

ble building that had been extended every few years so that it now housed a souvenir shop and a pizza parlor along with the original diner that had been built first in the 1950s. A menu filled with things like the "John Wayne sandwich" and a "Tina Turner Tuna Sandwich." I had a patty melt, which I scraped off the bread (my nod to the reality of diabetes in my each and every day), and a diet Coke. Jamie, our youngest, had a "Sheriff John Grilled Cheese" totally innocent of the fact that so many of my childhood days had included lunch with Sheriff John on TV in L.A. with a side of onion rings. We ate with pleasure, and I left a large tip for our waitress, who was clearly tickled pink to have the job and giggled mercilessly, speaking a language that resembled English closely enough that we were able to communicate reasonably well. (It wasn't that she was foreign. She was very, very American but, if I may say so with deep affection, she was vocabulary- and grammar-challenged, in spite of which she was charming.)

On we drove, and the closer we got to the coast, the harder the driving became. By the time our minivan dragged its poor hot self across the section of 91 that takes you from one stretch of 215 to another, we were negotiating our way through a fuming freeway parking lot. Thankfully, we found A Prairie Home Companion on the radio and Robyn and I, at least, had reason to chuckle. The others were plugged into their iPods, bored out of their gourds but oblivious to Garrison Keillor. We reached I-15 again at Murietta and arrived in Oceanside rather soon thereafter.

Understand that this day's journey began when we pulled ourselves out of bed at 2:50 a.m., then zipped up the nearly empty freeway to the airport, and then slogged our way through the ticketing line and through the insult of homeland security lines, arriving at the gate in a mental fog, thirsty, with zero time to spare. It had been a long day, in spite of which, everyone voted for a couple of hours at the beach before the sun went down, and I was soon reveling in having my family bobbing around me in my very own patch of the Pacific Ocean—lo, this beloved ocean which was one of my first true Muses and Mistresses—my beloved wife (who is now my main Muse and only Mistress) and children trying out boogie boards, wave-tossed, all orifices invaded by sand and salt water, spitting out entire waves and swallowing the remainder, full of laughter and joy. A great first day of our vacation!

[Should you wish to see the remainder of the journal I write of this vacation, just drop me a short email at wedwrap@comcast.net and request it. I'll be glad to send it on once it's done, and I'll be thrilled to know there are

people out there who are nearly as crazy as I am...about travel, about our nation, about summer vacations, etc.

Oh—and remember that the book (You Are Not A House: How to Build Your Real Estate Career with Passion and Authenticity) will be available at the end of August through www.Trafford.com/06-2862. Be the first kid in your neighborhood to have a copy!]

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Wrapman's email: wedwrap@comcast.net Phone: (360) 459-3079 [written July 31, 2007]

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The Wednesday

W • R • A • P August 2007

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Key Rates

- ↗ 30-YEAR TREASURY BOND
4.88% [- 11 bps] [7/31/07]
- ↗ 10-YEAR TREASURY NOTE
4.71% [- 18 bps] [7/31/07]
- ↗ 1-YEAR TREASURY SECURITY
4.91% [- 3 bps] weekly [7/31/07]
- ↗ 6-MONTH LIBOR
5.382 [=] [7/31/07]
- ↗ 11TH DIST. COST OF FUNDS
4.293 [+] [for use in July 2007]
- ↗ MORTGAGE RATES (HSH)
6.88% [+ 5 bps] 30-yr fixed
6.48% [- 1 bps] 15-yr fixed
6.27% [+ 8 bps] 1-yr adjustable [7/31/07]
- ↗ FED FUNDS TARGET RATE
5.25% [+] [since 6/28/06] next FOMC meeting 8/7/07
- ↗ PRIME RATE
8.25% [+] [since 6/28/06]
- ↗ WEEKLY MBA MORTGAGE
APPLICATIONS SURVEY 609.0 [-]
[week ending 7/20/07]
- ↗ CONVENTIONAL LOAN
LIMITS FOR 2007
\$417,000 – Single-family residence
\$533,850 – 2-family residence
\$645,300 – 3-family residence
\$801,950 – 4-family residence
VA – up to \$417,000 (with no money down)
FHA - \$362,790 (high-cost areas);
\$200,160 (low-cost areas)

Commentary

Within...

***It is past time for us to shift gears!
*Your Wrapman takes a vacation!**

The economic markets, the stock markets, commodities markets, credit markets (which include the bond markets) have all been tiptoeing through the ominous tulips of a potential minefield, and have been fearful that panic would spread because of some piece of news and the credit crunch would grind things to a halt.

