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CLIENT NEWSLETTER

VOLUME 1 NUMBER 1
Fall, 2011

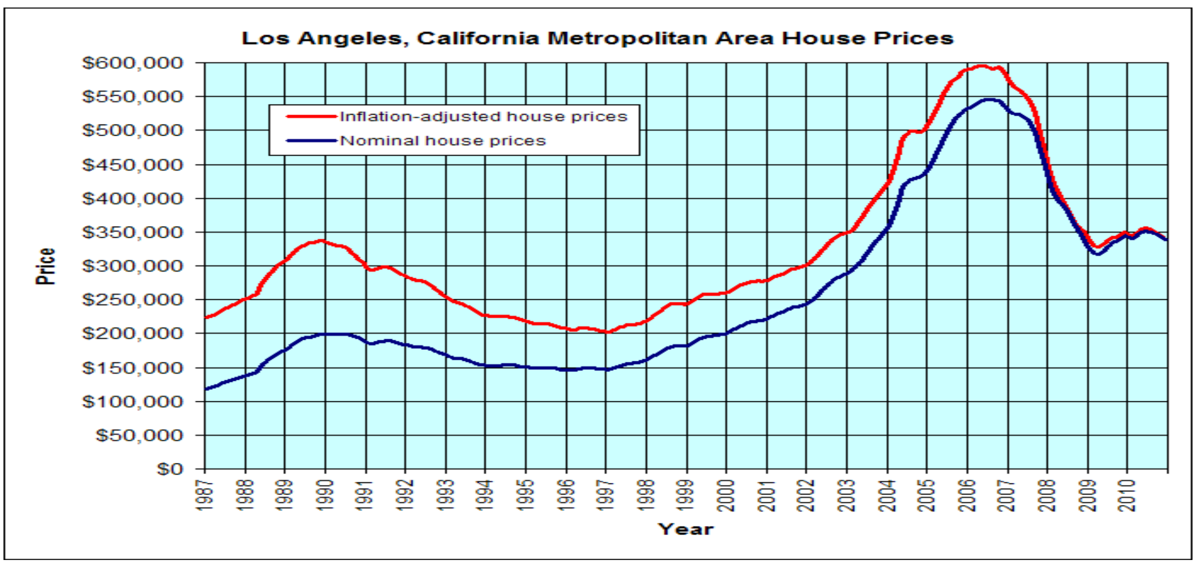
Articles:

Four Years On, Where are we in the Housing Crisis?

Well baseball fans, the short answer is about the sixth inning, and the relief pitcher has just come into the game. We still have a ways to go. There are several problems which must be addressed before the market can begin to return to "normal". Here are the obvious factors:

Prices Have Been Hammered:

Regardless of the happy gas you hear from the national and state real estate associations, housing prices have been ravaged.

