

## Real Estate News

### *A New Breed of Real Estate Professionals*

About 3 years ago, I believed that I had an original idea with regard to increasing my income. I determined that by expanding our real estate services to include selling homes, I could accomplish several goals. One obvious goal was to increase income. Another objective was to ensure our professional survival through diversification. I must admit that one more reason had to do with my personal disdain for most of the real estate agents with whom I had done business. My assessment of this particular group of real estate professionals ranged from widespread incompetence to common dishonesty – not to mention a lack of loyalty to others in the industry. However, it is true that, as a group, mortgage brokers are probably equally incompetent and, without a doubt, far less honest. My feeling at the time was to bypass soliciting loans from real estate agents and go into direct competition with them.

The decision to compete with Realtors® was based on a couple of observations. The most important of these observations was that nearly every agent that I had ever dealt with was handicapped by their complete lack

*continued on page 2*

## INSIDE THIS ISSUE

- 1 Real Estate News
- 1 Natural Facts
- 2 New Loan Programs and Niches
- 2 *Rate Tracker*
- 2 *Food Facts*
- 2 *Gym Scraps*
- 2 *Travel Tips*
- 3 *Your Credit Score...*
- 4 Referral Fee Coupon

## Natural Facts

Donn Bree, Ph.D.

### **EARTHQUAKES** (Part 1 of 3 installments)

Describing **earthquakes**, and how they happen, without the use of illustrations is quite challenging. I must ask you to engage your imagination when reading further.

An earthquake is the result of abrupt movement along a break in the Earth's crust. Such a definition assumes that one possesses a basic understanding of what the earth's crust is, as well as why and how it moves. People studying this phenomenon are referred to as **seismologists**.

### **Plate Tectonics**

The earth's crust can be visualized as several large islands adrift on a very thick semi-solid sphere: like pieces of a puzzle moving around on a ball of wax; or like the patchwork panels on a soccer ball. These individual pieces of crust are referred to as **tectonic plates**. Movement of these plates is powered by the circulation of semi-solid, molten material beneath the crust, heated from intense pressure and radioactive decay. Heated materials rise from beneath the earth's crust, replaced by cooler, denser materials. An analogy by which this process may be visualized is the circulation of wax when heated in a transparent vat. Wax that has been expanded through heat will rise, while wax further from the heat source is cooler and denser, causing it to sink in relation to wax with less density and higher temperatures – the hotter wax. In this way, heat supplies the energy necessary to move pieces of the earth's crust. The major plates comprising the earth's crust include:

- African
- Antarctic
- Arabian
- Australian
- Caribbean
- Cocos
- Eurasian
- Indian
- Juan de Fuca
- Nazca
- North American
- Pacific
- Philippine
- Scotia
- Somali
- South American

*continued on page 3*

of understanding of the financial aspects of the real estate transaction. This puzzled me. It still puzzles me. If I am going to have a professional represent me in the sale or purchase of real property, I want them to be an expert in financing.

As it turns out, several other real estate professionals had the same idea as me at about the same time. In Southern California, there are several independent brokers that represent clients in the financing and transactional aspects of real estate. This is no easy task, requiring a great deal of skill and experience on the part of the broker, and a highly trained support staff. This can be a tremendous benefit to the client if the broker is competent in both areas and honest. It can otherwise be a disaster, because of the enormous control the broker possesses in the transaction. If worked properly, the fees and costs in the transaction can be minimized due to the fact that one person is performing a function normally carried out by two people and their staffs. Moreover, the transaction should go much smoother, since fewer people are involved. Again, the key attributes that a client is shopping for in this new breed of professional in the real estate renaissance are competence and integrity.

**Ask for references!** Escrow officers are good references: they witness both key attributes in every transaction that they carry out for the broker. In general, I consider escrow officers to have the highest level of integrity in the entire real estate profession.

### New Loan Programs and Niches

- Conventional financing now offers **104%** loans for the purchase of a home. This means that qualified buyers can purchase a home that they intend to occupy with no money down and minimal, if any, closing costs. Good credit and income is required.
- In addition to residential and commercial mortgages, CHAMELEON now offers mortgages on agricultural and rural properties.
- Interstate Funding Group can now originate mortgage loans in all states.

### The Rate Tracker

Home mortgage interest rates for the last quarter of 1999 held steady, with the average 30-year, fixed-rate mortgage at about 7.625% for loan amounts under \$252,700. For loan amounts exceeding the new conforming limit (\$252,700), fixed rates averaged 7.875% for 30-years. ❖

## Food Facts

Cookin' with Jan

### *Blueberry Jell-O Salad*

- 1 large pkg. blackberry/blueberry Jell-O
- 2 cups boiling water
- 1 package frozen blueberries, defrosted
- 1 large can crushed pineapple, drained, save liquid
- 8 oz. package cream cheese, softened
- ½ cup sugar
- ½ pint sour cream
- ½ teaspoon vanilla
- ½ cup chopped pecans

Dissolve Jell-O in boiling water. Drain fruit (save liquid), then add to Jell-O. Measure liquid, add enough water to make 1 cup. Add to Jell-O. Stir in fruit. Pour into pan and refrigerate. Combine cream cheese, sugar, sour cream and vanilla. Spread over Jell-O, sprinkle with pecans.