This is not tremendously easy to follow, but let's give it a quick tour. Then dive into a suggestion that the time has truly come to shift gears in our marketing and, by extension, in our real estate-related careers.

Your Wrapman

THE CREDIT CRUNCH

Here it is, oversimplified: You are a huge wheel-dealer and you want to put together a deal involving the purchase of a \$600 billion company. So you seek a few backers with big checkbooks - You want to borrow the money to make the deal happen.

Suddenly, however, the backers are leery of lending money to such projects. Why? It starts, amazingly enough, at the level of the homeowner who has discovered he can't afford to make the newly-adjusted payments on his confusing adjustable rate mortgage. He doesn't have much money in the home itself, having only come in with about a 3% down payment, if that, so he's thinking of walking away from the purchase. The loan therefore is going into default; the lender is likely to end up foreclosing and spending a lot to get the home off of its books. But the key element here is that the loan is about to evaporate.



Tom Chapman
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Maybe that loan was a part of the collateral for the securities bought by Joe Investor. Joe's investments are suddenly looking a bit wobbly. He's losing money. So are some hedge funds that invested in securities backed by this sort of mortgage. And so, by extension, are the pension funds and insurance companies that made such investments. And suddenly no one is at all anxious to invest in potentially wobbly securities, in spite of the fact that they still bare a high yield. (Indeed, investors are demanding an even higher yield on "iffy" investments, and a lot of money is flowing into short-term Treasuries, which aren't "iffy" at all.)

Thus we move toward an economy in which money just isn't available for \$600 billion buy-out projects, for less-than-certain IPOs, for pools of risky mortgages. The wheels of financial commerce slow dramatically and in what I've been calling our "Debt Economy", money just isn't being made the way it was a few years ago.

As you can see, all the wheeler-dealers out there face problems just as the wheeler-dealers who recently made bundles of money in real estate have been facing problems...far fewer buyers, far more reluctance to pay ever-higher prices for homes, far less liquidity in the real estate markets.

Yes, this crunch will indeed pass but I've never seen anything quite like it before now. We never before went to such extremes with wild and complex mortgage programs (which, even in their complexity, didn't come near the outrageously Byzantine structuring of hedge funds) unlike any available in past economic booms. I just don't know how this will unravel but I'm increasingly convinced that it will HAVE to unravel to at least some extent.

When we have complex investments like hedge funds whose values cannot even be computed with any clarity, much less certainty, we've got to admit that things have gone a bit far. And though you can lead a sheep to water but can't make him think...we are all reaching the point where we refuse to be sheep any longer. We cannot simply accept the assurances of "experts" that a peculiar investment will make great sense a year or two out.

LONG-TERM CLIENT RELATIONSHIPS

All of which leads me to the simple point I wish to make this month:

Most of us grew up in a rather "sexy" real estate market. One that was nearly always in the news, the hot topic at cocktail parties, the topic du jour. Everyone made a lot of money, if by doing nothing more than refinancing judiciously. Most of us

believed we could parlay our real estate into a lot of wealth...and did so.

Okay, real estate will still provide a great deal of wealth to the savvy investor, but it will be a slower process. Why? Because real estate is no longer really about fast, big bucks. It is, arguably, about "slow" big bucks.

We must keep in mind that people don't just INVEST in their personal residences. They LIVE—and play and grow and go through most of the important experiences of their lives-in them. This is day-to-day, month-to-month, year-to-year stuff. And real estate and mortgage professionals shifting their personal marketing style should be there for these clients through the years.

And that's how we should develop our client relationships. Not just for one deal, but for full lives. For the duration.

THE FIRST DAY OF VACATION ***July 28, 2007***

We landed in Las Vegas—if anything actually lands in Las Vegas, an utterly improbable city where nothing seems to have its feet firmly planted on the ground. At best, things are planted. Gigantic casinos, freeways, streets, little motels, wedding chapels, desert slums, and the biggest possible variety of people—with their feet in the sand, and the sands habitually shift and sway. It always brings to my mind Shelly's sobering poem about the forgotten emperor named Ozymandias, of whom all that remains is a large statue half-buried in the desert sands.

Step one was to negotiate our way through the crowds of vacationers and optimistic gamblers. Many so ready to gamble that they are even willing to throw dollars into the airport slot machines which are calibrated to ring and buzz once every few years, at most when some poor slob actually wins a few bucks. The rest of us pushed for the exits, all of us speaking our own private languages, all of us making a cacophonous melody together that sounded like a bizarre Babylon of incongruous foreign tongues. Waiting for my wife outside the rest room, I enjoyed watching a young man from India, a beautiful big-eyed child in his arms, warning his father not to go into the women's room. The older man was confused. He couldn't read the signs and besides there was a female airport worker planted with cleaning supplies right in front of the men's room.

