

# Why YOU Matter

*A Special Report on the  
State of the Mortgage Industry & Your Role in It*



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\*The opinions in this report are personal in nature and do not represent the viewpoints of the CMPS Institute. It is being distributed by the CMPS Institute with the intention of encouraging its members in the face of turbulent market conditions.

As the Great Credit Crunch of 2007-2008 continues to unfold, many people in our industry are asking: What is to become of us? Are we relevant and do we really matter anymore??!!

It seems like the mortgage industry at large, and loan originators in particular, are under attack from all sides. One by one, Wall Street investors, warehouse lenders, and wholesalers are shutting off our funding sources and creating a “run” on our business. As hard as they try, many of our government officials seem confused and ineffectual when faced with the daunting task of reforming the rules of how our industry operates. The media seems more intent on selling sensationalized headlines that spread fear than helping their readers (our customers) make smart choices. Home owners and buyers are in desperate need to find someone to blame for the fact their home is declining in value, and they seem to have no option other than to hang tight for a long while or simply walk away. Millions of Americans are losing their homes and many financial institutions are experiencing the worst liquidity crunch since the days of the Great Depression. Angry people everywhere are on the prowl, hunting for someone to blame!

This business has turned into a bloody battlefield. The enemy smells our blood and is closing in for the kill. We seem to be losing not only the battles, but also the entire war.

Yet, there is hope. There is always hope.

This report will outline that hope. But first, let’s get a grip on one very important truth:

YOU are the only hope. The war that is being waged is against you and your heart. The enemy is conspiring against you, and you must find the courage to stand strong, wage war and defend that which rightfully belongs to you. You didn’t ask for war, but war is upon you. You may be thinking, “Gibran must be going crazy! Industry conditions have really gotten to him and he’s taking things way too personally!”

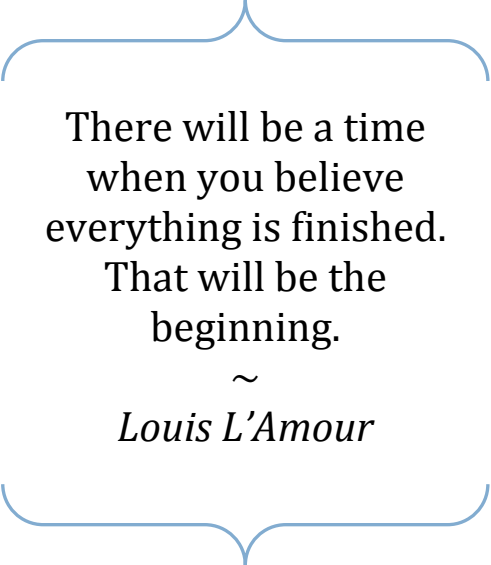
No my friends. This is not personal. It’s strictly business.

Who then is the enemy? The government? Wall Street?irate customers? Industry conditions?

**None of the above.** FEAR, DESPAIR, WEAKNESS, APATHY, and MEDIOCRITY are the enemy. They make very formidable foes, and many men and women who are stronger and wiser than me and you have fallen prey to their hideous clutches.

- Part I of this report (pages 3-6) will focus on why you are the only hope
- Part II (pages 7-16) will focus on your role in today’s mortgage marketplace
- Part III (pages 16-19) will focus on the role of CMPS® in today’s marketplace

~Enjoy



There will be a time  
when you believe  
everything is finished.  
That will be the  
beginning.

~  
*Louis L’Amour*

## Part I - You Are the Only Way Out and Your Heart Is the Pathway

If we are to be brutally honest with each other and give ourselves a “state of our life” address, it may go something like this:

“Ladies and gentlemen, it’s time to face the truth once and for all: Life is HARD. Things happen that are out of our control and we lose heart. We lose passion for things in our life that we once thought would last forever - a friendship, a marriage, a business, a career path, an idea to achieve the impossible. We all have our list of dreams that we’ve buried in the graveyard of failure. We second guess the reasons why we set out on a certain course in the first place, and we then ask ourselves if we’d have been better off thinking less-big and pursuing the easier route from the very beginning. Life is war and we are losing. We are inching closer to our inevitable demise each day. Sooner or later we will lose our way and succumb to the miserable fate of total and complete failure.”

The story of your life is  
the story of the long  
and brutal assault on  
your heart by the one  
who knows what you  
could be and fears it.

~

*John Eldredge*

If this is how we feel now, how in the world did we get here in the first place???

It has been said that we can’t know where we are going until we first come to terms with where we came from. So, let’s start at the beginning. Remember the first time we had that great idea to go into the mortgage business? Or what about that time (recently) when we decided to STAY in this treacherous business? What in the world were we THINKING?!!! Oh, right, we weren’t thinking...at least with our mind.

We were thinking with our heart. You see, all the great ideas we have as humans originate from our hearts. Our heart tells us we want to achieve significance in this life. Our heart tells us that we want to make an impact in the lives of other people. Our heart tells us that we want to enjoy the best things that life has to offer. If there is anyone to blame for the mess we find ourselves in, it is our very own heart for coming up with the idea or desire in the first place!

Okay, so what went wrong?

Tragedy strikes. Home values plummet. Wholesalers and secondary market investors pull the plug on our funding. We lose that big account. Our trusted partners sell us out. Our friends deceive, abandon then betray us. The economy changes, we lose our job, we get hit with cancer, our spouse files for divorce, and the list goes on. The human experience is full of disappointments and tragedy. Our first reaction after the initial shock wears off is to try and assign blame to someone or something for causing such a tragedy to happen in the first place. Someone must be to blame for raining on our parade, for breaking up our party. That is where we start making matters worse. Negativity breeds negativity.

