

“The Benefits Of Finding & Dealing With A Mortgage Consultant” Teleconference Call - Transcript

Operator: Good afternoon, ladies and gentlemen. Welcome to the “How to Find and Deal With a Mortgage Consultant” conference call. I would like to introduce your speaker, Mark Huber. Please go ahead.

Mark: Well, thank you very much and good morning, everyone. My name is Mark Huber and I welcome each and every one of you listening in to the call this morning. I’m a Certified Financial Planner and I’ve worked in the financial services industry for over 21 years. Before I introduce my guests this morning, I want to give you some of my reasons for hosting this call. I’ve long recognized that my role is to partner with individuals to help create prosperity and financial peace of mind for them. And so to that end, I’ve worked proactively to bring the most innovative planning tools, strategies, ideas and products to the attention of my clients on an ongoing basis. And so I’ve authored numerous downloadable e-books and other teleconference broadcasts that you could download

and listen to or read through my premier website, <http://HowToBeSetForLife.com> However, increasingly I've been getting questions from individuals requesting information and direction as to their mortgage and interest rates, et cetera, et cetera. And I'm sure you can all appreciate and recognize this is a very specialized area of expertise and although I do not claim to have the knowledge or the skill necessary to adequately speak to these concerns, I'm still asked to comment and give direction and/or advice. Well, my motto has always been, "If you don't have the expertise, find it and hire it." So I pursued a meeting with our guests who are on the call today some time ago and I'm very pleased that they're with me this morning on the call. Now, "Why a teleconference call?" you ask. Well, frankly, I believe as Canadians, especially those of us living here in the Lower Mainland, we're all time starved. I know for a fact that today there are people listening in from their home phones, their office phones, their car phones, certainly multi-tasking to be sure. However, it's much more easier and convenient this way. I like to call it "information on demand." That being said, don't forget we are recording this call so all of you will get a copy of the audio and the transcript of the call

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within the next few days. So just watch out for an email from us notifying you when and where you can download the information. Then you can just listen to it again on your iPod or as you're jogging or driving to work, in your car, on your CD, whatever. You gotta just love technology. This is part of my "Ask an Expert" series of teleconference calls so today it's with great pleasure that I welcome to the call independent mortgage specialists from The Mortgage Group, Monique Cornish and Don Maxwell. A brief bio is that, just in the interests of time, I've had to cut their respective C.V.'s dramatically short so Monique comes to us from a background of finance and marketing and Don has a ten-year-plus history of assisting clients with their mortgage needs. So without further ado, welcome to you both.

Don: Thank you, Mark.

Monique: Thanks, Mark. We're happy to be here today and thanks for the opportunity to share our mortgage knowledge and experience with you and the listeners and callers.

Mark: Wonderful. With your backgrounds and credentials, today's call should certainly be a walk in the park, as we say. We have people from all walks of life with us on the call. We have teachers, hospital employees, self-employed individuals,

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business owners, and though each come from a different career background, the one thing that unites all of these, and us collectively, is that we are all carrying the biggest single debt that we will have in our adult working lives which is our mortgage. Unlike years ago, there are many more mortgage products and options as to how we may wish to deal with our mortgages and that's why they're listening in on the call today and that's why I've invited you both to join us. Perhaps you could just start off by giving you or giving us, I should say, a-- let me just back up a bit just for our listeners. The outline of today's call will be trends in the mortgage industry, sources of mortgage financing, what is a mortgage consultant and what benefits do they bring to the table, what to expect from a mortgage consultant, what things do they take care of, information required to deal with a mortgage consultant as far as pre-approval and such, what are some of the different types of mortgage products and programmes available, who are the lenders? Then we'll have a question and answer where we'll open the lines up to the listeners so that they can ask you both questions and then we'll wrap up in about 47 minutes or so. So let's back up a bit and look at the lending industry. Can you give us a bit of an industry

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overview and what some of the trends are that you're seeing out there?

Don: Well, yes, Mark, I'll carry on. This is Don Maxwell here, folks. The market today is more confusing than ever for most buyers. First of all, we see the U.S. market is being driven by very different forces than the Canadian market. In the past, Canada paralleled what was going on in the United States and so as they went so did we. Right now we're seeing the U.S. market have a significant slowdown in their housing starts and in their housing market which has been the driving force behind their economy for a number of years. But there's a definite pullback. In Canada, however, we're seeing great demand for our commodities that we produce and export and we're benefiting significantly from the rising value of those commodities. Our economy is strong. The U.S. economy is weak; however, we do export a great deal of raw material and finished products to the United States. So as their economy slows and cools, their government's going to lower interest rates to stimulate their economy. Lower, long-term rates are going to obviously spill over into Canada and we've been maintaining a high prime rate for the last number of months, almost a year and there's a difference

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here in approach and in result. So we're going to see that as the U.S. lowers their rates, our country's going to be forced to lower our prime rate and we're also going to get another surge in housing activity. So we expect to see long term [inaudible] markets come down, cheaper money and therefore the prime rate is going to come down and that'll be cheaper money both in short and long term for us here in Canada. So I think we're going to have a very strong housing market and a demand for mortgage products in the year, two years ahead.

