost over time.
Mortgage Planner: A financial professional who is dedicated to helping homeowners make informed mortgage decisions that integrate with their personal financial plan. Mortgage Planners don't sell loans, they change lives.

Mortgage Planning: The process of analyzing a homeowner's debts, assets and equity with the goal of optimizing debts and equity to achieve the homeowner's short-term and long-term financial goals. In summary, Mortgage Planning is the way to help homeowners reduce the time it takes to reach their Freedom Point by making intelligent and informed decisions.

Mortgage Program: A specific type of loan program, such as interest-only, 5-year ARM, negative amortization ARM, or traditional 30-year fixed.

Mortgage Review: A monthly service that helps homeowners track their current interest rates and mortgage program compared to the current market conditions.

Mortgage Strategy: A specific strategy of integrating a mortgage program into a personalized financial plan. Examples: a) traditional 30-year fixed rate and accelerated debt reduction; b) interest-only and invest the difference.

Mortgages Under Management: The process of managing your client relationships and their mortgages.

Option ARM: option ARMs give borrowers the flexibility to make their deferred interest payments monthly, yearly, or over many years for better cash-flow management. The primary benefits are to give borrowers the choice of either deferring their interest to achieve financial goals faster, such as the possibility of reducing the years to reach their Freedom Point—the moment when a homeowner's assets exceed their debts and when paying off their mortgage becomes a strategic financial planning decision—or to help real-estate investors increase their cash flow.

Past Client Pull-Through Rate: The percentage of business that comes from past clients. The higher your pull-through rate, the more residual income (or repeat business from past customers) you make.

Quarterly Credit Review: Reviews on a quarterly basis the current status of an individual's credit, analyses the homeowner's debt structure, and makes financial recommendations for the homeowner that are based on a realistic view of his or her current financial situation. Designed as a way to protect your path to financial opportunity, the Quarterly Credit Review is intensely focused on the homeowner's financial and life goals as a consumer.

RateWatch Report: A monthly report in which the Mortgage Planner is able to provide past clients and prospects with a highly customized monthly review that compares their current loan data against several of the best available loan programs and rates currently on the market. It is an automated one-page report that can be bulk-mailed in a standard-size business envelope to all clients in a Mortgage Planner's database.

Real Estate in Transition: Any home listed on the market, whether through a Realtor or for sale by owner. Occasionally owners sell their home because the want to sell it; far more frequently, however, they put their property in play because they want the equity that is in it. Every piece of real estate in transition is an opportunity for the Mortgage Planner, who knows how to use the equity that's in the house without selling the house first.

Recast Point Review: Part of the Annual Equity Review, the RPR works in conjunction with the Freedom Point Review, taking into account a homeowner's projected recast date and the lump sum payment that will be due at that time, to determine the appropriate point to refinance, and/or to ensure that the homeowner has enough money in their Freedom Account to pay the recast if they should decide to do so.

Recast Point: The date when a homeowner with an option ARM has their minimum monthly payment significantly increased because their principal balance increases to more than 110 percent of the original amount borrowed. It is highly recommended that option ARM homeowners save money monthly in a Freedom Account so that the recast point doesn't increase the time it will take them to achieve their Freedom Point. Many times, a recast can cause the client's payment to increase by as much as 80 percent to 120 percent. If homeowners aren't able to increase their savings rate and increase their investment assets, this type of payment shock can be devastating to a homeowner.

Residual Commission: Commissions earned from new loans made to past clients.
Savings Rate: The rate at which the homeowner is setting aside money by investing in a Free-

dom Account. The rate should be enough for the homeowner to reduce their Freedom Point or pay off their lump sum recast point and continue saving toward their Freedom Point.

Suitability: A mortgage solution is suitable to the borrower when borrower is able to afford the monthly payment today and in the foreseeable future. The definition is evolving so that only those Mortgage Plans that allow the homeowner to reach their Freedom Point prior to retirement age are considered suitable.