## Stopping the cycle of negativity

Rather than blaming ourselves, others and God for our pain, we would be much better off acknowledging the desires of our heart and continuing to pursue them even though life throws countless hurdles in our way.

WHAT?!!

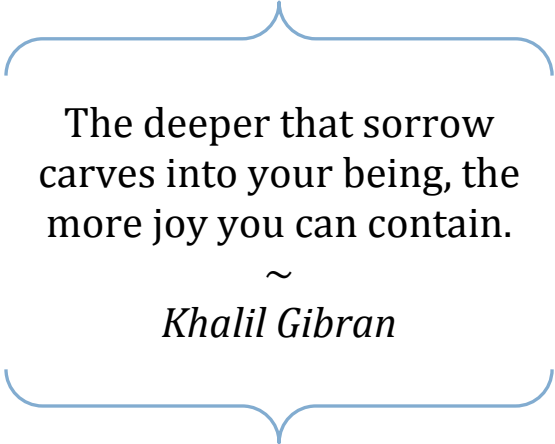
You have got to be KIDDING ME!!

Why would anyone want to pursue impossible dreams only to experience the pain and tragedy of utter and complete FAILURE?

This, my friends, is the question of our lives. If we can figure this out, everything else will fall into place. That is why the answer to achieving our dreams and living a fulfilling life lies in understanding one simple truth:

The key to life is life itself.

How can anyone fully enjoy success until they have first tasted failure? Only when we have tasted failure can we fully appreciate the enormous value of achievement. Only when we have experienced the harshness of pain can we fully appreciate the ecstasy of pleasure. This is not silly la-la land thinking. This is a very important key to living a passionate life and truly making a difference in this world.



The deeper that sorrow  
carves into your being, the  
more joy you can contain.

~

*Khalil Gibran*

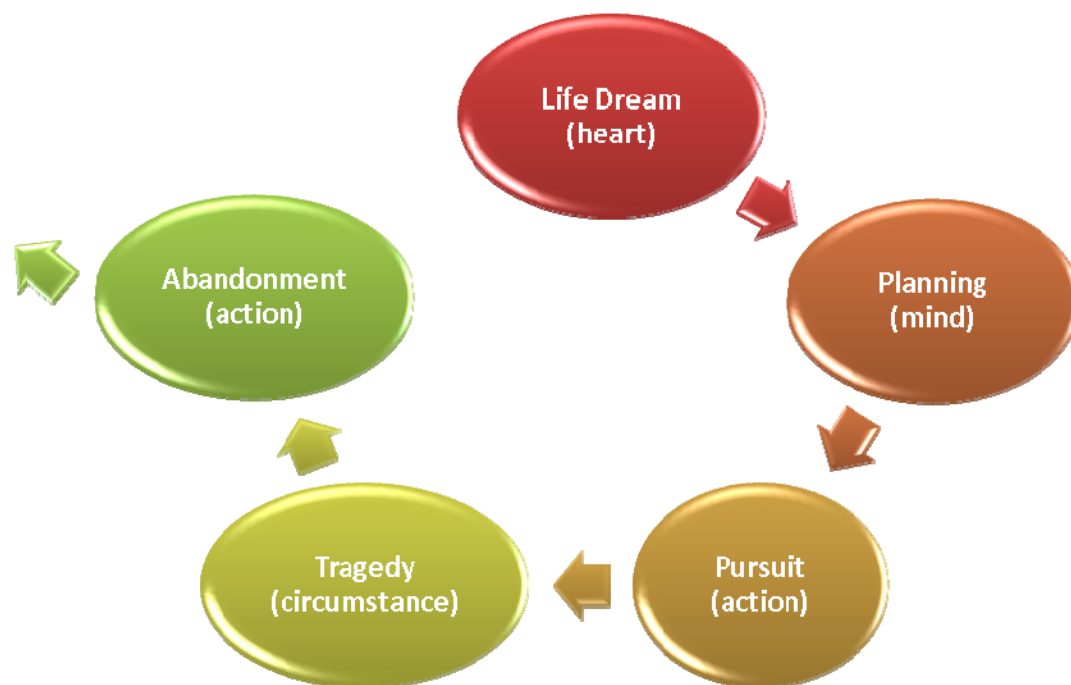
We all have tragedies in our lives that threaten to undermine the very emotional or physical foundation of who we are as individuals. We have financial pressures that we experience; we have health and family issues to grapple with; we have uncertainty and lack of control in our career paths. We are all pressured to give in to our weakness and fear whenever these tragedies or circumstances come knocking on our door. This is the way of our lives. The very real feelings of defeat, fear and weakness that we all feel at these times are part of our human nature. Not a single one of us is immune.

Yet, we all have strengths that we have to offer through these downturns. We may have unique skills that have been honed and sharpened by study and experience. We may have emotional strength that has been developed by successfully overcoming a traumatic experience or two. We may have insight and wisdom that only comes with experiencing both success and failure. Our mission, should we choose to accept it, is to creatively figure out a way to utilize our unique skills in meaningful ways that give us joy while helping those around us.

In doing so, we will realize those ever-enduring words: life is an adventure to be lived, not a problem to be solved.

Only by facing life and its tragedies head on can we truly become the passionate lovers of life that we are meant to be. Let us give ourselves wholeheartedly to our love affair with life, in spite of our circumstances. Let's make it passionate and not settle for mediocrity. After all, we'll get from life what we give to it. Nobody wants to come home to a mediocre lover. If we only give life our mediocre effort, life will eventually give up on us and find another lover with whom to continue the relationship we abandoned. Only by embracing life wholeheartedly under any and every circumstance can we discover how to revive our dreams and achieve the things in our lives that really matter to us.

