



STATEWIDE HOME LOAN CORPORATION™

REAL ESTATE

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Experience The Difference®

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More Americans Want to Pay Off Their Personal Debt (Including the Biggest One: Mortgage)

By Robert W. Dudek

If there is anything good stemming out of this painful “great recession” from which we are slowly recovering is a new state of debt-free consciousness of the American consumer. Some call it “a rude awakening,” some “a paradigm shift.” But however you call it, one thing is obvious: most Americans are sick and tired of being in debt.

According to a recent survey quoted by CNBC, over 75% of consumers said that they had not increased their debts last year. In fact almost 40% of them actually decreased their debts and 57% claim that they have a specific debt reduction or elimination goal. This debt-aversion trend seems to be picking up steam, as more consumers expressed this attitude now than in any prior surveys.

We see a similar trend in today’s “mortgage world.” Many of our Clients inquire about either reducing their loan balances or paying off their mortgages all together. This is a pretty radical shift of consciousness after years of credit indulgence, when homeowners used their appreciated properties and inflated equity for all sorts of consumer spending and discretionary lifestyle expenses.

Now, with the deflation of property values, negative equity, and tight credit, this new attitude takes root. This is especially interesting because there seems to be a remarkable divergence between what the average consumer and the government are doing. The consumers are saying: “Hey, we had borrowed and spent and it didn’t work so well; now we want to get this debt monkey (more like a gorilla) off our backs.” The government is saying: “Hey, we had borrowed and spent and it didn’t work so well; now we need to ‘prime the economic pump’ (to use that famous expression of John Maynard Keynes), so we have to borrow and spend more.”

Paying off a credit card or a car loan is one thing but paying off a mortgage can be daunting. Mortgages usually involve very substantial amounts of money and how one can get rid of such a tremendous amount of debt? Well, you know that old adage: “How one eats an elephant? One bit at the time.”

The “first bit” is to know what food you are “eating,” meaning: Understand your mortgage and how it works. This understanding does not just mean knowing the note interest rate or the term of the loan (although some folks don’t even know that), but also com-



prehending how your loan works, what it is based on, how the payments are being applied towards the principal and interest, and understanding the difference between the interest rate and total interest cost.

Now, if you feel silly for not knowing these things, please don’t. Chances are that when you were getting your loan, the loan officer who was assisting you, did not have the knowledge, time, or inclination to explain these things to you. Or possibly, if he/she tried to explain them to you, perhaps you were not interested. The lending “lingo” can be confusing and intimidating. Loan documents are written by lawyers for lawyers, so how borrowers, without mortgage banking background, are supposed to understand them?

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Experience the Difference®

Since 1995 our commitment is to create a different experience for you, our Valued Clients. We specialize in providing real estate financing to purchase and refinance residential and commercial properties located in California and Hawaii. Our mission is to treat you with the utmost care and respect and provide the highest quality personalized service. Our goal is to understand your needs and work towards fulfilling them with customized financing solutions. Your Satisfaction is 100% Guaranteed.



We greatly appreciate your business and referrals – thank you!

The answer is simple: they don’t. The lending professionals assisting the borrowers in obtaining financing should explain these matters in easy to understand terms. At the same time the borrowers should be interested in learning these things. Why? Because, simply put, big money is involved and it is your money! Did you know that if you borrow, even at today’s low rates, \$500,000 for 30

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Today Our Japanese Friends Need Our Help...

By now we all know about the tremendous devastation and suffering caused by the earthquake and tsunami in Japan.

I have a very special place in my heart for Japan and the Japanese people. I have visited this beautiful country on several occasions and also have relatives, friends, and clients either living in Japan or being of Japanese descent. Japanese people and their government are well known for their generosity and humanitarian efforts. There has not been a major disaster in recent years for which Japan has not offered a significant aid.

Today our Japanese friends need our help... We are conducting Japan Relief Campaign

through our non-profit: *The Rainbow of Hope Freedom Foundation* (www.trohff.org), which a project of United Charitable Programs, a registered 501(c)(3) public charity. Donations are tax deductible as allowed by law. Your donations will be matched thru *The Rainbow of Hope Freedom Foundation* up to \$1,000.00. You can either mail a check or money order payable to: *The Rainbow of Hope Freedom Foundation* or securely donate online by going to our website at: www.trohff.org/japan. Again, any amount helps...

Thank you very much in advance for your generous support, or as they say in Japan: Domo Arigato!

Robert W. Dudek, is Chairman / Fund Advisor of The Rainbow of Hope Freedom Foundation, www.trohff.org.



Debt Payoff

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years; you will pay back almost \$1 million if you keep your loan for the entire term? That's big money!