Mark: Well, that's excellent news. Got to be liking that.

Don: Yes.

Mark: So what are some of the types of mortgage products that you're seeing and that are currently available in the market today? Is that a fair question?

Don: Yes. Monique?

Monique: Sure, there's-- in terms of mortgage products, there's a whole diverse range of products. We look at some of the new and emerging products like interest-only mortgages, a hundred-percent financing now that just came out just over a week ago where clients can now obtain a hundred-percent financing at discounted rates. That didn't exist just a few

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weeks ago. Thirty- and thirty-five-year amortization mortgages are now in the market on both high ratio and conventional basis so that's giving borrowers a lot more flexibility and puts them in a position where purchasing property is now something that's affordable and doable for them. And maybe a little later, too, in our teleseminar, I'll get into some other products and trends and that kind of thing. But I'll leave it there for now. One of the things, though, that I wanted to mention, just kind of trends in the actual industry, we're seeing that financial institutions and consumers alike have all recognized that folks like Don and I offer real value to the process of securing a mortgage. So borrowers are using an independent mortgage specialist to help them secure their mortgage financing more so than ever. And last year, as an example, 35 percent of all mortgage transactions in B.C. used the services of a mortgage broker. And the number's and growing. In fact, more people in the country or I should say B.C. leads the use of mortgage brokers in the country. We've, you know, we've also seen new lenders enter the market every six to twelve months and this has created a real opportunity for borrowers either to make home ownership or mortgage financing more

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affordable because of increased competition in the lending community or just simply qualify for a mortgage a little easier because of the unique lending programmes or guidelines that are offered by some of these new lenders.

Mark: So what would be some of the sources of mortgage financing that you would suggest or have available to you on behalf of your client?

Don: Well, traditionally, Mark, the banks have dominated the industry here in Canada. This is very different than the United States where private sources and private companies created a system that was more complex but also had unique features that were advantageous for clients. We've been dominated by banks and they've directed where and how we can access them for money. And unfortunately, that has limited the selection and the competition, it's kept prices high, and it hasn't really worked in the consumer's best interest.

Mark: Isn't that the truth.

Don: Yeah, very much so and having come out of the banks, one of the things that motivated me to move into independent status as a broker was a recognition that people needed more choice. People needed to be represented in the process. So

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when we look at sources for mortgage financing in Canada today, there's many players. And a lot of these players aren't just easily available or accessible by the client so we have credit unions, of course, which, again, have storefronts. But we also have trust companies, pension funds, insurance companies that are all behind the scenes, have huge amounts of money available and they're looking to access mortgages and buy mortgages as it were. So this is by far the largest source of money in the marketplace. If you think about it, the bank doesn't have unlimited money sitting in their vault in the corner branch.

Mark: Although we think so at times.

Don: We think so, that's right. So they have to get their money from some source, too. So interestingly enough, if you go through door number two, you'll see that all of the various lenders operate in a way that says, "Here's a storefront," and that's the name on the street that the client sees. But really the money's coming from large institutional money and even from government pension funds and so forth behind the scenes and consumers are accessing it through a retail basis. But there's a lot of sources of money. There's even private money that's available through mortgage investment

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companies. So a considerable number of sources for money. And we have access to all of those sources through our work as mortgage brokers.

Monique: And just to add as well to what Don was saying, Mark, is in addition to the banks and the credit unions, trust companies, and so forth, there's mortgage lenders out there in Canada that operate through a broker channel. So lenders, just a couple examples, MCAP, Merix, First Line Mortgages, First National, these are all mortgage lenders that lend just mortgage funds to borrowers through the brokerage channel, through people like Don and myself. So, you know, some of these lenders have some of the most innovative practical products out there and so, you know, it's one other source of mortgage financing but it's also a source that, you know, clients can really only access through the broker channel.

Mark: So it would seem to me that anyone who just, again, the Canadian way is to traditionally think to the bank for all their financing, and what have you, needs. They're doing themselves a disservice by not, you know, thinking outside the box and giving people like you a call.

Don: We agree.

Monique: Certainly, yes.

Mark: That was an easy one.

Monique: And just as well, to back up a bit, part of my background, too, is I came to this industry as a client. I came to my company, The Mortgage Group, as a client four years ago and was absolutely impressed with this part of the industry and the service I received. And it wasn't, you know, a year later that I decided, "Wow, I want to be part of this business." So it's certainly exciting and it's certainly nice to be in a position of, you know, a professional in the industry and coming from initially the background of being a client.

Mark: Kind of reminds me of the television commercial some years ago where the guy is-- liked the razor shave so much he went and bought the company. It almost sounds like your story.

Monique: Right.

Mark: Maybe you can talk a little bit more about what is a mortgage consultant and, you know, you've touched on some of the benefits but maybe you could, you know, just amplify on some other benefits that one does definitely have to offer to the process of securing a mortgage.