## Gym Scraps

Kim from the gym\*  
January Fitness Ideas.

*Do you know what the five basic components to a complete workout are? A complete workout starts with a warm-up which continues to cardiovascular, resistance training, flexibility and finally cool-down; not necessarily in this order except for always doing a warm-up first. There are three types of warming up. **Passive** relies on something outside the body to provide increased temperature. For example steam rooms, a hot shower or Jacuzzi prior to your workout. **General** is the most common warm-up and consists of 5 to 10 minutes of low intensity exercise such as walking or jogging on the treadmill or riding a bike. A **specific** warm-up is common with resistance training and should always follow a general warm-up. A specific warm-up is a low intensity exercise that is very similar to the workout selected. An example of a specific warm-up would be 5 minutes on the bike then doing push-ups and chin-ups before a chest and back workout. Why is warming up important? It raises the body temperature which helps to increase the rate of energy production; it increases blood flow to the muscles that will be working; contraction and reflex time are improved when muscle tissue is warm; it allows the heart to adapt to the stress of activity and lastly warming up helps to prepare the individual psychologically for exercise. So next time you think that warming up is time consuming reconsider skipping it!*

*\* Kim will be competing in the Galaxy Fitness Competition this April in Arizona.*

## Travel Tips

Trippin' with Ralph and Marge

Ralph and Marjorie are on vacation – again.

## YOUR CREDIT SCORE ...and what it means\*

You may have heard of credit scores and wonder what they are. How do they affect your ability to get a loan? How do they affect the interest rate and points you have to pay? You may wonder whether your credit score is accurate. This article explains credit scores and how to improve your score. You can call our office for a list of publications where you can get more information on this topic.

I can also provide a Credit Repair Kit that I have put together upon your request. This document will help guide you in your efforts to improve your credit score.

### WHAT IS A CREDIT SCORE?

When lenders evaluate your loan application, they use a process called underwriting – they try to evaluate your ability and willingness to repay your loan. They judge your ability to repay by looking at the amount of your income and how stable your past earnings have been. This helps them to determine if you can afford the loan payments. They judge your willingness to repay by looking at your past credit history. Generally speaking, someone who has made payments on time in the past will probably do so in the future.

Lenders want their evaluation to be as accurate, objective, and consistent as possible. In an effort to achieve these goals, mortgage lenders recently began using credit scores to help in the underwriting process. Credit scores are numerical values that rank individuals according to their credit history at a given point in time. Your score is based on your past payment history, the amount of credit you have outstanding, the amount of credit you have available, and other factors. According to Fannie Mae and Freddie Mac, two of the largest purchasers of home loans from lenders, credit scores have proven to be very good predictors of whether a borrower will repay his or her loan.

Many lenders use credit scores to help evaluate loan applications. However, a credit score is just one of many factors considered in the underwriting process. Lenders look at the entire picture. Even when a credit score is low, lenders try to find other factors that could overcome the negative credit issues and satisfy their underwriting criteria. The decision to approve or deny a loan will be made based on sound, flexible underwriting guidelines.

\* This article is an excerpt from a prior Chameleon newsletter insert.

## Natural Facts...continued from page 1

In general, composition of the plates making up the earth's crust can be discussed in terms of two types of rock: heavy iron-magnesium rock forming the **oceanic crust** and lighter aluminum-silicate rock comprising the **continental crust**. Referring back to the image of a soccer ball as representative of the earth's crust, the black panels would represent the oceanic crust and the white panels the continental crust. The oceanic crust is denser and thinner than the continental crust that dominates dry land. The thickness of the oceanic crust averages about 4 miles, whereas the continental crust averages about 20 miles. Consequently, when there is a collision between these two distinct rock types, the continental crust overrides the oceanic crust. Put another way, the oceanic crust is thrust beneath the continental crust, a process referred to as **subduction**. One notable exception to this general rule can be observed in the Olympic Mountains in Washington State. A hitch in the oceanic plate has produced buckling and folding of the crust during subduction so severe that a mountain range reaching an elevation in excess of 8,000 feet has formed. Places along plate boundaries where subduction occurs are called **subduction zones**, and can be identified by the volcanic activity that takes place within a hundred miles or so from where the plates collided.

The process of subduction contributes to the recycling of rock. Sedimentary, metamorphic, and eroded igneous rock is thrust below the surface of the earth and melted. The magma later resurfaces in the form of extrusive molten lava or intrusive solid rock. The recycling period for oceanic crust is much quicker, as it usually is forced into the subduction zone by the older, overriding continental crust. Consequently, there is no known oceanic crust older than about 200 million years, whereas continental crust exposed in Death Valley is estimated to be over 2 billion years old.

