Wi$e Up Teleconference Call  
March 31, 2008  
“What Do I Do Now? Facing Financial Challenges in an Uncertain Economic Environment”  
Speaker 2 – Lourdes Tsukada

Jane Walstedt: And now I’d like to ask Betty Lock, the Women’s Bureau Regional Administrator in Seattle, to introduce our second speaker.

Betty--

Betty Lock: I’d like to introduce Lourdes Tsukada. Is that the way you pronounce it, Lourdes?

Lourdes Tsukada: Tsukada, but that’s okay.

Betty Lock: Tsukada. Oh. I’m so sorry. Lourdes Tsukada is a mortgage banker with over seven years of experience with Flagstar Bank and Home Lending. Flagstar has loan programs available in every state with many diverse loan programs.

Her emphasis and passion is to share her knowledge and experience with the community. She has over 19 years of experience in international business and with diverse cultures.

She speaks four languages fluently—English, Spanish, Italian and French. She received a BA and a major in Spanish from Akron University and also attended Universidad De El Salvador in Buenos Aires, Argentina, or Traductorado de Ingles (English translating).

Lourdes’ passion for the value of diversity in the financial professions is clearly demonstrated in her leadership efforts to mentor, advise and promote outstanding young and seasoned professionals through numerous organizations, both locally and nationally.
She worked with the Seattle Financial Group and the Hispanic radio station Radio Sol to get information out to the Hispanic community on how to become home owners.

She is also a mentor and financial expert for our Wi$e Up program. She currently serves on the Board of Visitors at Antioch University.

She is a member of Bellevue Rotary, Mujeres Northwest Group, member of the National Hispanic Leadership Institute, the Women of Color Empowerment Committee, and she has served on the Washington Hispanic Chamber of Commerce as President.

She’s on the steering committee of the Seamar Golf Tournament Fundraising Committee, the National Association of Professional Mortgage Women, and the Latinos Unidos Para Los Niños, and I hope I didn’t butcher all of that.

So welcome, Ms. Tsukada, and take it away.

Lourdes Tsukada: Thank you, Betty, and you did fine. You did fine. And thanks a lot. And as Kelvin brought up a lot of good points, and as a lender, has today’s developments in housing and financial, you know, just like the intro said, affected us and what can homeowners do, or new potential buyers do, in those slowing real estate market?

This is a good question and I get asked this a lot. In today’s market, the loan guidelines are changing very quickly, and daily in some cases. Loan programs which existed six months ago may not exist today.
Therefore, my best advice is for all of us to keep abreast of all the information that is maybe available to us throughout all channels of communication, not just speaking with lenders.

We can use the Internet. Look at the WiSe Up Website (www.wiseupwomen.org). Pose your question there. Talk to counselors such as Mary, non-profits, etcetera.

The more knowledge we have, the better informed we will be as current or new homeowners.

Break it down into the different categories of homeowners and first time home-buyers, and then some individuals have asked me, “I have some difficulties on the payments lately, and what can I do about it?”

A couple of the questions homeowners may want to look at today and know all these things are, “What is my home value as of today?” “How much equity do I have in my home?”

And for those that need a little bit of clarification, it’s the difference between what the home can sell for today and what you owe on the mortgage.

What interest rate do I have? If you cannot remember, go back to your initial signing documents at escrow and look at the note or the final HUD. Or another easy way is to actually call the mortgage company that you’re making the payments to and ask them for the interest rate. They’d be more than happy to talk to you.

Also look at what kind of loan program do you have. Is it an ARM? When does it adjust? How much will the first adjustment be? And if it is a fixed [interest rate loan], what is the current [interest] rate compared to what I have?
Next really big question I get asked a lot is, “Should I refinance and what should I look for?” Answers may vary from person to person. In general, there are a couple questions that I always ask and pose on you now to ask yourself. “Why am I refinancing?” “Am I wanting to eliminate debt?” “How much debt?” “How much do I want to eliminate my mortgage payment?” “Is the refinancing to reduce my interest rate or is it to change the type of loan?”