Monique: Sure.

Don: Yes, well, the key difference between us and the bank is that

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we work for the customer. Now every employee in the bank works for the bank. They have that bank's interest at heart because they get paid by them. They're dictated to in terms of policy and procedure and the routine that they have to follow in order to make an application for a client. And if the bank comes back and says, "No, this client doesn't fit our credit criteria," or doesn't have down payment or doesn't have--

Monique: The right type of income.

Don: -- the right job, right type of income, then they're going to say "no" to the customer and many, many people go into the branch and come back out without a mortgage. So then they ask their realtor, "What shall I do?" They refer the client to us and we begin a much more creative, hands-on approach to care for that client, understand what's happening in their life, to guide them and direct them and educate them to the system and to the process, and to ensure that they have a comfortable experience and a rewarding experience. So we work for the customer. Now what's interesting is that we get paid by the bank.

Mark: Oh, do you?

Don: Work for the bank. We get paid by the bank to do a job.

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They access that mortgage once we've put it into the system and they say, "Yes, we're interested." And if a bank says, "Well, um, it doesn't quite fit," we go to the next lender, the next lender, the next lender in line. And we have a wide range of lenders. Our job is to understand what each lender requires and then to present to each lender a file that we know will be successful. And, of course, what's really important in our work is that we have some ability, some power you might say, to negotiate on behalf of the client whereas an employee in a bank, they have no authority or power to assist without going to a higher level of management for approval. And, again, you're dealing with a hierarchy there and you're dealing with a creative, hands-on approach here with us as mortgage brokers.

Monique: The other thing, just to add to what Don said, too, is, you know, to go into your bank, and this has happened a lot of times with our poor, self-employed friends. They'll go into the bank and they've got income on paper that's definitely lower than what they bring in through their company and they get turned down by their bank. Well, that bank probably doesn't have some programmes out there for self-employed folks where you simply state your income if your

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credit and down payment is high enough. And, you know, we just-- we hear a lot of people walk away from their bank and they think that something's wrong with them because they got declined. And, in fact, no, not at all. They just-- their bank just simply didn't have a product or programme to fit their specific needs. And that's the big thing here for-- I think for me, anyway, as a client first is I came in and I probably didn't fit the bank mould. And I was provided with a product that really suited my needs and it was a lender that is one of our lenders that has a broker channel and it wasn't a bank. And just having access to many different products and many different lender programmes, that's a big benefit in my mind to borrowers out there.

Mark: Are Canadians kind of keying in to checking out, you know, individuals in the mortgage consulting industry? Because from what you've said, and I think we all agree, you know, the banks always try and put round pegs in square holes or the other way around.

Monique: Right.

Mark: So are people looking for options? Is that why there is growth, as you see it, in your industry?

Don: Well, that's an excellent question and I'll tell you, Mark, when

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I began banking back in 1988/89, a mortgage broker didn't really exist as we see and understand it today. They were a very, very tiny part of the community. They dealt with just files where people had been totally destroyed in their lives and they couldn't get a mortgage from anybody and they paid high fees and high rates to go to private lenders in order to secure a mortgage because they were desperate to move forward. And I've watched as that whole environment has changed. What's driving change today is consumer demand, consumer need and as we come to understand more about what customers need, we, of course, as a marketplace deliver products. And competition today is fierce and is driving the agenda to move in a new direction that is much more consumer friendly.

Mark: Good, well, it's about time.

Don: It is. It really is.

Mark: I know you had touched on fees before, I mean, no one works for free, no one should expect anyone to work for free and as professionals you need to be compensated. How do you get compensated? How does that work?

Monique: Well, lenders provide us with a finder's fee for the mortgage and, you know, it's pretty much the same across all lenders.

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So it gives-- which is a great thing, and for us, you know, we're able to provide unbiased advice, information, share our knowledge and experience and, you know, the client benefits from that and doesn't have to pay for that service which is great. The only time that we're in a position where we need to charge a fee is if we're arranging a commercial mortgage for a client where the lender, you know, lenders don't actually compensate brokers for commercial mortgage transactions. And sometimes if we've got a client that's got, what we might call a "bruised credit" or "compromised credit" we need to go with alternative lender that, you know, that they actually charge a fee themselves and forces us to charge a fee along with them, then that's something that we'd have to do. But, you know, 98 percent of all transactions take place without us charging a fee.

Mark: Wow, that's good news.

Monique: Yeah.

Mark: That's lovely.

