

THE MORTGAGE SPECIALIST

Foreclosure's far-reaching impact

A foreclosure is the most damaging event your credit status can encounter, worse than bankruptcy. A foreclosure on your credit record will negatively impact your ability to borrow money for many years. Obviously the best way to stop foreclosure is to bring the loan current thus keeping your FICO rating intact.

Before deciding on which course of action to take to stop foreclosure, you need to understand its impact on your FICO rating.

1. Refinance: Pay off the original loan with a new loan that is more favorable. This should keep your FICO score intact beyond any late payments.

2. Forbearance: You promise to stay current on the mortgage going forward and agree to a repayment plan for delinquent payments and accrued fees. Again, this should keep your credit score intact beyond any late payments.

3. Deed-in-Lieu: You basically hand over the keys to the lender. The impact on your credit score is the same as if your home is foreclosed on. Your FICO score will take a hit of 200 to 300 points.

4. Bankruptcy: This should be your last resort. It can affect your FICO score by about 400 points and your credit for the long term.

5. Loan Modification: You still want to stay in your property and the loan modification includes a favorable revision of the terms of your original loan. Your credit rating will not be negatively affected beyond any late payments.

6. Short-Sale: Your property is sold for less than what is owed the lender. This can reduce your rating 50 to 150 points depending on how many payments are missed.

7. Discounted Note Purchase / Rent Back Your Property: An investor buys the existing note at a discount. The investor set up a rental agreement with you and offers you the option to purchase back the property at a predetermined price within a certain date. This should keep your FICO score intact beyond any late payments.

Always talk with your accountant and attorney before taking actions to stop foreclosure.

For more tips and help on Short Sales, please visit the Home Buyers Alliance web site at www.sfbayareashortsale.com. Home Buyers Alliance offer consultations, document packaging, and lender negotiation services.



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FINANCE

Don't let your life insurance policy lapse on you (while you're not looking)

In the last decade, the life insurance industry has undergone quite a transformation. The major variables used in



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determining a life insurance policy's performance have drastically changed — interest rates, expense, and mortality charges. Changes in these variables are typically tipping to your favor. You may use the cash value of your life insurance policy a lot more efficiently — for instance, getting higher coverage for the same premiums, or even less or no premiums.

Because of these changes, it is important that you regularly evaluate your life insurance policies. A Policy Evaluation Program (PEP) is essentially an audit of your insurance policy to gauge actual policy performance against original expectations to make sure that the policy will reach the intended goals. When you purchase a permanent life insurance policy, you are purchasing a financial vehicle that is designed to last a lifetime. Yet a policy is often tucked away and forgotten, with no thought to evaluating ongoing performance. This is unfortunate. This neglect is due primarily to misunderstanding of how life insur-

ance actually works. A permanent life insurance policy is unlike any other financial vehicle. It has investment components based on health assumptions. And the strength of the policy relies on variables that are constantly changing.

When you first purchased your life insurance policy, there was an initial illustration run, based on assumed interest, expenses, and mortality charges. Of the three factors noted, the one that would most affect the actual performance of a life policy is the actual interest rate versus the assumed interest. The other two factors (i.e., expenses and mortality charges) are relatively easier to project and predict than the investment return. If the actual interest rate in the policy is less than the projected rate, the policy will not perform as well as expected.

Over the last 24 years, the interest rates on universal life (UL) policies, for the most part, have dropped, sometimes quite substantially. For instance, assumed interest rate in the '80s was as high as 12%, since that time the current rate has dropped to the point where, in 2005, the interest rate was below 4.5%. If your policy was purchased based on this assumption, the investment returns inside your life policy would be lagging, and if investment returns

lag for an extended period of time, the policy may lapse, or at least a higher premium will need to be contributed for the policy to reach the original goals.

Do not let this happen to you. Here's what you may do:

» **Step 1:** Order from your insurance company an in-force illustration of your current policy. An in-force illustration would show you how your policy is actually performing, and whether if it may lapse, or heading towards a large premium increase in the near future.