It is the subduction in progress off the coast of the Pacific Northwest that fueled the eruption of Mount St. Helens on 18 May 1980, caused by the massive North American plate overriding the relatively small Juan de Fuca plate. Highly explosive volcanoes, such as the string of volcanoes lining the Pacific Rim, expel a mixture of molten rock, gas, and water vapor generated by the heat and pressure acting on the thrusting oceanic plate. As the plate melts, the volatile mixture of material expands and is forced to the surface of the earth's crust. Pressure beneath the crust builds, eventually reaching a point where energy is released in one major event: a **composite volcanic eruption**. Volcanoes found in the Hawaiian Islands are less violent, characterized by a steady release of energy in the form of magma flows. Volcanoes of this type are referred to as **shield volcanoes**. Typically, shield volcanoes are formed when a plate passes over a 'hot spot' in the earth's upper mantle, referred to as a **mantle plume**.

Just as some pieces of the earth's crust collide, others are drifting apart. Areas where the earth's crust is diverging are known as **spreading centers**, where **seafloor spreading** occurs. Spreading centers are associated with rifts in the oceanic crust where molten magma boils to the surface, creating new crust that is forced away from each side of the spreading center – like two conveyer belts headed in opposite directions.

Movement of the earth's crust, however, is imperceptibly slow. Different plates move at different speeds: none move more than a few inches annually. It is estimated that in 15 million years the land currently occupied by Los Angeles and San Francisco will be adjacent: this the result of the Pacific plate (Los Angeles) drifting northwest, while the North American plate (San Francisco) moves southwest. The most accurate technology for measuring movement of the earth's surface is **interferometry**. This procedure involves the use of radar signals emitted from a satellite positioned about

continued on page 4

**Natural Facts...continued from page 3**

500 miles overhead to create a landscape map. Current maps are compared against previous maps to determine where and how much the earth has moved.

Because plates move at different speeds, they drift apart and collide, forming a variety of geological phenomena. Moreover, plate movements are not limited to sliding past or running into one another. Plates may also rise and sink in relation to each other. One such movement is termed **isostacy**. Isostacy describes the movement that occurs when the crust becomes lighter or heavier as the result of material being removed from, or added to the surface of the earth. Erosion, transportation, and deposition of large quantities of soil over a long period of time by a very strong force, such as the work performed by the Mississippi River, displaces a tremendous load from one part of the earth's crust to another. As the thick surface of continental crust erodes away, becoming lighter as a result, that part of the earth's crust 'floats' toward the surface. The earth's crust becomes heavier and 'sinks' where material is deposited. Erosion, transportation, and deposition occurring in the Sierra Nevada Mountain Range *contribute* to the rise of the Sierra Nevada and the sinking of the adjacent Owens Valley. ❖

Factoids

**Deadliest Earthquakes**

- 1) Tangshan, China; 1976; 7.4 magnitude; 655,000 deaths
- 2) Gansu and Shaanxi, China; 1920; 8.3 magnitude; 200,000 deaths
- 3) Qinhai, China; 1927; 7.7 magnitude; 200,000 deaths
- 4) Tokyo, Japan; 1923; 7.9 magnitude; 142,810 deaths
- 5) Messina, Italy; 1908; 7.0 magnitude; 110,000 deaths
- 6) Northern Peru; 1970; 7.9 magnitude; 67,000 deaths
- 7) Western Iran; 1990; 7.5 magnitude; 50,000 deaths
- 8) Erzincan, Turkey; 1939; 7.6 magnitude; 32,700 deaths
- 9) Quetta, Pakistan; 1935; 8.1 magnitude; 30,000 deaths
- 10) Armenia; 1988; 6.8 magnitude; 25,000 deaths

**REFERRAL FEE COUPON**

EASY MONEY!

**\$250.00**

For the past several years, the vast majority of our business has come to us through client referrals. As such, we would like to demonstrate our appreciation for referral business by offering a substantial fee to clients referring our services to their relatives, friends, and associates. This offer is effective 1 January 2000. However, as the person referring our services to another, you must do one thing in order to be compensated:

***You must send in this coupon with the name of the person that you have referred to us!***

You will be compensated immediately upon the funding of any transaction in which CHAMELEON, or any of its affiliates, received compensation involving the person that you referred.

**\$250.00**

Your Name: \_\_\_\_\_

Your Referral: \_\_\_\_\_

**CHAMELEON**

27341 Valley Center Road  
POB 2400  
Valley Center, CA 92082  
**800•371•6669**  
**www.donn.com**

BULK RATE  
US POSTAGE  
PAID  
PERMIT NO.  
123456789

ADDRESS CORRECTION REQUESTED

Mailing Address  
Street Number and Name  
City, State Zip