Okay, so we understand that our heart is the real culprit that causes pain when our dreams die. We've also established that looking our heart straight in the eye and facing our tragedies is the only way to successfully deal with the pain. So, what do we do next? After all, it is one thing to understand and diagnose the nature of the challenges we face in life, but it is another matter entirely to figure out what to do with our life in light of this information. That is where understanding the cycle of our life dreams comes in handy.

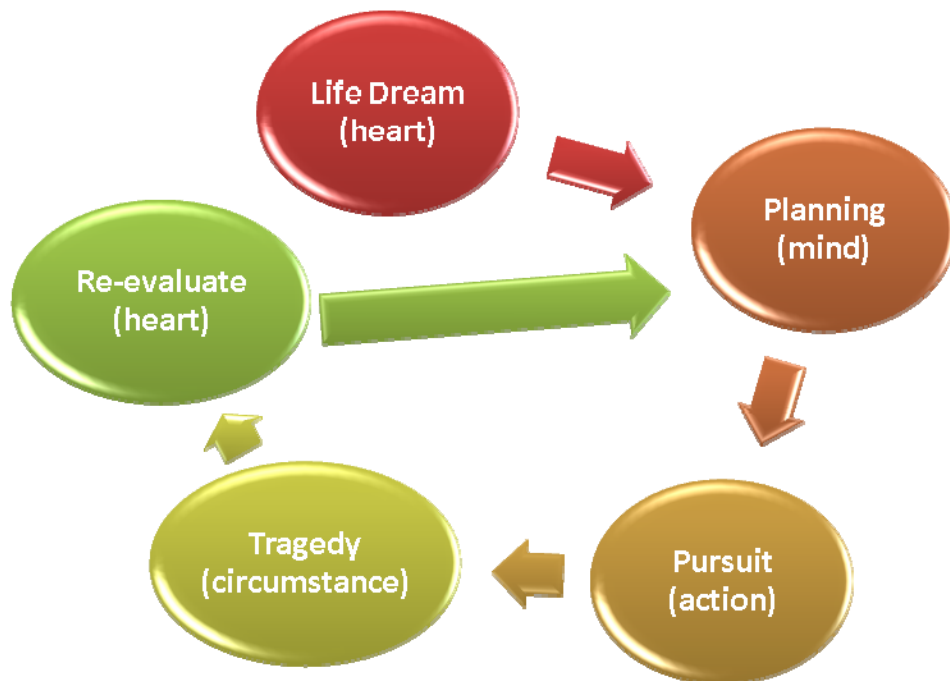


As you can see, we typically have a life dream that originates in our heart. We make a conscious effort to follow our heart and then our mind takes over as we begin the planning process. Once our mind finishes planning how we can achieve the life dream, we take action to begin pursuing our dream. Then, a tragedy happens that causes us to lose hope and we decide to abandon our dream. This process has one fatal flaw that seems to kill the dream every time: it doesn't plan for the unexpected.

In other words, because we don't expect that certain things could happen, we are not planning for what to do in case they do happen. You ask, how can we plan for something that doesn't even occur to us as a possibility?

Therein lies the irony! We anticipate challenges that may seek to dissuade us from our dreams, but we don't anticipate the most dangerous enemy of all: that we will lose heart and give up the dream. After all, it is our heart that told us to follow the dream in the first place. We must anticipate that something or someone will come along and try to discourage us from staying the course and continuing to follow our heart. We anticipate challenges we can visualize, but we never actually visualize that we will lose heart!

Therefore, the biggest failure that we make in life is that we don't have a plan in place for dealing with failure. When failure comes, and it will come, we are forced to scramble and accept mediocre and ineffective solutions. We become confused and flustered and we simply don't know what to do next. We are so shocked and focused on the failure itself that we fail to open our hearts and minds to creative ideas that could be right in front of us. Consider this new cycle:



You see, the old system has greater odds of resulting in failure and abandonment of our life dreams because it does not involve the crucial process of re-evaluation with our heart. We are more likely to achieve success with the new system because we are literally expecting and planning for tragedies to happen that will threaten to throw us off course! Whether you decide to stay in the mortgage business or not, remember that you and your heart always hold the one and only key to your success. Whatever you do, you must do it wholeheartedly. With that in mind, allow me to make the case for why YOU are needed in the mortgage industry today.

Don't ask yourself what the world needs. Ask yourself what makes you come alive, and go do that, because what the world needs is people who have come alive.  
~ Anonymous

## Part II – The Mortgage Industry is Calling to All Those Who Would Listen: “Heroes Wanted...NOW!”

The one characteristic that is common across every local mortgage and real estate market in the nation is that people seem to be frozen in space and too PARALYZED to make buying decisions. Here’s why:

Although few of us are honest enough to admit it, we humans make most of our financial decisions based on two very strong emotions - Fear and Greed.

It was greed that caused speculators to put their money and family’s financial security at stake by making reckless real estate buying decisions without proper investment analysis. It was greed that caused many bad mortgage brokers in our industry to recklessly sell loans they knew were not in their customers’ best interest. It was greed that caused Wall Street institutions and investors to blindly fund and encourage excesses in the mortgage markets.

And now, the wheel has turned.

It is now FEAR that is causing Wall Street to shut off and/or restrict funding for even good quality mortgage loans. It is FEAR that is causing many good brokers and bankers to lose heart and completely leave the industry. It is FEAR that is causing consumers to put a hold on most financial decisions – including buying and refinancing real estate.

Okay, so the main problem today is fear. What can we do about it?