Don: What happens, of course, is when I worked in the bank as an employee, I was given an objective to deal with a certain number of files and a certain number of mortgages and a certain number of loans each and every month. And I got

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paid a salary for that measured on my performance and ability to deliver results to the bank. Now when we became brokers within the community, the bank said, "Oh, how can we encourage people to work after hours, at night, on weekends and be available and still have them accountable to us because, gee, they're not working in the branch anymore. We can't regulate their activity." So they changed it into a fee-for-service structure. And now many banks have followed that same pattern and have a sales force of people who are broker-type individuals like ourselves but who still work for that bank [inaudible] that bank's product. They work on a commission or fee-for-service basis. And now as the broker side has grown and expanded dramatically over these years, the bank has realized that they can control their costs by setting a cost to purchase that file with a fee for service. They regulate the amount of money that they're willing to pay and they do it on the basis of what it would cost them to hire somebody to sit in the branch and do the same work. But then if you're more productive and more effective like ourselves than you end up doing a higher volume of work and, of course, it's good for all parties in this instance.

Monique:Yes. Just also to add-- answer a previous question that you had just about consumers out there, we're finding that consumers today are much more savvy and demanding of lenders and information. They want to be in control of the process and want to learn and be able to make sound, financial decisions for themselves. And part of the reward for us is that we can impart that knowledge and experience with our clients and they end up, you know, not only walking away and being able to brag to their neighbour about having a great rate, but they can also tell their neighbour, "Hey, this is the lender I'm with and this is why this lender and this product was a great fit for me." And we've kind of come around and that's a-- I think that's been a change in the last few years. I think a few years ago, everyone was just simply interested in rate and didn't look beyond that and today it's more like, you know, "What is the overall value that this product offers to me and how does it fit my needs?" Because as we see more lenders that have come into the market, far more products and programmes are available and there's always, you know, there's a fit for everybody and it's just a matter of what that is. And it's our job to ask our clients, their questions, their plans, their goals, some of their

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constraints, concerns and just draw out from that certain elements that may dictate one product over another.

Mark: Who are your mortgage clients, would you say?

Monique: It's funny because Don and I have a good mix of clients but, you know, most of our clients just to start with are seeking residential mortgages. We do do some commercial mortgages but most, indeed, are residential. I end up with a lot of first-time buyers who need their hands held and, you know, just briefed about the process of buying a property, getting the financing, what to expect after, what to expect at closing time and just need the follow up after. And today we're finding, actually, Don and I are having a lot of clients not only purchasers, but refinancing their property. I'll let Don add to my answer, too.

Mark: Okay, great.

Don: Yes, the market is really diverse and the first-time home buyer is a significant part and it's significant because there's many new people coming into the marketplace, new immigrants, move-up folks who have been living-- children moving out and buying a property of their own or people who've been renting for many years and wanting to buy their first home. So that's a significant and huge part of the

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market. And then there's those folks who have owned a home before, they have small starter condo and they want to sell that and move up to a nicer apartment. Or they want to sell their apartment and move into a house. So that's a significant part, the single-family home. And then you have people who are investors, who say, "I've got a hundred-thousand dollars of equity in my home because prices have gone up so much and I've paid down my mortgage, that we now want to leverage our future and buy a second property and gain some rental income from that that will pay for the cost of the mortgage and the cost of upkeep. And then in the future it'll be paid off and that'll be a retirement property for revenue." So those are three significant areas.

Monique: Now the other kind of more minor one is we do actually get some offshore clients as well, folks from the U.S. and Europe, most of them. And they end up buying property here either as an investment property or as a property that they'll, you know, rent out for the time being and then intend to occupy in the future.

Mark: Now where, Monique and Don, where are you located and do you make house calls?

Monique: Yeah, we're located here in Vancouver in the Broadway

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corridor. Our offices are on West 8th and Hemlock.

Mark: Okay, so very central.

Monique: Yeah, and we do make house calls. That's kind of part of our service to our clients. We make ourselves available to our clients when they want, where they want, you know, we do a lot of our work with house calls, a lot of-- my clients are young families with little kids at home so it's easy for the family, for me to come to them rather than them to come to me. And I meet a lot of clients in my office, too.

Mark: So you just make it extremely convenient for people to do business with you?

Monique: Yes.

Don: Well, one of the questions you asked earlier, "What are some of the benefits of mortgage brokers?" and we see that as a very significant part because we are working with the client, for the client and we want to know our clients. People don't have to take time off work and come and see us. If it's convenient, they can drop in or if-- we see them on the weekend or before they go to work in the morning or after they come home from work at night. This business of the house call is a big part of our industry and Monique and I both follow a practice of wanting to know our clients as

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people. And then over the years we become friends and they refer us to their other family members and to their relatives or people at work and these are significant sources of business for us because we do much more upfront to earn the client's trust and earn their respect.

Mark: That's a great way to do business.

Don: Yes.

Mark: Are there any products currently that you're excited about that maybe are new to the marketplace?