» **Step 2:** Take the in-force illustration to an independent financial advisor for a policy evaluation. I put emphasis on the word 'independent' because you should avoid going to a captive life agent who would want to sell you only their company products. An ethical independent advisor would shop around and provide you with three to five life companies that would give you equal or higher coverage for the same (or even lower) premiums.

» **Step 3:** You may use the cash value in your current policy to purchase an enhanced policy through a nontaxable exchange under IRC§1035. You may also exchange into a guaranteed premium, guaranteed death benefits policy.

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Shaping Peninsula **Real Estate**



First Place Winners (L - R):
Keith Posey, presenter SAMCAR President Olivia Edwards, Manny Gutierrez, Brad White and Jamey Huckle.



Second Place Winners (L - R):
Suzan Getchell Wallace accepts the award for her son, Dewey, Bronic Gold, Steve Titsworth and Geoff Durling.



Third Place Winners (L - R):
Presenter, Olivia Edwards, Brian Byers, Reg Grady, Gary Coulter.



Olivia Edwards presents the Men's Closest to the Tee award to Brian Byers.



Olivia Edwards presents the Longest Drive Award to Julia Keady, President of the Silicon Valley Assoc. of REALTORS®.



Olivia Edwards presents the Women's Closest to the Tee award to Susie Montgelas.

REALTORS® Host Charity Golf Tournament to Benefit San Mateo County Housing Agencies

The San Mateo County Association of REALTORS® (SAMCAR) hosted its annual Charity Golf Tournament on Monday, July 20, 2009 at the Peninsula Golf & Country Club with a dinner and live auction. Assembly member Jerry Hill provided his voice as the evening's auctioneer to help raise funds for the SAMCAR Foundation.

The proceeds from this annual event benefit the San Mateo County Association of REALTORS® Foundation, an autonomous 501(c)3 Public Benefit Corporation. The SAMCAR Foundation is committed to the welfare and prosperity of San Mateo County, and through its contributions and member involvement, strives to help create livable, productive and enriched communities. All funds raised are donated throughout San Mateo County to organizations and programs focused on improving the quality of life for our residents, with particular emphasis upon those that work to provide more affordable housing opportunities.

Since 2002, the Tournament has raised approximately \$170,000. Previous recipients of the tournament proceeds include the San Mateo County Housing Endowment and Regional Trust (HEART), HIP Housing, Habitat for Humanity, and the Shelter Network.

Suzan Getchell Wallace, 2009 SAMCAR Foundation Chair stated, "This is a wonderful opportunity for SAMCAR REALTORS® and Affiliates to get out of the office, network with each other, and most importantly, enjoy their day knowing that proceeds from their activities will directly benefit the San Mateo County community."

Congratulations to the winners of the golf tournament:

The first place winners of the golf tournament were: Jamey Huckle, Keith Posey, Brad White and Manny Gutierrez

Second place winners were: Steve Titsworth (Bank of America), Bronic Gold (1-800-Got-Junk?), Geoff Durling (1-800-Got-Junk?), and Dewey Getchell

Third place winners were: Brian Byers, Reg Grady, Gary Coulter and John Cella.

Julia Keady won the Longest Drive Award and Brian Byers and Susie Montgelas won the Closest to the Pin Award.

Congratulations also to our Best Hole Sponsor Drink: McGuire Real Estate for their Mojitos, Best Hole Sponsor Food: Coldwell Banker Fahey Properties Inc. for their tri-tip sandwiches and Most Fun Hole Sponsor: Women's Council of REALTORS®

The San Mateo County Association of REALTORS® (SAMCAR) is a professional trade organization representing over 3,100 REALTORS® and Affiliate members engaged in the real estate business on the Peninsula. SAMCAR promotes the highest ethical standards of real estate practice, serves as an advocate for homeownership and homeowners, and represents the interests of property owners in San Mateo County. For more information, please contact SAMCAR at 650.696.8200. San Mateo County sales statistics, news stories and press releases are available on SAMCAR's web site at www.samcar.org.

For information on Shaping Peninsula Real Estate call 650.652.6723