- Step #1 – Understand our client’s fears
- Step #2 – Dispel client fears as THEIR voice of reason
  - Become an authority that commands respect
  - Acquire “inside information” that is rare and valuable
  - Communicate with compassion, understanding and wisdom
- Step #3 – Guide clients in making the right decisions
- Step #4 – Leverage solid client relationships to build a thriving business

True heroism is remarkably sober, very undramatic. It is not the urge to surpass all others at whatever cost, but the urge to serve others at whatever cost.

~  
*Arthur Ashe*

Self trust is the essence of heroism.

~  
*Ralph Waldo Emerson*

For more information on this four step process, please reference the article that I wrote entitled, [Get Beyond the Fear Factor](#).

The bottom line here is that there is unprecedented fear and danger in the marketplace today. Whenever there is danger, there is always opportunity. The question is whether you are going to make it your opportunity, or leave it as someone else's opportunity.

### **Don't let the "toxic media" get you down!**

Thomas Jefferson once wrote, "Nothing can now be believed which is seen in a newspaper." These words still ring true today. Media outlets are in business to make money. I recently read a headline that screamed, "*Homeowner Equity at 63 Year Lows!*" The disturbing thing is that it wasn't just one media outlet. Nearly every major news outlet in the country was singing this same tune and scaring the heck out of everyone. So, being the skeptic that I am, I started investigating the premise of the article and discovered some interesting facts compiled by the Federal Reserve:

- In 1945, when the Fed began compiling this data for the first time:
  - \$116 billion was the total household real estate value in the US
  - \$97.5 billion was the total equity that Americans had in their homes
  - 84% was the average homeowner equity as a percentage of home value
- In 1960:
  - \$486.9 billion was the total household real estate value in the US
  - \$345.6 billion was the total equity that Americans had in their homes
  - 71% was the average homeowner equity as a percentage of home value
- In 1975
  - \$1.41 *trillion* was the total household real estate value in the US
  - \$954.6 billion was the total equity that Americans had in their homes
  - 67.5% was the average homeowner equity as a percentage of home value
- In 1990:
  - \$6.58 *trillion* was the total household real estate value in the US
  - \$4.07 *trillion* was the total equity that Americans had in their homes
  - 62% was the average homeowner equity as a percentage of home value
- In 2005:
  - \$18.69 trillion was the total household real estate value in the US
  - \$9.82 trillion was the total equity that Americans had in their homes
  - 52.6% was the average homeowner equity as a percentage of home value
- In 2007:
  - \$20.15 trillion was the total household real estate value in the US
  - \$9.64 trillion was the total equity that Americans had in their homes
  - 47.9% was the average homeowner equity as a percentage of home value

When men are ruled by  
fear, they strive to  
prevent the very changes  
that will abate it.

~  
*Alan Paton*

Now, let me ask you: Would you rather have 84% of \$116 billion (\$97.5 billion) or 47.9% of \$20.15 *trillion* (\$9.64 trillion)?!!\*

\*FYI, \$116 billion in 1945 is equivalent to \$1.336 trillion in 2007 dollars, and \$97.5 billion in 1945 is equivalent to \$1.123 trillion in 2007 dollars. Therefore, we are still much better off in real terms even taking into account the effects of inflation over the past 63 years (\$9.64 trillion of home equity in 2007 using 2007 dollars vs. \$1.123 trillion of home equity in 1945 using 2007 dollars).

Sure, our equity position as a percentage of our home value has indeed broken below 50% for the first time in 63 years. However, we are a heck of a lot wealthier than we were 63 years ago in terms of the actual dollar value of our home equity! The real story here is that our home equity wealth seems to be doubling every 15 years or so. This is a prime example of media sensationalism. Instead of reporting the important news – home equity wealth has doubled every 15 years for the last 63 years, even taking into account the current downturn – they are selectively reporting items that will sensationalize headlines, attract more readers, drive more traffic to their web sites and increase their advertising revenue.

Now, if the media were really interested in the welfare of consumers, they would be the reassuring voice of reason amidst all the panic in the marketplace. Their headlines would read, “*Latest Stats Prove Home Ownership Is Still a Great Investment...Buy a Home Now...Stop Sitting on the Sidelines.*” Their stories would be about how home owners have doubled their wealth every 15 years and why now is the worse time to panic. Check out the irony here:

The LIGHTLY REGULATED media is driving consumers into HIGHER COST financial decisions (panic) because they have a FINANCIAL CONFLICT OF INTEREST (advertising revenue), and their lack of transparency leads unsuspecting consumers to believe that the media is their unbiased TRUSTED ADVISOR.

Yikes...and people are screaming about the big bad mortgage originators?!!

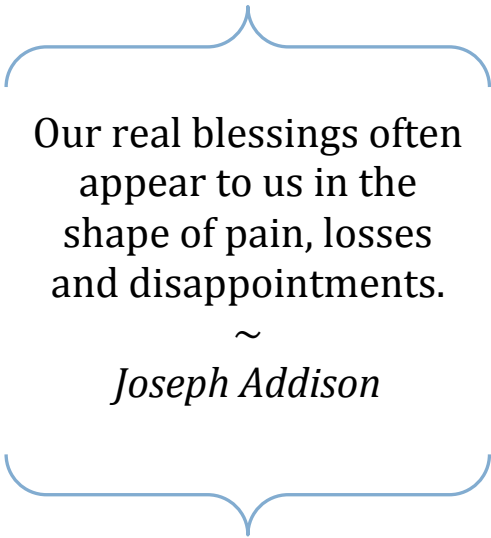
This is exactly why YOU are needed. Your mission, should you choose to accept it, is to take up your arsenal of inside information and come dashing to the rescue of clients and referral partners...RIGHT NOW. They need someone to be their hero and liberate them from the clutches of the big bad “toxic media” that is hypnotizing them with panic and paralyzing them with fear.