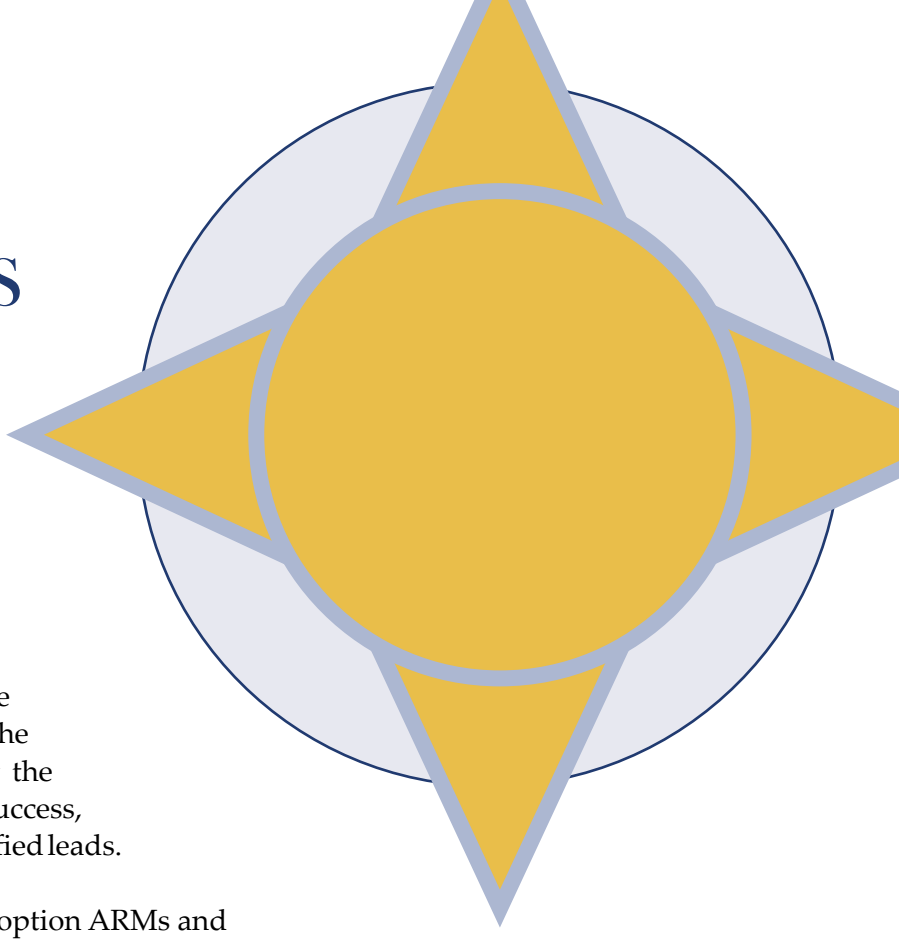
Total Cost Analysis: Makes a true loan comparison by showing, side by side, the total cost of each loan option and not just the monthly payments or interest rate.

Traditional Mortgage: A fixed or variable mortgage set for a certain period of time—frequently 15 or 30 years—that is fully amortized and paid off within the specified period of time.

Unique Experience: A combination of best practices and services there are one-of-a-kind and special in the marketplace. The goal of a unique experience is to clearly separate typical loan officers from Mortgage Planners.

Mortgage Planner Tools and Workspace Posters

LoanNOW Opportunities



Here are some opportunities and services that can generate two or more loans over the next 30 days in today's marketplace:

1. Shift you goal from 'winning a loan' to 'winning two referrals' from every prospect. By delivering a unique experience that has obvious value in the eyes of the borrower and then asking the two-step referral question to optimize success, you'll generate a consistent flow of qualified leads.

2. Keep an eye out for homeowners with option ARMs and then offer to conduct a "Freedom Point Review" and a "Recast Point Review". By delivering these services, you'll generate proactive opportunities and multiply your referrals. Call every referral source you have and tell them about this new service you offer.

3. Look for homeowners with auto loans. If they are the type of borrower who always has an auto loan, you can show them the lifetime savings and opportunity of financing their auto with their mortgage. Once you've performed a "lifetime cost of auto loan review", offer this service to their friends and family members.

4. Start looking for homeowners with a low savings rate and low cash reserve and conduct a "Freedom Point Review" showing them strategies to increase their liquidity and Freedom Point. By offering this service through Realtors, CPAs and financial planners, you can generate a consistent flow of referrals of homeowners who need to increase their savings rate through better debt and equity management.

5. Send RateWatch Reports to all your current clients. Mortgage Planners consider this one of the easiest marketing tools to execute and the most consistent at generating LoanNOW opportunities. If you send out RateWatch Reports and conduct Annual Equity Reviews, you should be able to generate at least one loan for every 100 mortgages under management.