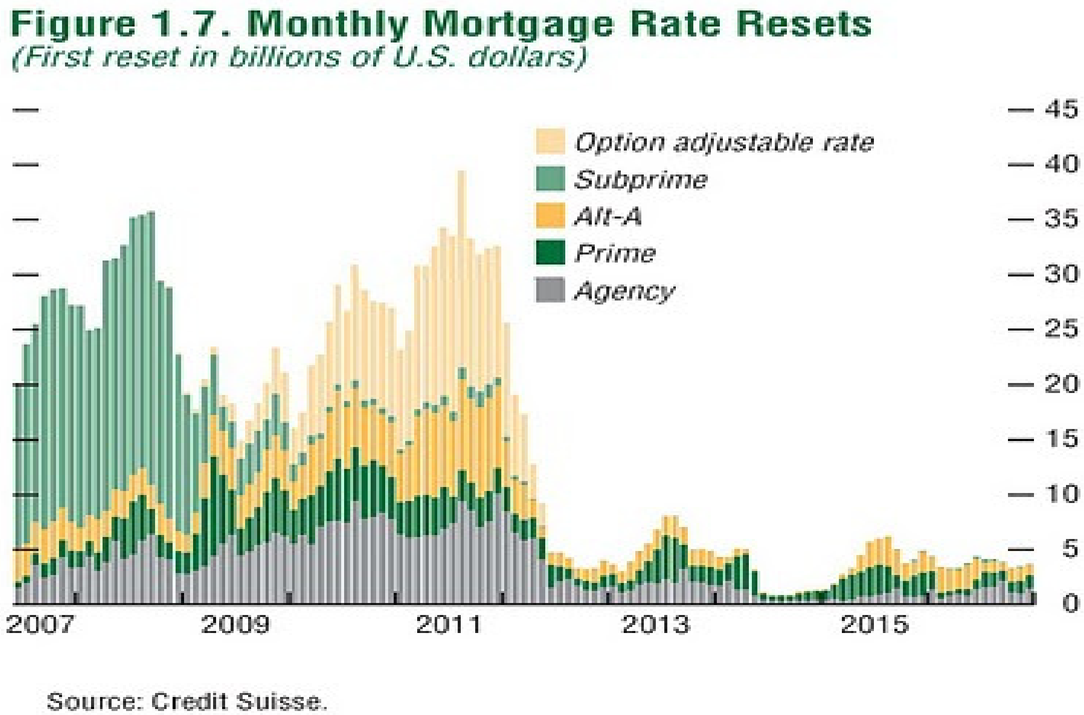


The Los Angeles Metro area average price peaked at just short of $550,000 in the summer of 2006. Since then, the average price has given up nearly $200,000 to a new current median price of $350,000.

There is No Relief in Sight:

Several hundred thousands of homes are going to go through a very difficult time in the next few years. This group is separate and distinct from homes which have already gone through the foreclosure process.

Two factors are at play. The first is a new, second wave of mortgage resets, and the second is the time it takes banks to complete the foreclosure process. First, let's look at resets:



Option Arm ("pick-a-pay") loans and Alt-A ("stated income") loans reach a reset peak this coming summer. This means that many thousands of home mortgages payments are about to explode. Here's an example of the type of reset you will see:

> An example of an ARM payment schedule and how the payment is computed.
>
> The typical ARM is negative amortizing and has an adjustable rate. The payment can be computed if the principal balance, teaser rate term, margin and index rate are known. The principal balance, teaser rate term, margin and index are identified in the note. The index rate for most common indexes are published daily in the *Wall Street Journal.*
>
> Example numbers:
>
> > Principal Balance: $460,000
> > Teaser Rate: 1%
> > Index: LIBOR (4.98% as of this writing)

Margin: 2.90%

Step 1: Determine the baseline payment.
This is the payment if the loan was a fixed rate, 30 year fully amortized loan. An online mortgage calculator is used for this purpose. A good one is found at bankrate.com

A. Insert principle balance into calculator
B. Determine interest rate by adding index rate to margin to get total interest.
C. Amortize this figure over 360 months.

Applied to example numbers: $460,000 x (4.98 + 2.90) x 30: $3336.92 monthly payment.

Step 2: Determine first year's payment:

This is the principal balance x teaser rate: $1479.54

Step 3: Determine Second Year's payment:

Subtract the difference between baseline payment and first year's payment, multiply by 12, and then multiply by teaser rate.

$3336.92 - $1479.54 = $1857.38 x 12: 22,288.56

460,000 + $22,288.56= $482,288.56 x 1.0 x 29: $1616.98

Step 4: Determine Third Year's Payment:

$460,000 +($22,288.56 x 2) x 1.0 x 28: $1722.38

Step 5: Determine 4th Year's Payment:

$460,000 + ($22,288.56 x3) x 1.0 x 27: $1856.20

Step 6: Determine 5th Year's Payment:

