

THE CONSULTANT

JIM PATERSON

A Piece of Me...

THE NORDSTROM EXPERIENCE

My lovely wife turned 50 last month. I've been to several 50th birthday parties and they're usually a "Surprise Birthday" party event with black roses, gag gifts, and the assorted "you poor dear" birthday cards. I have heard of people taking nice weekend trips to Vegas or a cruise. I wanted Rita's birthday to be special and something she would remember for a long time. Most birthday celebrations involve spending money on things that last a few hours so why not spend the money on something that would last as long as the memory.

I had heard that Nordstrom's offered a Personal Shopper as one of their services. I checked with our daughters to see if mom would like to go to SF, be waited on hand-and-foot, try on lots of clothes, and be able to take some home. They were reasonably sure she would like that. Sure enough, Nordstrom's does offer that service and I made an appointment with Kris for their store at 5th & Market. She asked some preliminary questions about Rita so she could have some clothes ready when we got there. I had to let Rita know that we would be doing this for her birthday ahead of time and we'd be spending the night down there.

We got down there for our 2:00 appointment on a lovely Friday afternoon a few minutes early and took advantage of the valet parking right in front of the store. We stepped off the elevators right at 2:00 and there was Kris, waiting to greet us and showed Rita to her own dressing room with her name on it. The dressing room was as large as my office and had some glasses of water already there along with several outfits and shoes ready to go. Then Kris let her know why she had picked out those outfits for her, asked a few questions, and she said she would come back with more clothes after Rita had tried those on. I stayed in the room with Rita (a first for both of us) and gave her some feedback on the clothes and colors. Kris talked to Rita through the slats in the dressing room door to find out how she liked the clothes and what else she could find for her.

I have to pause for all you guys that are reading this. For a woman to go to SF, have a personal shopper fetch clothes for you at Nordstrom's, never have to leave the dressing room, and know that you're going to dinner later that night would be akin to going to Sonoma Speedway and having Mario Andretti ask you which F-1 car you'd like to take for a spin around the track. Do you think she was enjoying this? Except for the awkwardness of having her husband in her dressing room, she was quite light headed. Kris kept bringing clothes every 2-5 minutes and I was letting her know that there were some definite keepers that she looked

great in. The price of the shoes was a joke (\$260 for designer walking shoes) as well as one of the light jackets (\$750) but watching her enjoy the experience was getting better as the time wore on. We took a break and went up the escalator to the next floor to have a glass of wine and salad while looking over the financial district of downtown San Francisco. She admitted that having me in the room and Kris fetch her clothes was a little overwhelming but I told her that if we had done this 15 years ago, we'd have 3 kids instead of just 2!

As we came back to complete the conquest of more clothes, I started thinking about how Nordstrom's is so far ahead of their competition. They had condensed the shopping experience from 8 hours down to 3 which allowed Rita to try on more clothes without the energy drag of walking out of the dressing room, walk over to the racks of clothes and shoes, and go back to the dressing room and do it all over again. Also, there was a dedicated, knowledgeable sales person helping her along the way. How does Macy's, JC Penny, and even Ann Taylor not get it? I had given Rita a generous budget and I ended up spending about twice that amount but the clothes she picked out were just right for her and it was a special birthday and I wanted to let her know that she was worth it. Our hotel that night was right at Fisherman's Wharf had a great dinner with one of her cousins and his wife who drove down as a surprise. The next morning we walked across Golden Gate Bridge where there wasn't a cloud in the sky, had breakfast at Pier 39, then drove up to Folsom to meet some friends and relatives for cake and coffee.

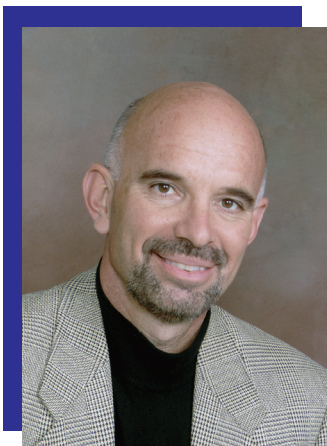
Now, you're going to have to forgive me, but I did think of business even as I was in her dressing room. As a mortgage broker, I offer a similar service as a Personal Shopper. I get to know you, what's important to you, and then I go get the loan, the rate, and fee combination that work best for you at that time. You don't have to go online or make 10 phone calls to 10 lenders to find out what they can offer you. Nordstrom's carries a variety of lines of clothes and shoes. I represent a number of lenders. The difference is they will sell you a Nicole Miller or Hugo Boss outfit and mark up their price. I go to Wells Fargo, B of A, Countrywide, or lenders you've never heard of and I get their wholesale price so you don't pay extra. In fact, you'll usually pay less with me than if you go to those lenders yourself. So in the future, just think of me as your Personal Shopper (without the dressing room).

By the way, if you're interested in the Nordstrom's experience, I'll be glad to give to the phone number for Kris, and some things to expect while you're there.

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OUR 40TH PRESIDENT

Ronald Reagan once said, "It's probably true that hard work never killed anyone...but why take the chance?" He also said, "I have left orders to be awakened at any time in case of national emergency, even if I'm in a Cabinet meeting."

I wish we had him back.

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REAL ESTATE AND LOANS (AN UPDATE)

Last year, I wrote to you concerning the slew of foreclosures and short sales that were coming our way. I can't speak about all of California but I watch what's occurring in our local market. No doubt, you've seen the headlines that included the words, "Sub Prime Loans". Much ado is being made about the irresponsibility of underwriting those loans and the lenders that peddled them to unsuspecting borrowers. Unfortunately, Sacramento has been listed as the #1 area for Sub Prime loan origination. In 1995, the greater Sacramento area gained "honors" as the #2 "Short Sale" market in California. It appears likely that we'll return to that lofty level again.

The Reader's Digest version of how we got here is that after several years of home price increases, lenders starting offering a greater range of mortgage products. People that were desperate to buy a home or speculators that wanted to "flip" houses started using the creative loan products that used to be a small percent of the mortgage market. Some lenders acted like predators on the scent of prey. The Sub Prime and Alternative loan programs ballooned and once the housing expansion was over, many of the borrowers couldn't handle the mortgages. Lenders and consumers share the blame in this as well as Wall Street investment bankers that bought the loans and resold them. Today, we see daily increases in listings of homes for sale that are a "Short Sale" or Foreclosure sale.

Unfortunately, we haven't seen the end. The people that took out 1% payment mortgages have been paying less than the interest costs. Their loan balances go up every month. Their true rate of interest is close to 8%. Many of them will get notices that they have to start paying principal and interest where their payments will jump 500% or more! Many of them will not be able to handle the increase. The \$64,000 question is whether people will do what it takes to save their home and equity or give it back to the lender. That will cause more homes to come on the market which will put downward pressure on prices. If you know someone that took out one of these loans, please ask them to give me a call to see if we can help them secure better loan terms.

On a more positive note, I've been pleasantly surprised by some strength in the resale market in the last few months. It was reported that in the 1st quarter of 2007 there was a 10% increase in home sales vs. 1st quarter of 2006. Sellers that offered their homes at a competitive level have received multiple offers at full asking price. I think that Fair Oaks, Land Park, Midtown, Granite Bay, and a few other areas have hit bottom and the prices have stabilized. Areas where there has been a lot of new construction are continuing to see home price declines. If you're looking to buy a house for an investment, it's likely that you'll find better deals 6 months from now. If you're considering selling your home to buy another home, don't try and time your decision based upon what happens to real estate prices.