OK, so you know that you have or about to have this "mortgage monkey" on your back, now what? Well, first of all, you need to understand why you get mortgage in the first place. If you are buying a property, you use a loan (liability) to acquire real property (asset). That is normal and financially healthy. Few people can buy properties for all cash. However, once you acquire your asset (let's say a single family home), your goal should be to have it as quickly as possible without any debt, or as they say in the real estate investment circles: have it free and clear.

Why? Two basic reasons: the first one strictly financial and the other more psychological and emotional, but equally important. Financially, debt is liability and as such it reduces the net value of your asset. Psychologically (and emotionally), debt is enslaving you. Yes, you heard it right: enslaving you (Merriam-Webster Dictionary's definition of "enslaving:" 1. Make [someone] a slave, 2. Cause [someone] to lose freedom of choice or action). Think about it. Can you afford to stop working if you have a mortgage payment?

But some of you may say: my mortgage interest is tax-deductible and I need my tax write offs! Yes, if there is an expense, which must occur, and it is tax-deductible, it is less "bad" (but still not good) than expense which is not tax-deductible. However, having an expense for the sake of tax-deduction is a lousy deal. You need to spend \$1.00 to get back \$0.25-\$0.30 from the taxman, does it make sense? And by the way, the home mortgage tax deduction is on the chopping block of many politicians who would love to get some extra tax revenues.

So now that we are in agreement that having free and clear home (or any other asset) with no debt on it is a good thing, how to go about it? What do you do? I think you need be lucky, presuming that you understand the definition of LUCK, which is: Laboring Under the Correct Knowledge. You need to have the correct knowledge about how to work your mortgage to your advantage. In many cases, mortgages can be paid off five, ten, even twenty years earlier, without hardly any changes to your life style. There are different strategies which should be explored and evaluated, to see which one could work for your individual situation.

How do you become LUCKy? There are two basic options: One, you can spend the next couple of years on educating yourself on mortgages and trying to develop a strategy

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which will work for your situation, or two, you find a mortgage professional who has knowledge and tools to help you accomplish your mortgage debt-free goal.

Option #1 seems like a lot of work. Option #2 is more like it. However, if you think it is easy, think again. There are not many mortgage professionals who can actually help you with designing a plan to reduce or pay off your mortgage sooner. Why? Because that is not how they were trained, how they think, and how the mortgage lending industry operates. The fact is that mortgage lending professionals are trained to originate (create) debt and then to service it (collect payments). They are not trained to help borrowers save money on interest charges because, let's be brutally honest here, that would take away some of the profits lenders earn.

Knowledge is one thing, but having proper "mortgage tools" is equally important. What do we mean by having mortgage tools? For instance, just to mention a few, call around and find out how many lenders still offer Bi-weekly mortgage plans? Or, how many lenders would apply the payment first to the principal then to the interest? How about customizing your mortgage loan to your individual home ownership plans? What about reducing the mortgage interest rate and applying the savings to the principal loan balance to cut the term of the loan? These are some of the mortgage tools which could be essential in effective mortgage debt elimination planning.

In conclusion, the new paradigm in America is that less (debt) is more (freedom). Mortgage is the largest debt most people have and borrowers should: One, understand how it works, two, evaluate and implement ways to eliminate it, and three, have free and clear assets.

Robert W. Dudek is a Chief Lending Officer at Statewide Home Loan Corporation with over 22 years of professional real estate experience, specializing in the area of mortgage

finance. He conducts a FREE educational Mortgage Workshop™ entitled: "How to Pay Off Your Home in Half the Time, Save Thousands in Interest, and Do It with No Change to Your Spending Habits.™" This Workshop is designed to help homeowners, homebuyers and their professionals understand how mortgages work and how to use specific strategies to pay off mortgages ahead of schedule to have free and clear properties. For current dates and how to RSVP, go to www.shlc.com look under "Workshops & Events"

body, mind, and soul

"One kind word can warm three winter months."

– Japanese proverb

"We are what we think. All that we are arises with our thoughts. With our thoughts, we make the world."

– Buddha

"No act of kindness, no matter how small, is ever wasted."

– Aesop

"Nurture your mind with great thoughts; to believe in the heroic makes heroes."

– Benjamin Disraeli

"No revenge is more honorable than the one not taken."

– Spanish proverb



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MARKET UPDATE:

Current Interest Rate Indicators

For most current mortgage news and interest rates, visit our web site at www.shlc.com.



Prime Rate	3.25%	–
10 year U.S. Treasury Bond	2.96%	↓
11th District Cost of Funds	1.45%	↓
12 month MTA	0.28%	↓
1 month LIBOR	0.19%	↓

Source: SHLC Market Research 6/2011