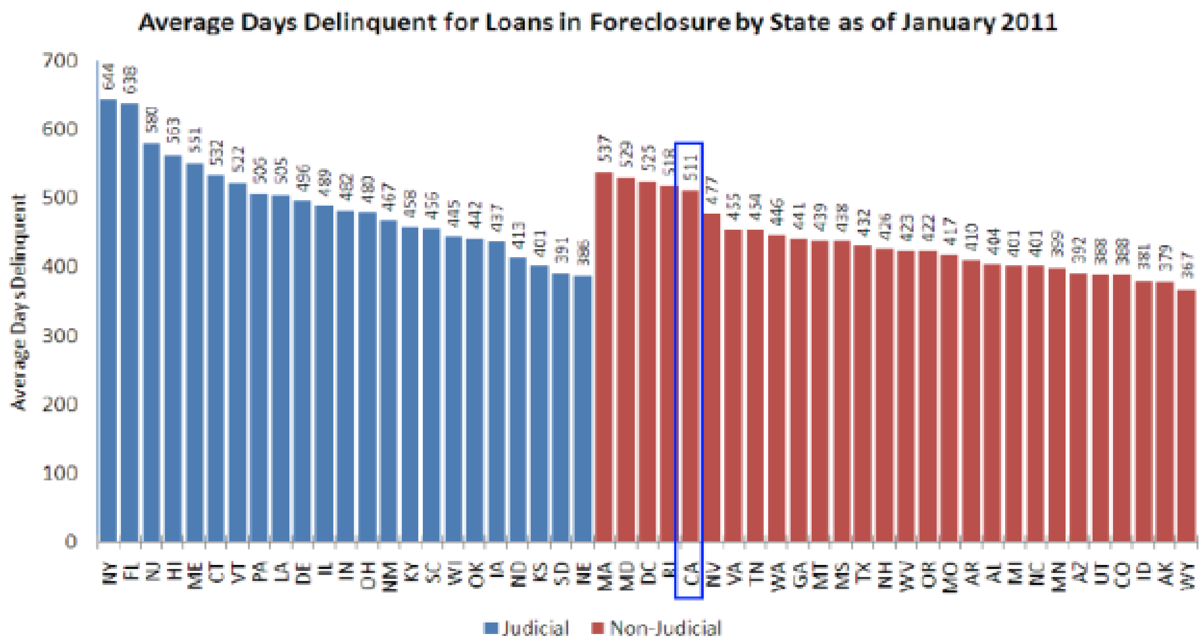
$460,000 + ($22,288.56 x 4) x 1.0 x 26: $1999.56

Step 7: Determine Remaining Balance Payment:

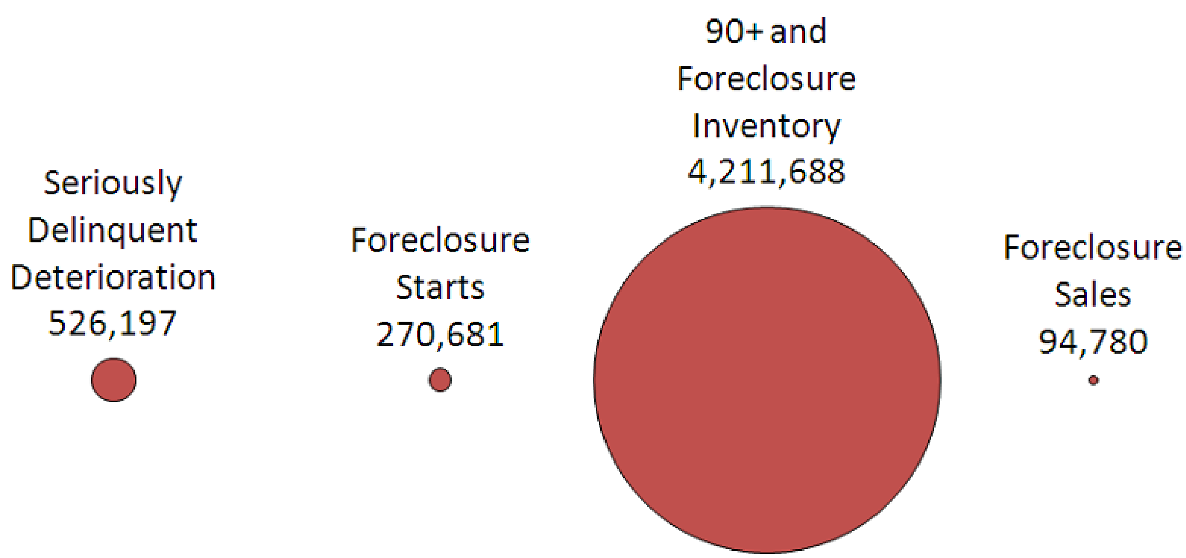
$460,000 + ($22,288.56 x 4) x 7.88 x 25: $4190.90

So, in this example, many house payments will reset and more than double this year – specifically between now and December.

The second factor is the delay in the foreclosure process:



Due to Robo-signing (see next article) and government programs, etc., it now takes banks more than a year to foreclose. This means that if a homeowner stops making their payment in June, 2011, the home will not hit the market as an REO until sometime late in 2012. It means more inventory filling an already full pipeline:



Source of two above graphics: Lender Portfolio Services.

What these charts mean is that *all of the units* in *all of the circles* plus most the loans about to reset will eventually need to be liquidated.

What will be the impact of housing prices? More than likely, down to flat for the foreseeable future.

"Robosigning" – Not Just a Florida Problem – Bad Acts out West

Many of you saw the recent *60 Minutes* story about fake mortgage and loan documents which have appeared by the tens of thousands in Florida. Well, Florida gets all the attention because in Florida, the lender has to sue you in court to get their collateral property back. It also means that all of the paper garbage they spew out becomes a matter of public record; that's were *60 Minutes* got involved.