Monique: Yeah, well, there's a whole array of products and not only products but new programmes. CMHC and Genworth have come out with some neat and innovative programmes in the last 12 months or so. I'm sure you've heard about the new 30- and 35-year amortization programmes that exist now. There's programmes for high ratio with them for rental property ownership where you can put a minimum of 15 percent down. They've also got a second or vacation-home programme that can go up to 95 percent financing. So that's just kind of on that side. There's programmes in place that are called purchase plus improvements that both our insurers offer. So if you're looking to buy a home and it's a high-ratio mortgage you can actually add some amount to the

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mortgage that gets held in trust by the lawyer. And then you go and do your renos or you purchase new fixtures or furnishings and then you end up being reimbursed for those costs from the lawyer. That's just a couple of little programmes. We've got our new hundred-percent financing option at fully discounted rates. As I mentioned earlier, that's really new and more lenders every week are coming onboard with that. We've got some interesting products for self-employed people and for people that have impaired credit. There's more lenders in the kind of alternative lending community that are coming onboard and offering better, more flexible products for people that have been turned down by the bank. And there's-- and what we like to see, actually, is shorter term mortgages available for these folks so that Don and I can counsel these people on how to get their credit back into good shape so that in one or two years' time we can move them from an alternative lender to a bank-type lender.

Mark: Okay.

Monique: Yeah.

Don: You know, one of the most exciting trends in Western Canada, and it's reflected in other areas, too, but it's

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predominant out here, is the move towards self-employment. Many people, including government agencies and standard employees that you wouldn't think are independent are becoming independent because of the structural change in our economy. The government has embarked on a programme to hire people under contract. And if you think of someone who's been working in their job for 15 years, even 20 years, and has become very good at that job, and then their employer, and that includes the government in a lot of ways, sets them up as an independent contractor or consultant in their field, and says, "Hey, we're going to pay you based on production or contract and that'll revolve from month to month or from six-month periods or one-year periods, whatever." So this is a huge, huge trend and many people are looking for more flexibility in their life, they don't want to work as many hours but they want to work the hours that suit them. So they're going to work nights or weekends and mortgage brokers have to be available to those people at all hours. As well, the banks in the past were totally resistant to considering income as anything other than a very rigid, traditional pattern of measurement. "Here's your job letter. Here's your pay stub. Here's proof that you worked at the

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company for the last ten years and your job is secure.” And all of that is going out the door. So people are scrambling saying, “Hey, I make great money and I’ve only been self-employed for a year. So why can’t I get a loan, because I’ve got wonderful credit?” And two years ago this was a huge problem for people and today lenders, on the broker channel, have been driving the agenda to say, “We need answers. We need solutions. We need to provide customers with mortgage money when they have good credit.” And our experience is, as a community and as a group of people in Canada, we’ve been driving the agenda to force the lenders to change their attitudes. And I think the growth in the broker community and the market here has been huge and that’s a large part of why the banks and the lenders are listening and have to listen.

Monique: And that’s, actually, just to add to what Don just said there and getting on a slightly different topic but still really a good one, is, you know, Don and I together do, you know, pretty high-volume mortgage business with many lenders out there. And we’re asked at least once a year by some of the key lenders, “What products are your clients asking for that aren’t on the market? What procedures, what policies, what lending

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guidelines don't work for you? Why is the business going elsewhere? Why isn't it coming to us? What do other lenders have that we don't offer? How can we improve our service?" And so, you know, there's one lender that we deal with quite a lot is actually coming out with two new products in the next four months. One will be released next month and one will be released in January and I know for certain that the feedback that Don and I have given this particular lender has influenced their release, their upcoming release, of these new products. And that's exciting and it's rewarding for us and we just-- it's nice to know that we're contributing to provide our clients with more options.

Mark: Well, that is totally exciting because, you know, what industry will a product manufacturer, you know, solicit feedback and create product around consumer feedback via the mortgage channel? It's just amazing.

Monique: That's very true and part of this-- what we do as well is we work in partnership with our clients but we're also partners with our lenders. We give them good feedback and we expect good service and we expect new products to come out in the market that addresses clients' needs. That's-- it's rewarding.

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Don: Win-win.

Monique: Yeah, it's a win-win. The other-- just to touch on the question you asked earlier, new products that have come out in the market, a lot more lenders now are-- two things have come out with interest-only products. These don't suit everybody but they certainly do have a really good fit. For example, folks that have revenue properties and they want to minimize the payment outgoing on a monthly basis to offset the rental income and there's lines of credits that are interest only and there's also variable-rate mortgages that are also interest only. And the other thing as well is there's what are called equity-lending programmes or stated-income programmes and these lender programmes which as well are quite new, are quite well suited to self-employed folks, people on contract or even people that are private investors. And what these programmes do is they focus on credit and down payment and they turn a blind eye to income proof.

Mark: Oh, is that right?

Monique: Yeah, they do so if you've got, for example, 25 percent minimum down payment and decent credit, you're not required to prove your income can service the mortgage. And this is a big thing and this is why a lot of people,

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unfortunately, get turned down by their bank because they go in and they say, "Here's my income. I'm self-employed. I actually bring in \$60,000 my gross, but I actually write off a lot of expenses and my net income's \$8,000 a year," and their bank laughs and says, "I'm sorry, I can't help you." And they come to us and we get an approval for them the next day and it's just a matter of new products, new programmes, knowing where the client fits and being able to kind of meet their needs through a lender that they didn't start off with and probably wouldn't have ended up with on their own.