6. Conduct Annual Equity Reviews. The best Mortgage Planners, such as Eric Union and Jim McQuaig, generate two transactions out of every four annual reviews. One comes from a referral and one comes as a direct transaction for the annual review.

7. Approach Realtors you have relationships with and offer to conduct Rent vs. Own Analyses for their first-time home buyers and Annual Equity Reviews to prepare current homeowners to purchase their next home.

Strategies and Opportunities Checklist

The following is a list of the LoanNow Opportunities that I presented in this book.

- ☐ Homeowners who want to move into a bigger home
- ☐ Renters who want to own a home
- ☐ Homeowners who want to invest in more real estate
- ☐ Homeowners who want to reposition auto loans
- ☐ Homeowners who have non-strategic debt, such as credit cards debt and auto loans
- ☐ Homeowners who have Neg Am loans that are going to recast within the next 24 months
- ☐ Homeowners who currently have ARMs with high indices, such as LIBORs

Solutions and strategies for successfully handling the above opportunities include:

- ☐ Interest-only mortgages and investing the difference
- ☐ Traditionally amortized loans and mortgage pre-payment for accelerated debt reduction
- ☐ An option ARM and then investing the difference
- ☐ Transfer from an option ARM/interest-only mortgage into a traditional mortgage to achieve the Freedom Point
- ☐ Transfer from 30-year fixed to 5-year ARM to the increase saving rate
- ☐ Missed fortune interest only and investing in life insurance
- ☐ A five-year ARM with accelerated debt reduction for five years to build equity
- ☐ Repositioning auto loan and/or credit-card debt
- ☐ Repositioning equity to purchase another property
- ☐ Restructuring debt with a debt-free objective
- ☐ Debt optimization for investing in additional real estate

Six Reasons Mortgage Planners Have an Unfair Advantage

There are six critical success factors Mortgage Planners should incorporate when it comes to delivering an experience homeowners are willing to pay for:

1. **Unique Experience:**
   Deliver a unique experience rather than sell a commodity.

2. **Advice:**
   Provide advice, not just a price.

3. **Dollarize:**
   Dollarize your advice, focus on the Freedom Point, and emphasize the lifetime value of decisions

4. **Obvious:**
   Make your value advice tangible and obvious.

5. **Professional Proposal:**
   Present your advice in a professional proposal.

6. **Create Relationships:**
   Create relationships, not just transactions.

Follow the Points of the Mortgage Planning Compass

1. Create a **purpose statement** to remind you and your team of what's really important.
2. Identify your clients' personal financial **goals** as well as your personal goals as a Mortgage Planner.
3. Deliver key **best practices**.
4. Create lifetime relationships by providing **services** at the point of sale and over time.
5. Identify **strategies** and opportunities to provide borrowers with a specific mortgage programs that are integrated into their long-term goals.

Mortgage Planning Compass: Purpose Statement

In order to remind myself and my team of what's important in our Mortgage Planning practice, I have written the following purpose statement:

My Purpose Statement:

Remember:

A good purpose statement consists of two equally important components: a vision statement and a longer mission statement. A vision statement should sum up in one sentence or phrase what your ultimate goal is in your practice. Successful Mortgage Planners center their purpose statement around integrating the mortgage into their clients' overall financial goals. When you write your purpose statement, remember that providing your clients with a mortgage program that truly fits their individual needs for the long-term is the key to earning your clients' trust and confidence. Make sure you convey this in your purpose statement.

Examples:

Steven Marshall—To help our clients manage their home equity

As Mortgage Planners, we help our clients successfully manage their home equity to increase liquidity, safety, rate of return and tax deductions. Unlike a traditional loan officer, our role is to help our clients integrate the loan that they select into their overall long- and short-term financial and investment plan to help minimize taxes, improve cash flow, and minimize interest expense.

Todd Ballenger—To minimize the wealth my clients unknowingly transfer to others

All the wealth my clients ever need will flow through their house during their lifetime. Most borrowers are unaware that the wealth that they unknowingly transfer to others that could have remained theirs. In reviewing their approach to borrowing, I help my clients to see if there are specific wealth transfers that can be diverted back toward making them wealthier over their lifetime.

Dave Savage, founder and CEO of The Mortgage Coach—To help borrowers to make the most informed decision possible

As a Mortgage Planner, I am dedicated to helping people make the most informed mortgage decision possible—one that integrates with their personal financial plan and major life-goals such as retirement and wealth accumulation. I help people to realize that a mortgage isn't just a loan but one of the most important financial-planning tools they will ever have.