### **Embrace the industry conditions like they are your best friend**

In times of war and tragedy, we often ask, “Why is this happening to me?! I didn’t ask for war!”

The war over your heart is no different.

I’ve certainly had my share of trials and disappointments – especially during these past 12 months. Like you, my family and I have been plunged into bloody wars, battles, and betrayals that we did not expect, solicit or deserve. However, if there is one thing I can tell you from my own experiences, it is that the best way to win the war is to adapt quickly to the landscape of the battlefield by transforming your tragedies into your best friends.



Our real blessings often appear to us in the shape of pain, losses and disappointments.

~  
*Joseph Addison*

There is perhaps no better example of a man who did not ask for war than Abraham Lincoln. Directly following his Gettysburg Address, the Chicago Times responded by writing, “The President’s remarks were in exceeding bad taste.” Can you believe the gall and disrespect, not to mention the utter folly and stupidity of such an attitude? We pay homage to our great President Lincoln and to his eloquent Gettysburg address, but we often fail to remember that actually *being* Lincoln must have been a very difficult and thankless job. Even a great man like Lincoln was not recognized by his contemporaries as the hero that he truly was. In fact, in the midst of his battles to save our country, he even lost a young son to a tragic and premature death.

He did not ask for these dreadful wars in either his personal or professional life. Yet he waged war with courage, integrity, determination and fortitude. Neither the belligerence of his antagonists nor the unfortunate circumstances of his fate eroded Lincoln’s courage. As a result, our country enjoys strength, unity, and prosperity that is unprecedented in the history of the world. Oh that we could have the courage of Abraham Lincoln during these trying times!

You too are facing a daunting task. Your job is thankless. You have been thrust into a great war that you did not expect, solicit or deserve. The only way to win is to adapt to the landscape of the battlefield. First, mourn your loss, and put it behind you. Acknowledge that things have changed and that they will never, ever, return to the way they were in the past. It has been said that the only constant thing in life is change itself.

It is only when you are pursued that you become swift.

~

*Khalil Gibran*

Once you acknowledge and accept that things must change, face your circumstances head-on and dig deep within your heart to discover your strengths and unleash your full potential. How is this done most effectively? Allow me to suggest this two step process:

1. Decide now if you are in or out of the mortgage business.
2. If you are in, equip yourself to win the war and thrive in this market.

### Should I Even Stay in the Mortgage Industry?

First, do you have the heart for it? Is your heart still in it? As we discussed above in Part I, you and your heart are the only key that can unlock the floodgates of success in this or any other business. If you have a passion for helping people and being a hero to clients and referral partners who are in desperate need of help, **now is your time and the mortgage industry is your place.** You need only to stand up and answer the call. If your heart leads you, then you must follow. Otherwise, you will be condemned to live the rest of your life wondering, “What if?”

It’s kind of fun to do the impossible.

~

*Walt Disney*

As an entrepreneur, I too have been faced with very tough choices in several of my business ventures. Do I sell a business? Do I start a business? Do I abandon a business opportunity? Do I walk away from a seemingly impossible situation, cut my losses and move on with life? Do I suck it up and plunge my way through in the wake of enormous pain and obstacles?

There are three very important questions that never fail to bring 100% clarity to my decision making process:

- What exactly are my choices (or, do I really have an alternative)?
- If I am looking back at this crossroad 20, 30, 40 years down the road, or if I am laying on my deathbed, which decision(s) will I most likely regret?
- What is the worst case scenario in each of the available choices?

**I shall be telling this with a sigh  
Somewhere ages and ages hence;  
Two roads diverged in the wood, and I -  
I took the one less traveled by,  
And that has made all the difference.**

~

**Robert Frost, *The Road Not Taken***

Those timeless words of Robert Frost capture the gravity of the choices before us all. The decisions we make today will affect not only the course of our own life, but also our self-confidence, our ability to influence others and perhaps the fate of tens, hundreds or thousands of people in generations to come.

Americans from all walks of life will be telling stories of these times to their children and grandchildren. You yourself will have war stories to tell to your current and future friends, loved ones, children and grandchildren. Legends and folklore will develop around the *Great Credit Crunch of 2007-2008*. How will you be remembered? How do you want to be remembered? As the mortgage banker or broker who barely survived as just another loan salesperson? Or as the hero who stood tall while the world was falling apart and brought hope, clarity and results to clients, Realtors®, and financial professionals who were in desperate need of someone to rescue them from themselves and their fear?

If you decide to stay in this business, then you must do so wholeheartedly, holding nothing back. You must unleash your full passion, power and potential.

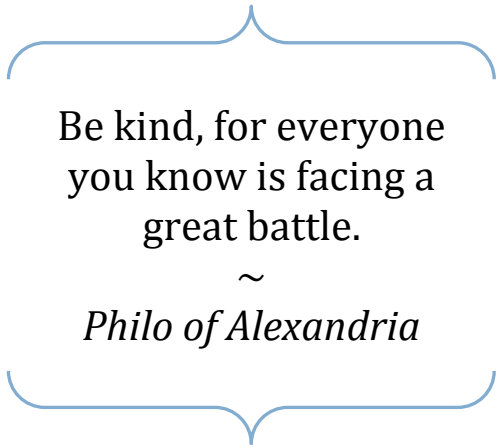
Every single day you must make your arch-enemies of Fear, Despair, Intimidation, Apathy, Weakness and Mediocrity feel constant pain and regret that they even attempted to mess with you. These hideous antagonists who wage war on your heart and chip away at your courage must be resisted at all costs. Your mission is to decimate them, reduce them and then finally destroy them and bring them to shame. Under no circumstance can they stop you or deter you from fulfilling your purpose, which is good and noble.

