

# The CS Advisory Group

## the plan: action alert



### PERSON OF THE WEEK: Tracy Cavanaugh On Bailouts And Lending Mistakes

In From The Orb  
By Jessica Lillian  
Tuesday, September 30, 2008

This week, MortgageOrb spoke with Tracy Cavanaugh, a Certified Mortgage Planning Specialist (CMPS) and principal of the CS Advisory Group Division of America's First Funding Group. Cavanaugh explains why all of the market uproar right now has created an urgent need for careful attention from both loan originators and borrowers - and why some are seeing great opportunity even in the face of bad news.

**To read this complete interview, please click on the link at the right.**

If you have any questions or if you would like to learn more about the subject of this article, please call Marti Sheredy VP of Client Services at 818-762-0844 or email [MartiSheredy@TracyCavanaugh.com](mailto:MartiSheredy@TracyCavanaugh.com)

Warm Regards,  
**Tracy Cavanaugh CMP, CMPS**



#### About Tracy Cavanaugh

Tracy has over ten years experience in the mortgage lending industry. She established the Advisory division of AFFG with offices in both east and west coasts.

Tracy has earned the designations of both Certified Mortgage Planning Specialist (CMPS) and Certified Mortgage Planner (CMP) and holds a New Jersey Mortgage Banking License for both first and second mortgages and is a licensed California lender. She is a member in good standing with the Financial Planning Association and Certified Mortgage Planning Specialist Institute.



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Jessica Lillian, Tuesday 30 September 2008 - 09:39:01

**This week, MortgageOrb spoke with Tracy Cavanaugh, a Certified Mortgage Planning Specialist (CMPS)** and principal of the CS Advisory Division of America's First Funding Group. Cavanaugh explains why all of the market uproar right now has created an urgent need for careful attention from both loan originators and borrowers - and why some are seeing great opportunity even in the face of bad news.

**Q:** What specific effects on the availability of home finance do you foresee with the government's recent takeover of Fannie and Freddie? What should potential borrowers and loan originators keep in mind in the wake of this news?

**Tracy Cavanaugh:** First and foremost, the good news about the Fannie Mae/Freddie Mac bailout is that it creates some much needed certainty by ensuring mortgage money remains available to borrow and at lower interest rates.

Interest rates on fixed-rate mortgages are tied to the Fannie and Freddie mortgage bonds that are traded on the bond market. However, fear and lack of confidence due to the housing crisis had made it difficult for Fannie and Freddie to sell mortgage-backed securities, which made it difficult to buy more mortgages. Those mortgages that they were able to sell were done so at a higher cost to cover the risk.

The government's backing these entities now essentially makes bonds risk-free and creates an appetite for them so that now banks can sell more loans. This development could very well help speed up our nation's housing recovery and create a short-term window of opportunity to refinance and purchase at a low long-term interest rate. Once this crisis sees an end, rates most likely will go higher.

It is important, however, to stay realistic. We are in the midst of an historic liquidity crisis, and while this plan is a great first step, we are not going to make a return to those old underwriting guidelines.

Borrowers with good credit and who have the ability to qualify will benefit greatly from the increase in financing opportunities. Creditworthiness and property values are two critical elements both originators and homeowners need to be hyper-aware of in order to properly determine their options.

**Q:** Your Web site mentions the negative image that mortgage brokers often have in the public eye. Along with considering getting certified as a CMPS, what other steps should individuals in the mortgage industry be taking to improve perceptions - especially right now, as the market struggles?

**Cavanaugh:** As uncertain and volatile as times are right now, it also happens to be a phenomenal opportunity for us to get proactive with our existing database of clients and referral partners.

We are in a unique situation. By stepping up and becoming a relationship-focused resource to help explain this climate and to create opportunities for others, we can reinvent the role we play in our clients' lives and increase the value of the advice we deliver them.

**Q:** In the commercial mortgage market, what mistakes do borrowers most commonly make? What is the effect of these mistakes on the commercial mortgage broker community?

**Cavanaugh:** Oddly enough, I see the most common mistakes of both commercial borrowers and residential borrowers to be one and the same: It comes down to the human behavior factor and the lack of taking action.

Unfortunately, the number one mistake that I see across the board is the failure of borrowers to truly connect to the reality either of their situation or to the state of the market conditions and how it impacts them.

They may be aware of declining values or the restricted ability to qualify for a loan, but, many times, until it happens to them and they are faced with accepting whatever options they can get, they don't fully get it.

It's an extremely frustrating position for the professional commercial or residential broker, because I believe most of us really are in this business because we love to work with people and to help them. The ability for us all to assist our clients and prevent any pain they might be in is to have the time and opportunity ahead of their stress to develop those suitable strategies.

There is nothing worse than knowing that you could have saved your borrower from a financially devastating event had they been able to comprehend the outcome of their not taking action.

**Q:** Reverse mortgages seem incredibly popular right now. Should the average loan originator be looking to focus on reverse mortgages right now, even if he or she has not previously been involved with the product?

**Cavanaugh:** Reverse mortgages are a special area of practice and one that I truly believe should be reserved for those who are passionate about really educating this market.

I cannot think of a more fragile scenario right now than that of the senior borrower who has spent his or her lifetime contributing and who, in turn, deserves the full commitment of the reverse mortgage specialist who can - and wants - to be there for the borrower and his or her family to explain the process and discuss the options.

Just as with any mortgage decision, a reverse mortgage is not a one-size-fits-all strategy; it needs to be properly evaluated by a qualified professional.

**Q:** Are there any other bright spots in the mortgage lending/borrowing world right now? And what sort of timetable might we see for housing-market recovery?

**Cavanaugh:** There is absolutely opportunity out there right now! For home buyers with good credit and who meets the qualifications, now is the time to act quickly and take advantage of the government's new \$7,500 tax credit and the low prices on homes.

Actually, for anyone looking to purchase a home right now - whether to upgrade, use as a second home or buy an investment property - and wondering if he or she should pull the trigger, this is an incredible time - provided that the borrower has great credit and can qualify for the loan. Inventory levels are high, and prices are low - and so are home loan rates.

While no one can actually call a bottom to this housing crisis, we do know that things must get worse before they get better. The Treasury plan looks to be the move that, when looking back, we will say was the beginning of the end.