Mortgage Planning Compass: Goals

While there are many goals that I can pursue as a Mortgage Planner, the following three are my main goals. These are the professional goals that are most important to me and the goals that I will work hardest to achieve.

1.
2.
3.

Examples:

- To conduct a transaction with 20 percent of my past clients annually
- To make sure that 10 percent or more of my production comes from proactive equity management strategies
- To have new referral sources start sending you business within 30 days of the first meeting
- To have 100 percent of my practice be referral based after five years
- To use my practice to create a $2 million annuity within five years
- To have less than 20 percent of my prospects rate-shop me
- To stop selling loans and start creating wealth!

I also realize that my clients have various goals. Here are the goals that are most important to my clients and are therefore most important to me:

1.
2.
3.
4.
5.

Examples:

- To retire early
- To eliminate debt
- To increase liquidity
- To increase financial security
- To save and invest for long-term goals
- To reduce the cost of debt
- To increase the ROI of equity

Goal Tracker Worksheet

	MORTGAGE PLANNNER (BENCHMARK)	YOU
The number of loans closed last month for past clients:	6.6	
The number of months in a year:	x 12	x 12
The approximate number of loans for past clients closed in the past 12 months:	79	
The average number of past clients in a loan officer's database:	÷ 393	÷
Annual past-client pull-through rate:	**20%**	
Average commission per loan:*	$3,272*	
The approximate number of loans for past clients closed in the past 12 months:	x 79	x
Yearly commissions:		
Mortgage Planner (benchmark) yearly commissions:		–
The total annual commissions you are currently missing out on:		

My goals after reading this book:

- ☐ I am going to eliminate my clients' unstrategic debt.
- ☐ I am going to make sure my clients think strategically about their equity and debt as financial planning instruments.
- ☐ I am going to increase my mortgages under management by _____%, from _____ mortgages currently to _____.
- ☐ I am going to increase my average commissions per loan from $_____ to $_____.
- ☐ I am going to increase my current past client pull-through rate from _____% to _____%.
- ☐ By accomplishing this, my personal annual income will increase from $_____ to $_____.
- ☐ I am going to increase my clients' savings rate from ___% to over _____%.
- ☐ Additional goal: _____
- ☐ Additional goal: _____

Mortgage Planning Compass: Best Practices

The following are the best practices I wish to incorporate in my practice as a Mortgage Planner:

1
2
3
4
5

Examples:

- *Properly position myself as a trusted advisor throughout my relationship with them.*
- *Have my proposals professionally designed so that they convey professionalism, give my advice a further sense of exclusivity, and adds value to my recommendations.*
- *Ask the right questions in order to ascertain my clients' current financial situation, discover their financial goals, and calculate their Freedom Point.*
- *Identify my clients' current savings rate and analyze various possible mortgage options in light my clients' savings goals.*
- *Dollarize the total cost of different mortgage programs over time in light of my clients' long-term goals.*
- *Integrate my clients' mortgage decision into their overall financial plan.*
- *Send RateWatch Reports out to all my clients on a regular basis.*

I determine to ask the right questions in order to ascertain my clients' current financial situation, discover their financial goals and calculate their Freedom Point. These are the questions I will ask of my clients when I meet with them:

1
2
3
4
5

Mortgage Planning Compass: Services

The following are the key services that I will provide to my clients:

1.

2.

3.

4.

Examples:

- Personalized Mortgage Plans
- RateWatch Reviews
- Annual Equity Review
- Quarterly Credit Reviews

Mortgage Planning Compass: Strategies

In my Mortgage Planning practice, I choose to incorporate the following strategies:

1.

2.

3.

4.

5.