You are living for a cause and purpose that is bigger than yourself, and the fate of many rests in your hands. You must rise to the call of duty for you have been *chosen*. You have been chosen by your heart. You have been chosen by your time and place. You have been chosen by your destiny for this very moment.

On the other hand, if your heart is no longer in this business, or if it was never really in this business to begin with, it's best that you make a graceful exit now. Industry conditions will only get tougher in the months ahead. Whether we like to admit it or not, the truth is that neither home values nor the financial markets have seen a bottom yet, and things are likely to get worse before they get better. Compliance will become burdensome and lending guidelines will continue to tighten as the market clumsily sorts things out. There is no shame in cutting your losses, taking your chips off the table or otherwise exiting gracefully if that is what you determine to be in the best interests of you and your family.

However, in your exit, make certain to take good care of those who have trusted and counted on you. Team up with a counterpart in your area and send your clients a letter announcing your exit and introducing your counterpart as the one who will be taking your place. A small gesture to reassure former clients will go a long way – especially in this market. The difference between selling out and exiting gracefully lies in how and whether you fulfill your duty and obligation to those who have put their trust in you. The business world is full of weak and selfish individuals who put their own interests ahead of others who are counting on them, and you don't want to be numbered among that class of people.

If you know of someone who has left or is leaving the business, help them make a graceful exit. It's very important that we all team up together on this so that we don't leave a bad taste in the mouths of clients who are already hurting enough. I have heard cocky statements about it being a great thing that many people are leaving our business. This is not good. To be sure, a significant number of people who are leaving this business should have never been here in the first place. One of the main reasons behind my passion and involvement in CMPS is its role in differentiating those who are committed, qualified and equipped to do business honorably from those who do business fraudulently and unprofessionally, giving our industry a bad name.



Be kind, for everyone  
you know is facing a  
great battle.

~  
*Philo of Alexandria*

Nevertheless, there are some who are leaving the mortgage business after a long and storied career of fighting ethically and courageously on behalf of their clients and business associates. My heart is saddened when I receive industry publications that are razor thin and only a shadow of their former glory. I am troubled when I hear of small broker shops shutting down and wholesale operations being completely shuttered. It's as though a tsunami swept through our industry and left massive chunks of carnage in its wake. No my friends, some people are leaving this business because they have no other viable choice. Let's help make the transition smooth for them by giving them as much encouragement as possible. Let us bury our dead and care for our casualties with the dignity and class that is becoming of our great industry.

My grandfather was a widely respected businessman and one of the greatest patriots born in Lebanon. When war and tragedy threatened the safety and future of his family, he made the decision to leave his beloved homeland and all the glories of his former status in society. He never looked back. In fact, he came to this country as an older man and cleaned toilets in the city of Detroit to make a way for his family. Were it not for his knowing when his time was up; were it not for his courage to face the fact that he must leave the past behind and start from scratch, I would not be here today. You too have ancestors that made tough choices to come to America with nothing in their pockets but hope. Our country is built on stories like these. In all of this, let's remember that there is no shame in doing what you must do to protect your family.

Either way, whether you are staying in this business or leaving, it is helpful to understand a few important facts about the state of our industry:

**Important Fact #1 – It's a banker's market.**

The market share of mortgage brokers has declined from 65% to 40% and is still falling, while other financial institutions such as banks, credit unions and mortgage bankers have seen their market share rise from 35% a few years ago to a whopping 60% today. This trend will likely continue for the foreseeable future. If you work for a non-broker mortgage lending institution, chances are that you've actually seen an UPTICK in business! You may be scrambling to keep up with the business that you have, and you are facing a different set of challenges than what has been outlined here thus far. Don't worry, I'll address your situation in few moments.

Does all this mean that all mortgage brokers should just go out and shoot themselves or leave the business? Certainly not. There will always be a place in this industry for mortgage brokers – especially passionate brokers who do business ethically and wholeheartedly. It's just a tough time right now as the rules of the game are being redefined. What to do in the meantime? Allow me to offer a few suggestions:

- If you own a small brokerage shop that is struggling, consider teaming up with other players in your market so that you can pool resources. There are plenty of small banks and credit unions who are in need of experienced loan originators in their mortgage departments. Many of the medium-sized and larger institutions would also welcome experienced originators, and they also seem to be on the lookout for good originators.

- If you work for a brokerage, sit down with your management and brainstorm about ways you can compete effectively in this market. The key is wholehearted implementation as we discussed earlier.
- We will discuss other specific strategies and ideas in Part III of this report, as there are valuable tools and resources provided by the CMPS Institute.

**Important Fact #2 – Loan volumes remain at record levels and there is still a lot of business available for the taking.**

According to the Mortgage Bankers Association (MBA), the total volume of residential loans originated by our industry since the year 2000 was:

- \$1.1 trillion in 2000
- \$2.24 trillion in 2001
- \$2.85 trillion in 2002
- \$3.81 trillion in 2003
- \$2.77 trillion in 2004
- \$3.03 trillion in 2005
- \$2.1 trillion in 2006
- \$2.4 trillion in 2007

In spite of the credit crisis, 2007 was the fifth best year that the mortgage industry has ever experienced in terms of origination volume! Loan volumes were more than double the annual volumes of the year 2000. Further, loan originations reached \$558 billion in the 1<sup>st</sup> quarter of 2008. This means that 2008 is on track to reach \$2.23 trillion of originations, making it the 7<sup>th</sup> highest volume year in the entire history of the mortgage industry. Somebody is closing these loans. Why shouldn't it be you?