Some of the answers that you may look for is if you are refinancing to get rid of debt, maximize what you can with the equity that you are able to access, because this will produce and eliminate the high interest rates which are actually now being paid on credit cards.

It will also reduce the amount of output of cash that you have to do towards debt outside of your mortgage.

If you are refinancing to reduce the interest rate, in general terms I would like to pass on that the only time you should be refinancing is if and when there is a $100 difference on the principal and interest only.

In other words, the loan portion. Taxes and interest and insurance are something we cannot control, but the loan program, yes we can.

So if it is $100 or more, it is worth your time. If not, keep your current loan program that you have, unless it is not fixed.

If you are actually refinancing… for example, to get rid of that ARM and put it to a fixed, this is great, because it gives you peace of mind. But at the same time, be careful.
Always check with your lenders or a couple of lenders and ask about the loan programs and how they actually work. Remember, if you don’t understand, have them repeat it again and again.

I mean, it is to your benefit to know, and remember also that you’re the ones that are paying.

A couple of tidbits for a new home buyer--also called first-time home buyer--look at a couple of aspects.

What is the most amount of money I can pay per month? The ideal scenario--just so you get a gauge--is that 31% of your salary--gross salary--should be allocated or can be allocated towards a home payment.

And 43% of your salary is ideal--that it should not exceed that into any payments of debts plus home. So to put it into numbers, if you earn $3000, you should be looking at a home payment of $930. If you’re actually looking at including the home payment plus your debt, ideally--if you’re still at $3000--you should be looking at $1290. Again, these are ideal.

The next thing, as a first time home buyer, you should be looking at what’s my credit like. There are ranges. They [credit scores] are as low as 500 and as high as 800. The lower the credit score, the less... the higher of a risk you are for a lender.

And you should be looking at what causes those lower credit scores. In general terms today I can tell you that anything lower than a 660, I would advise that you work with someone to understand why they are low.
Take a class on improving credit, and always access individuals like Mary. She’ll get into a whole bunch of stuff. Because the lower your credit score, the less chance you have of getting a loan program.

Our next question is, “What type of money do I have?” and be honest. Some of us actually don’t have money for a down payment. So there are phenomenal programs out there.

And, for example, I actually have a case here in Washington State which is the Washington Housing Financing Commission can give up to $60,000 in access for down payment programs.

And in general I can tell you that the best loan program right now is FHA’s [Federal Housing Administration at www.hud.gov/offices/hsg/thahistory.cfm]. They’re great. They are great because they have flexibility on credit scores, they have flexibility on rates and qualifications.

So again, there’s lots of programs out there, and it can vary. There are also financial institutions, by the way, such as banks or credit unions, that match your money.

So one to one, or in some cases two to one, as long as you actually use either their lender or you use it towards an escrow account, which means that that money is going towards the purchase of a home.

These are excellent. These are just some ideas. So again, start asking questions locally. They vary from state to state. And should you have again any questions, again also use Wi$e Up to pose your question and get the answer.
And the last tidbit is, as all of us know, there is a couple of people that actually have some difficulties in making the payments. And here again, here is where my advice is this--talk to the lender. Look for options.

In other words, if you are having difficulties, look to them straight [the lenders] before leaving it as it stands. There is a temporary program, for example, that is now in effect, which is called the FHASecure Initiative [www.hud.gov/news/fhsecure.cfm].

This program, what it does is it extends eligibility to borrowers that are having difficulty in making their payments because they went from an ARM--adjustable rate--and their adjustment period all of a sudden came up.

In other words, if they started with $1000, and that was fixed for a couple of years, now we have their adjustment period. Now they’re looking at $1400. That’s quite a bit of a jump.

So here again, that program is actually devised to help, and it is actually available until any applications are received, December 31st.

There’s also counselors, such as - and I know I’m plugging Mary--but they are phenomenal on access of information. And they’re not the only ones, so again, they vary from state to state, and lenders such as me and others are more than willing to help you out.

And I’ll wait for the rest as far as questions.

Jane Walstedt: Thank you very much, Lourdes, for that very helpful information on housing.