Mark: That's awesome. What information is required as far as the pre-approval process for you and Don to get the ball rolling?

Don: Well, that's certainly a good question and it's one that everybody wonders when they first come, "Gee, what do I have to say?" Prudent lending and good lending means that you know something about your client. So the banks and all lenders are required by law to have a good level of information that says, "We know who these people are." The government of the day is anxious that we follow good lending practices. Even though there's creativity in the marketplace that's responsive to need, we still have to know who we're

lending money to. So we represent the client and the client can tell us their whole big-picture story and we will extrapolate and pull from that the information that's necessary for the file and that also presents the client in the strongest best light. So we need to know their address, their date of birth, their social insurance number, where they live and how long they've lived there, if they're salaried, how long they've been employed and who their employer is, and what type of job they do, what type of industry they've been in. So they're general questions just getting to understand the client. We then have to pull a credit bureau report that explains and shows their history of payment. Have they been reliable? Have they been paying on time? Have they had any issues in credit? And a lot of times we find these and we can counsel and guide the client on how to fix their credit quickly or in some cases we can fix serious long-term problems the client didn't even know about. But apart from that, we still need to have a good understanding of their credit habits. And the lenders, more than anything, look at mortgage lending as a handshake: "We're going to shake hands, we'll lend you money and you pay us that money back with interest." And a lot of folks say, "Oh, well, they can take

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my house if I don't pay." But, of course, nobody wants to take anyone's home. The banks are very uncomfortable being pushed into that agenda even though they follow it as a last resort. They don't want to go there. They would much rather see a reliable, trustworthy pattern and follow their good lending practices and not have to get into conflict later.

Mark: If a person has, and they know have, poor credit could they still apply for a mortgage through you and Monique?

Don: Absolutely. If they have good credit, we have many more choices. If they have poor credit or very bad credit, we have still an excellent array of choices available with different lenders, with different options. And what we see, Mark, is that the greater the risk that the lender sees in a file based on instability or poor credit or collection issues or job issues, then they will offset the risk with a higher rate. And/or in some cases, they will charge a fee that helps them to justify lending money to someone who otherwise wouldn't get a mortgage through any of the normal lending channels. And these are-- this is a fair exchange. Lots of people know they have got themselves into difficulty and they're willing to pay the price because they want to get into a home and this has been a very astute move for clients over the last five, six

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years for sure.

Mark: Definitely.

Don: And even though they might have had to pay, say, seven percent for the money instead of five and a half percent for the money, it's been a good choice for lots of consumers who have now two, three years later looked back and said, "Gee, my home is worth 25 percent more. I have a new job and I'm more stable and I've paid down my debt and I'm really ready now to go forward in the normal marketplace."

Monique: And just to add to what Don said is oftentimes these folks, too, that may end up, you know, having to go with a slightly higher rate, their whole credit history and understanding of credit and the system and how it works has been brought to the forefront for them, and this has become now an important issue and something that they take responsibility for. And, you know, one of the things we attempt to do is counsel our clients that don't have beautiful credit and be in a position to move them to, you know, typical bank-type lender in as short a timeframe as possible. And I think that, again, is, you know, it's one of the benefits or services that we offer. It's not something that my bank has ever done with me, gone over my credit report and said, "Here's what we're

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looking at and here's what you can do to keep your score high and, you know, does everything look accurate?" These are the things that Don and I do with our clients routinely. And I think, you know, everyone should be looking at their credit report at least once a year, and all our clients have the invitation to review their credit report with us and we'll go through it with them and make sure that their credit is something that they take ownership for and understand.

Mark: Well, it seems to me that you're in the business and the profession of helping people which is a fabulous place to be.

Monique: Yeah, we think so.

Mark: Do you see the use of the Home Buyers' Plan for people getting into real estate? Any experience with that?

Monique: Yeah, you know what, I probably do more than Don. The Home Buyers' Plan will allow you to use up to \$20,000 of your RSP's if you're a first-time buyer and without paying tax on your RSP balances. So that's, you know, it's something that I did, to be honest, when I purchased my home. And I'm needing to pay back those RSP's that I collapsed within 15 years. And I need to make minimum payments every year for that. But it's a nice option for some people and for others, you know, it might make sense to obtain the down

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payment funds from other sources. There's certain criteria that you need to meet to qualify for the First Time Home Buyers' Plan and probably maybe beyond the scope of our little conversation here. But it's something that Don and I go through with our clients and make sure that they qualify for the First Time Home Buyers' Plan before they walk in to their financial institution, their RSP holders, and collapse their RSP's.

Mark: That's good that you do that because I've never been a raving fan of the programme in that, you know, push comes to shove, a person's retirement is wrapped up in their home. And if things really go sideways on them and they lose the home because of loss of a job or whatever, theoretically, of course, they still have to pay back the RSP loan over a 15-year period of time. And any given year that they don't make the minimum payback that is considered added back into income for tax purposes.