**Important Fact #3 – Only the survivors are left in this business; most everyone else has left.** At the peak, it was estimated that there were over 400,000 mortgage salespeople. Today, it is estimated that this number has been drastically reduced to less than 200,000. This means that you have much less competition and record high loan volumes - a very attractive combination from a business opportunity standpoint.

**Important Fact #4 – There are over 300 million Americans who are still living and breathing, and the whole country is not going into foreclosure...YET**

It is estimated that over 10% of US homeowners owe more on their mortgages than the value of their homes. What about the other 90%? As we discovered on page 8 of this report, Americans STILL have over \$9 trillion of equity in their homes, representing an average loan-to-value ratio of approximately 52%. *Even if prices decline another 20% on a national level, American homeowners would still have more total home equity than they did 10 years ago!*

Now, here's the thing about averages: statisticians joke about the man with his feet in the oven and his head in the refrigerator - on the average he feels pretty good!

The moral of the story is that there are plenty of people who are on opposite ends of the spectrum – with either no mortgage at all or too much mortgage debt. It's not as if there is a huge population of *average* LTVs in the 52% range!

What does this mean for you? Two MAJOR opportunities:

1. The large population of over-extended homeowners will likely go into default, foreclosure or some type of short sale. This means that a large population of distressed homeowners and renters will emerge, yielding opportunities for savvy investors and home buyers. (More on this in Part III when we discuss the role of CMPS in today's marketplace.)
2. The large population of homeowners with relatively low mortgage balances will need to tap into their home equity through reverse mortgages and cash-out opportunities (the ones that still exist). Don't get me wrong here - I am certainly not advocating that all homeowners should pull all the equity out of their homes! However, as the real estate markets stagnate and 300 million Americans continue living their lives, there will be huge opportunities for mortgage planning as defined below in Part III of this report. People will always need a place to live. People will always get married, have children, care for elderly parents, deal with health issues, and the list goes on. Again, more on this in Part III, when we discuss the role of CMPS in today's marketplace.

**Important Fact #5 – Compliance will get tougher as Agency, Fiduciary Responsibility and Suitability become the new buzzwords.**

This means that calling yourself a “loan consultant” or “mortgage planner” could result in legal liability unless certain precautions are taken. First, it's important that you define your role more clearly when talking to clients; and second, it's important that you team up with financial planners, CPAs and attorneys so that you are not perceived as practicing legal, tax, investment or financial planning without a license. Your role is to make clients aware of the mortgage options available through your firm, and give your opinion on how that specific mortgage strategy allows the client to achieve whatever it is that they want to achieve. Having bona fide disclosures and paperwork in place to show that you referred a client to a CPA, attorney or licensed financial planner will go a long way toward reducing your own legal liability.

After all, the mortgage buying decision is absolutely a financial decision. Many banks and lending institutions are following down the erroneous path of either skirting this issue entirely, or worse, *denying* that home owners and buyers do indeed count on their mortgage banker for professional advice. It's kind of like that game we played when we were kids – let's put our hands over our own eyes and pretend the other person can't see us. Just because you deny the fact that customers count on you for professional guidance doesn't make it untrue. It is and will remain true whether you like to admit it or not. That is why it is imperative that originators and their employers properly address this issue from a compliance standpoint. The best suggestion I have is to make certain that your originators are trained on how to team up with other licensed financial practitioners who can give the clients the proper legal, tax and investment advice. This will reduce your own legal liability while increasing your competitive advantage. More on this in Part III as we discuss the role of CMPS in today's marketplace.

**Important Fact #6 – Smart business people never operate in a vacuum; and no one ever succeeded by going it all alone.** In other words, you will need education, tools and resources to help you along on your journey and make your career path more fulfilling and profitable. This is where CMPS comes in.

### **Part III - Does CMPS® Matter? If So, What Role Does CMPS Play in Today's Mortgage, Real Estate and Financial Marketplace?**

The CMPS Institute administers the Certified Mortgage Planning Specialist™ (CMPS®) designation. The mission of CMPS is to empower industry stakeholders by standardizing the mortgage planning process.

#### Mortgage Planning Defined:

*Mortgage planning is the process of empowering clients to achieve their life goals through the proper utilization of various mortgage strategies.*

In fulfilling its mission of standardizing the mortgage planning process, CMPS Institute performs four primary functions:

- Certification
- Education
- Community
- Resources

#### **Certification**

The CMPS certification that is administered by the CMPS Institute has two primary purposes:

- Protect the public
  - Enforcement of CMPS Code of Ethics
  - Enforcement of minimum education standards and exam
- Standardize the mortgage planning profession
  - Core knowledge expected of residential mortgage planners
  - Systems and tools (more on this below)

If you think  
education is expensive,  
try ignorance.

~  
*Anonymous*

#### **CMPS® Core Curriculum Education**

The CMPS core curriculum is updated each year and consists of the essential financial knowledge that a mortgage planner needs in order to be effective. This includes:

- Mortgage and Real Estate Taxation
- Financial Market and Interest Rate Analysis
- Real Estate Investment Planning
- Cash Flow & Debt Analysis / Real Estate Equity Management
- RESPA and Compliance

The latest curriculum was released in June 2008, and it has been updated and improved to reflect current market conditions. The curriculum can be obtained by enrolling in one of three programs:

- [Live Training – July 27-29 in New York City](#)
  - Guest speaker Dr. Lawrence Yun, chief economist for the National Association of Realtors, will be giving a real estate market forecast!
- [Self-study – Audio CDs and online video modules](#)
- [Corporate Training Program](#) – customized training for corporate clients

There are over 300 million Americans who are continuing to live their lives even in light of the current downturn. Earlier, we discussed the fact that people will always need a place to live. People will always get married, have children, care for elderly parents, deal with health issues, get divorced (unfortunately), etc. We also discussed the fact that Americans still have over \$9 *trillion* of equity in their homes, and this is proof that the vast majority of homeowners are NOT upside down right now. The question is, will you be prepared to address these issues and offer the most prudent, helpful strategies to help them achieve their goals?