Western states generally follow a different set of laws in which an "independent" third party, called a trustee, conducts a "non-judicial foreclosure" to allow the banks to get their collateral property back. This system means no court and no judge. So the banks have their act together when it comes to this process, right?

Guess again. In a recent case called *Joseph Jones & Meisa Jones vs. Wells Fargo* Case No. CV10-01660, Second Judicial District, Washoe County Nevada Superior Court (the Reno Area), a fellow named Stanley Silva was deposed (he was interviewed under oath by the lawyers in the case). Mr. Silva prepares the documents which start the non-judicial foreclosure process. Those of you who saw the *60 Minutes* piece know this will have a bad ending:

> Q But my question to you, sir, for the third time here is in connection with your review internally of the records of Ticor Title prior to your execution of a notice of default
> A Right.
>
> Q -- did you look to see whether a substitution of trustee had been signed or recorded?
> A No.
>
> Q What documents do you review prior to signing a notice of default?
> A We don't review any documents.

Q What documents are provided to you in connection with a loan where a notice of default is presented to you for your signature?
A Nothing.

Q Who prepares the notices of default that you sign?
A I'm not exactly sure. They are prepared when they are sent to me so I'm not aware of, you know, the channels that prepare them.

Q Do they come from some other company to Ticor Title for your signature or are they prepared at Ticor Title?
A No, they are prepared off-site by other parties.

Q Let's look at the second sentence there. It says the amount is $9,751.03 as of 10/17/2007 and will increase until your account becomes current. At the time you signed this document you had absolutely no knowledge whether that was true; correct?
A Correct.

Q On the second page, the last full paragraph above your signature line, do you see that, that by reason thereof, the present beneficiary under such deed of trust has executed and delivered to the duly appointed trustee a written declaration of default and demand for sale. You don't know whether that was ever true, do you?
A No.

Q So then it's fair to say, sir, that you could have at the time you executed this notice of default looked at the original deed of trust; true?
A Correct.

Q And determined whether any party named on this notice of default was named on the deed of trust; correct?
A You mean on the signature line on the notice of default, is that what you're talking about?

Q Anywhere on this document?
A Anywhere, yes.

Q Did you do that?
A We weren't required to.

Q So you would understand what it would mean if 10 somebody foreclosed and took your home and you didn't have it any more; right?
A I would understand that it was because of an action possibly that I might have taken.

Q By signing a notice of default?
A No, by not making a house payment.

Q But you don't know whether these people made a house payment or not
A No.

Q -- because you never made any inquiry as far as whether there was ever even any default, did you?
A I think that is not for me to question. I'm just an employee signing documents as instructed.

So, let's get this straight – he signed whatever was put in front of him without checking anything, and houses were foreclosed on. If you and I did that, it's perp walk time. But, if you do this and work for a bank or an entity related to a bank, you get promoted and a bonus.

Nice. Remember this come November, 2012.

Announcing Two NEW Business Lines!

Results Advisors is pleased to announce an expansion of our business lines to better serve our clients. We have learned in dealing with homeowners in distress that many of you, in addition to mortgage problems, also have a large amount of unsecured debt.

We have recently introduced a debt negotiation program to deal with unsecured debt. The program is similar to our existing loan workout and short sale programs: a well reasoned package is submitted to the credit card companies explaining they are better off taking a discounted amount now rather than less money later. As a result of this program, we have saved our clients literally hundreds of thousands of dollars in principal and interest.

Not all debt will qualify. Student Loans, Auto leases and other leases are not eligible. Call or email us for details.

Related to the debt negotiation program is the new credit repair program. We review your credit reports with you and determine errors and other problems on the reports. We then use existing federal law against the cubicle hamsters at the credit bureaus and the creditors to clean up your credit and correct the errors. We also use new rules and regulations to clean up your credit and improve your FICO score.

For example, did you know that the Fair Credit Reporting Act does not apply to IRS tax liens? But, Effective February 24, 2011, the IRS changed their policy towards tax liens. The IRS will not seek a lien unless the taxpayer owes more than $10,000 (up from $5000), and will issue a withdrawal of lien if the lien has been paid in full. Supplying the withdrawal of lien letter to the credit bureaus post February 24 should result in the entry being removed. This has been tested and found to work on several credit files.

Have debt or credit problems, call or email to discuss them with us.