Examples:

- Interest-only mortgages, where the homeowner invests the difference
- Traditionally amortized loans and accelerated debt reduction
- An option ARM, where the homeowner invests the difference
- Transferring from an option ARM or interest-only mortgage into a traditional mortgage so that the client can achieve the Freedom Point
- Transferring from a 30-year fixed to 5-year ARM to increase the homeowner's saving rate
- A "Missed Fortune" interest-only loan, where the client invests in life insurance
- A five-year ARM in which the client prepays mortgage to accelerate debt reduction for five years to build equity (mortgage prepayment)
- Repositioning auto loan and/or credit-card debt
- Repositioning equity to purchase another property
- Restructuring debt with a debt-free objective
- Debt optimization for investing in additional real estate

About the Author

Dave Savage is a recognized executive in the mortgage industry and an acknowledged pioneer of Mortgage Planning. Getting his start in the mortgage industry in 1986 and developing his signature approach to providing mortgage advise, Dave became a top 100 loan officer and successful mortgage business owner. In 1997, he founded The Mortgage Coach, a company that helps loan officers produce powerful advice simply by entering data about a client's financial circumstances and goals. Today Dave is recognized for his contributions toward the growth of professionalism in the lending industry and for the improvement in the quality of advice that originators provide homeowners. In addition to leading The Mortgage Coach, Dave consults and speaks to thousands of mortgage professionals each year on topics relating to sales, marketing, and leadership. Dave continues to set the tone and pace of an entire industry and to utilize technology and professionalism to advance Mortgage Planning, a service that's becoming increasingly important as Americans seek to prepare for retirement and fulfill their dream of financial freedom.

About this Book

Writing The Mortgage Planner's Book of Best Practices has been a journey. As the founder of The Mortgage Coach and a leader in the mortgage industry for twenty years, I've spent many years carefully considering the feedback and insights of the nation's top Mortgage Planners. In many ways, this book is really just an outgrowth of my communication with the people who know the industry the best and my own personal desire to help more loan officers convey the value of Mortgage Planning to their clients.

Yet the strategies and concepts in this book are the result of more than simple conversation and observation. Considerable research has gone into this book. Most notably, my team and I have conducted extensive interviews with dozens industry leaders throughout the past year. Throughout the years we have also identified, documented, and systemized the core best practices. The present volume is the result of thousands of hours of gathering, processing, and analyzing this information, distilling it into a compact and easily digestible format that will aid loan officers in their pursuit of long-term success.

Years of experience, many bright minds, and a constellation of industry superstars have contributed to this book. I'm confidant that our efforts to bring you the fruits of our labor will yield the same success in your own practice as a Mortgage Planner.

USA $50

The Mortgage Planner's Book of Best Practices

2007 Edition

The Mortgage Planner's Book of Best Practices will transition you from being a transaction-based loan officer to becoming a trusted advisor—a knowledgeable, professional and relationship-focused Mortgage Planner. Becoming a Mortgage Planner distinguishes you from the common loan officer and places you into a position to make profound, life-changing differences in the lives of your clients.

By following the guidelines in this book, you'll be respected not only by borrowers, but also by Realtors®, financial planners, CPAs and other referral sources. You'll go to sleep at night knowing that because of your advice, insight and passion, your clients are living more financially secure lives and you are growing a thriving mortgage practice.

Dave Savage has compiled the most effective and content-rich book of best practices in the mortgage business! If you are ready to escape the commodity trap and take your business to the next level, you must read this book and start implementing these proven strategies in your business immediately. It will change your business and your life forever.

— SCOTT CUMMINGS, CMPS, President and CEO, Cummings Financial

The Mortgage Planner's Book of Best Practices is mandatory reading for any loan officer who wants true success with a purpose. It's a step-by-step guide to transforming a business from being transactional and inconsistent to being a referral-based mortgage practice that enriches the loan officer and makes the customer the real winner.

— DAVE KING, Certified Mortgage Planning Specialist, CTX Mortgage Company

Dave Savage has been one of the leading idea producers in the mortgage industry for many years. Now in this book he helps everyone learn the ideas and strategies necessary to reach the level required to succeed in tomorrow's mortgage industry.

— DAVID BACA, Vice President and Branch Manager, SunTrust

A perfect 10. Each customer's finances, tax needs, goals and risk tolerances are different. The successful Mortgage Planner draws from the various tax and financial tools to help the customer shop more effectively, build wealth and make the best loan decision. More than that, the Mortgage Planner takes these criteria and builds a custom loan for each client. Dave Savage has nailed the secret to succeeding in the loan origination business.

— DENNIS DUNCAN, Chase Home Loans, *Mortgage Originator*® Top 25 2001-2006

Dave Savage truly knows what works, how it works and why it works. *The Mortgage Planner Book of Best Practices* is a must-read for any loan originator or financial professional who truly cares about his or her clients and who wants to build a high-trust practice.

— MARK KLEIN, President, Pacific Coast Lending