By becoming a Certified Mortgage Planning Specialist, you will have inside information to offer these people, then they NEED YOU. Your unique and valuable expertise in the mortgage and real estate markets can help them and their professional advisors make better informed decisions. You see, these people own real estate, and many of them have mortgages that are not under water. Perhaps there are strategies that you can help them implement that involve the use of a mortgage as a financial tool.

I'm talking about clients who own a \$2mm primary home in California that just lost 30% of its former value. They also own two other million dollar homes in Arizona and Florida that also lost 25% - 35% of their former value. They only have a mortgage on one of these homes and a zero balance HELOC that the lender just shut down due to declining home values. They are in need of a few hundred thousand dollars in cash (or so they think) to buy a home for their daughter and son-in-law who recently got married and can't qualify for a 100% mortgage due to their poor credit rating and tight lending conditions in the mortgage marketplace. They call their financial advisor in a panic because they are thinking it's best to just sell both second homes, take a loss and use whatever cash they recover to help their daughter buy a home. The advisor, not being trained in the nuances of the mortgage and real estate markets, was totally taken by surprise when the lender shut down the limit on the HELOC (she was the one who told the clients to open up a HELOC for liquidity reasons) and is not sure how to advise these clients right now.

Enter YOU – *the hero who has been chosen to stand strong in the midst of market turmoil and save the day.* You talk to the advisor and the clients on a three-way conference call and point out several ideas that could include:

- How to help the daughter and son-in-law improve their credit rating and/or participate in some of the newer FHA programs that could be worth consideration

- A rent-to-own strategy where the parents buy a home with a mortgage and rent it to their daughter with the option for the daughter to buy the property outright once her credit rating improves
- Other mortgage and financial strategies, etc., etc.

The key is to be able to have the conversation with these clients in the first place. Will you be ready?

## Community

Through the *CMPS Community of Experts*, you have access to a “brain trust” of some of the top mortgage planning professionals in the country. We provide three main avenues for you to participate in the *CMPS Community of Experts*:

- Participation at a [CMPS Live Event](#) and/or a [CMPS Live Advanced Training Event](#) – one of the greatest benefits of attending a live event is the live networking and conversations you can have with other like-minded professionals
- [CMPS Forum](#) – this online message board system empowers you to share and post questions and comments with thousands of CMPS professionals all across the country
- [CMPS Small Group & Local Chapter Program](#) – this special section of the *CMPS Exchange*<sup>™</sup> empowers you to form groups and chapters based on your geographic location or a specific niche area of mortgage planning.

The CMPS Community is like a family. We join together and fight at your side in this war in which we all find ourselves. Can we win the battle for you? No. Can you count on our loyalty, encouragement and assistance as you fulfill your role as the hero in the lives of your clients and referral partners? YES. By the same token, you yourself have unique talents and insights to contribute to the CMPS Community.

## Resources

In addition to the benefits outlined above, CMPS® members have access to:

- Marketing materials
  - PowerPoint presentations – give continuing education seminars to Certified Financial Planners using the latest updated content
  - Marketing Kit Articles – share valuable information with clients, prospects and referral partners
  - Email signatures, web site banner ads and other marketing materials to differentiate yourself in the market
- Media opportunities – visit the [CMPS Media page](#) for a list of recent press releases. Our media outreach program has resulted in many of our members being featured in local and national media outlets and more consumer traffic being driven to the CMPS web site to find a certified professional in their area

The CMPS® marks and marketing materials are all federally trademarked and copyrighted. Only active members in good standing are licensed to use these trademarks and copyrights. We have enforced this legally on a few occasions in order to protect the integrity of these marks and your membership and participation in CMPS.

In conclusion, I sincerely hope that I've been able to demonstrate why YOU matter.

May God bless you as you continue to fight the good fight and work hard for your clients; may God bless America as our country recovers from the current down-cycle; and may God bless our beloved mortgage industry as we make tough choices and recover from our excesses (and those of others).

With all my personal admiration for the good and important work you do for clients every day of your life,

Gibran Nicholas



Gibran Nicholas is a professional speaker, writer and entrepreneur as well as the Chairman of the CMPS Institute, a national training and certifying organization created to empower key stakeholders in the mortgage and financial industries. CMPS has enrolled over 5,500 participants since its launch in 2005 as a joint effort by industry leaders.

Gibran and his family operate several businesses from their headquarters in Ann Arbor, MI. Gibran speaks and writes about mortgage, real estate and financial issues including mortgage planning principles, case studies, theories and practices. Gibran has been quoted as an industry expert in national publications such as the *Wall Street Journal*, *Barron's*, *Investment News*, and *MarketWatch*. He can be reached at 888.608.9800 or [Gibran@CMPSInstitute.org](mailto:Gibran@CMPSInstitute.org)

Please forward this report to anyone you know who would benefit including innocents who may have been forced out of the industry, processors, underwriters, support staff, wholesale reps, managers, corporate executives, loan originators, and significant others who are baffled at why you are still involved in this crazy business.