Monique: Right. Well, I can see that, just another thing, too, just to kind of support what you might be saying is that with a hundred-percent financing now at discounted rates, there isn't really much, I don't think, benefit to be collapsing your RSP's anymore, usually with the case of people trying to get

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their five or ten percent down payment through their RSP's and collapsing them for that reason. But, yeah, the benefits of the First Time Home Buyers' Plan are probably minimized a bit from the new hundred-percent financing option that's available now at discounted rates.

Mark: Well, I'm glad you pointed that out, Monique, and, again, yet another reason for people to pick up the phone and make an appointment to sit down with you and Don, in my mind.

Monique: Yeah.

Don: Yes.

Mark: But then I could be biased.

Don: Well, just to give you a perspective from my side as well, I've always suggested to clients that if they have any other source of money, that they shouldn't use their RSP's unless they absolutely have to. RSP's are for long-term growth and for retirement, and the problem is that many people who take the money initially to buy that home, take a long time repaying that money. And they stop the accumulation of capital and the growth of capital in a non-taxed shelter which is what an RSP's all about. And that can work certainly to their disadvantage as markets rise and fall. And the purpose of the home is to give security and shelter to the family and

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the purpose of RSP's is to have long-term asset savings.

Mark: Yeah, good point, thanks for making that point.

Don: Today, the two are not incompatible because we don't need the RSP's any longer with all of the extra products that are available.

Mark: Yeah, good point.

Monique: Definitely.

Don: Just for your interest, there is a very interesting broker channel product that comes into play here. There are, for those people who still need to or want to access RSP money and have worked in a government job and they have a locked-in pension plan, they can't access that money until retirement because of the specific terms and conditions for their pension fund. So I've had several instances over this past year where clients had-- that was the only source of money they had. And they wanted to try and do something with it. So we have a special lender who does take the process there and can work with a client to lend the money through their locked-in pension plan and give them access to the marketplace.

Mark: Really?

Don: It's just an example of unique product that's in the market

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that I wanted to sort of bring up because it relates specifically to this point.

Mark: That's fascinating. I've never heard of that.

Don: Yes.

Monique: We'll have to talk more about that later.

Mark: We will. You know what I think we should do right now is open up the lines and allow any of the listeners to pose their own questions.

Monique: Sure, that would be great.

Mark: If we can get the operator to assist us, it would be great.

Operator: Yes, thank you. To ask a question, please return to your handset if possible, then press the number "zero one." If you wish to withdraw your question, press the pound sign. If you have any questions, please press "zero one" now. And there doesn't seem to be any questions at the present time.

Mark: Okay, well, I've got a few of my own. Can you talk to us about interest-only mortgages that we're seeing and hearing a fair amount of now out in the media?

Monique: Sure, Mark. You probably heard, too, I think they probably started in the States and they're becoming more used in Canada. I think some borrowers are a little skeptical and think, "Oh, I need to have my mortgage principal reduced

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with my payments.” And for some that makes sense and for others an interest-only mortgage is a nice option. The way an interest-only mortgage works is that it’s a non-amortizing product. There’s no principal reduction in your payment so really all it is is your payment is just covering the interest on the loan. So at the end of year five, if you had a \$200,000 mortgage, your principal balance remaining is still \$200,000 and you’ve made interest payments on those funds. Sometimes people will go for interest-only products because they can-- let’s say someone had an interest-only product and their mortgage payment was \$1,000 per month with an interest only and it would have been \$1,400 a month with a principal reduction mortgage. So sometimes what people will do is they’ll redirect the difference, that \$400 difference between \$1,400 and \$1,000, they’ll redirect that towards other investments. Or, again, in the case of rental properties, for example, they’ll simply use an interest-only product to manage the monthly payment that they’ve got to make. So that makes owning a rental property a little more affordable. There’s interest-only lines of credit that are available and these products are becoming greater in the market today. More lenders are coming out with interest-

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only line of credit products that are readvanceable. And what those can do is enable homeowners, Canadians, to borrow funds at a rate of prime and it's-- the reason why it's a rate of prime is because it's secured against the property and that's pretty much the standard rate for a line of credit out there. And so they can borrow funds at a rate of prime, secured against their property, and use those funds to invest with someone like yourself, in fact. So there's a specific financial strategy out there called the Smith Manoeuvre. I'm sure you've heard of it, in fact, I know you've heard of it. You've got your own, it's my understanding, you've got your own kind of iteration of the Smith Manoeuvre as well. But, you know, this is a particular mortgage product that enables people to convert their non-tax-deductible mortgage interest into tax-deductible interest. Our neighbours down south can write off their mortgage interest and as it stands right now with our conventional mortgages we can't. But with the addition of a line of credit secured at a rate of prime, it gives people the opportunity to do that. And they would, you know, it's something that they wouldn't do on their own, something that they would, indeed, consult with their financial planner and put together a little plan for them to do

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that. So, again, the Smith Maneuver's probably a topic for maybe another conversation but it certainly is-- the interest-only line of credit product certainly is the vehicle to be able to facilitate a financial strategy like the Smith Manoeuvre.

Mark: And it would seem to me, yet again, another reason to pick up the phone and make an appointment to talk to either you, Monique, or Don just to talk about their own unique situation and listen to what products and strategies that you can share. Because from what I'm hearing, you know, you're certainly much more willing to help and have innovative financing vehicles to help people accomplish their goals in life.

Don: We certainly agree and what I've always said in my comment to clients and to realtors who refer us business, Mark, is that clients are naturally going to check with their bank. They feel that this is the first step. And when they come to us they either have already an approval but they want to see if we can approve upon or secondly, they have a decline which we then have to deliver a creative result for. But bottom line, if even the rate was the same between the bank and what we provide to the client and the marketplace drives the rate, not us generally, so there are times when the rates are the same

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or if we come up with a lower rate, the bank will match the rate in order to save their client. But if you look at the difference in the approach, in the service level, the availability and the information and care that we provide to the client, they simply are not well served by going with their bank today. There are a few occasions when the bank provides specialized services to a business client and they want to keep their portfolio together and the bank has some leverage to keep the client close to them. Fine, that's sometimes quite appropriate. But there are-- in almost every other case, the client is better served by people who care about them. And as brokers, Monique and I have a long history of caring for clients and making their life better as a result of our work. And the proof is in the pudding and that we get a lot of our business from referrals and the majority from referrals and we take great pride in working for the customer in those ways. That's our satisfaction.

Mark: Well, I give you high marks for that and, you know, frankly, it's appalling that the banks are allowed to get away with how they conduct and transact business and I'm just delighted to see you, you know, stealing their thunder and taking chunks of their slices of the pie away.

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Monique: Yeah, thank you. So are we, Mark.

Mark: That's a good segue into--

Monique: I'm honest.

Mark: Yeah, that's what we love about you. Now how does one get in touch with either you, Monique, or Don? How can one get the ball rolling? Can you toss us out some contact information?

Monique: We've got lots of ways to contact us. We've got an email address that people can send to us and it comes to both of us, and that email address is Don D-o-n and Monique. My name is spelled M-o-n-i-q-u-e and the "and" is a-n-d, by the way. So donandmonique@mortgagegrp.com. I've got an office number here which-- my direct number is 604-707-6324. I've also got a cell, of course, 604-219-9556. Don's cell phone is 604-805-8877 and, of course, our office address, we're suite 105, 1385 West 8th Avenue and that's just on the corner of 8th and Hemlock here in Vancouver.

Mark: Okay, that's great. And also, I just want to let everyone know that I will be including this information in the follow-up email so if people weren't able to quickly write everything down, we'll be providing that information so they'll have a hard copy, frankly, in just a few hours for you guys.

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Monique:Great. Thank you.

Mark: Again, because the call is being recorded today, all of the attendees will be getting the audio recording and the transcript of the call when it's made in the next few days. So watch out for an email from us notifying when and where you can download the information. And all the emails will have Set for Life in brackets in the header so that'll just alert you that they are from us. And in closing, I want to thank my guests, Don Maxwell and Monique Cornish, and also you, the participants, the listeners, even though you chose not to ask questions, I know you're out there. I can see the stats on my screen so enjoyed having you on the line and lurking and listening. I trust that you found the time of value and well spent. Again, though, all the information in the world won't do you a bit of good unless you take action. So you can get Don Maxwell and Monique Cornish's information via me or, again, through the email that we'll send out to you all.

Monique:Yeah, and it's, you know, if people have questions that crop up over the next little while, we're more than happy to answer questions. There's no obligation at all. I don't want people to expect that if they call us then we're expecting a mortgage to be placed. No, that's not the case. We're just

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happy to answer questions, share our knowledge and provide some advice and that's really what it's all about.

Mark: It's part of the educational experience.

Monique: Yeah, exactly.

Mark: Yeah, I'm a firm believer of that. Well, well done, both. I thank you both for joining us on today's call. We're going to wrap up.

Monique: Thank you.

Don: Yeah, thank you, Mark.

Monique: That was fun.

Mark: It was good, wasn't it?

Monique: Yeah, absolutely.

Mark: Now the next topic of our "Ask an Expert" series is confirmed and the date, though, is still yet to be determined. So we'll be in touch with all subscribers about that. Again, I want to thank everyone for joining us today. My name is Mark Huber from <http://HowToBeSetForLife.com> and on behalf of Don Maxwell and Monique Cornish of The Mortgage Group, wishing all of you a very pleasant day and all the very best to you and yours as you continue your quest to create wealth and financial peace of mind. Good bye.

**Mark Huber, CFP is also author of - "The UnCanadian Way"
series of reports, Ebooks, audios and videos...**

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Mark is author of "The UnCanadian Way" series of eBooks and audios. These powerful resources share innovative ideas and wealth building strategies to Canadians so that they will never again view their home, their mortgage, their debts, or their assets in the same way again.

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Mark also maintains a premier financial planning site at:
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-The End-