Step two was to pick up our rental minivan, a process that always leaves me feeling as if I've just given several pints of blood involuntarily. "Will you be accepting our insurance add-ons?" the nice lady with a charming accent asked us. "No, we're covered by our own insurance," we responded with a misplaced smugness. "Oh,"

she smiled. "If a car ends up in the shop, though, we charge a fee for each day it is taken out of service. Your insurance doesn't cover that. Mmmm?"

Yes, the car rental companies have found yet another way to extract added fees from us. I frowned and accepted the add-on. Twenty-two additional bucks a day.

"And as a courtesy you car has been filled with gasoline," she smiled. "At about \$2.86 a gallon," she added.

"Yes?" I asked.

"Just return the car with the gas tank empty and you will get the complete benefit of receiving it full."

I had to stop and think about that one. "Benefit?" I muttered, wondering how in the world I was going to return the minivan with an empty tank of gas, and realizing that every drop above empty meant extra money in the pockets of the car rental agency. Another sly rip-off.

Grinding our teeth, we made our way at last to the garage and picked up what turned out to be a wonderful minivan—plenty of room for two adults and three teenagers and their new duffel-bag luggage, a quietly humming air-conditioner, smooth drive and yes, a full gas tank.

Step three: mistake. We couldn't resist a quick drive along the strip, thinking we'd stop somewhere for breakfast and buy some snacks for the drive to Oceanside, California, where we would spend a few days with Rand and Jill, my business colleagues and some of our dearest friends. But Las Vegas overwhelms you, brings your forward progress to a helpless halt, comes on and sucks you in like a loud bazaar filled with people hawking show tickets, trucks driving around with little billboards announcing "Real Hot Chicks" and promising to bring them to your very door ("Are they in the trucks?" Jake, oldest of the teenagers, asked with a laugh), and hotel/casinos that are at the ready to bring you a day in Venice, a trip to ancient Rome, an experience of ancient Egypt, a few days inside a circus, and on and on. There is no such thing as small here. The operative aesthetic can be summarized in the words, "Impossible excess."

It's incredible! Las Vegas seems to have collected in an unlikely corner of the otherwise-empty and desolate desert as if mankind's craziest fantasies had been tossed somehow into a wildly-painted dustbin and left there to entrap us and play with our sense of reality. You sense a drunkard's plaintive song in the air everywhere, a song dedicated to an imagined past, both recent and ancient, with roads named after the likes of Frank Sinatra and Dean Martin, with the afore-men-

tioned hotels dedicated to lusty and outrageous fantasies of ancient cultures, with dazzling shows starring people who, in earlier times, would have already retired to pubs and granges and Rotarians' meetings. And on most street corners, you will find today's desert rats—the offspring of those dust-encrusted fellows whose entire lives revolved around the impossible dream of finding that elusive gold vein one day, somewhere out there among the sun-baked desert rocks.

We stopped in desperation with an eye to catching a late breakfast at Denny's and made our way through the desert heat. Past men in their nylon shirts and wrinkle-free pants and pencil moustaches. Past women in their Frederick's of Hollywood wardrobes, all of them looking like the extras in a 1940s comedy, all wanting to relive the glories that had utterly evaded them thus far in their lives. Then we came upon a small fellow, looking like one of those poor souls who had been tortured for years and had lost all semblance of his humanity, negotiating his way along the sidewalk with immense difficulty, perhaps partly for lack of sobriety, but mainly because this is what he had become...a relic, used up, held together by the occasional coins tossed into his hands by repulsed but compassionate passers-by. He surely hadn't bathed since he was a younger man and his eyes now focused on nothing. Surely he lived somewhere between here and the edges of a vanished dream and was unable any longer to tell the one from the other.

Denny's was packed and echoing multi-linguistically. We had no patience for the wait, so my dear wife and two of the teenagers raided a nearby Welgreen's, emerging with a Styrofoam cooler (forgive us, oh environmentally-conscious readers), ice, soft drinks, and snacks (I almost wrote "snakes" for some reason). Cheese, a fruit platter, crackers, diet bars. Unexpected, strange things to find in a drug store on the Las Vegas strip.

"Let's get out of here," Robyn suggested firmly, and we all nodded enthusiastically. And soon we were headed south on I-15 (the Mojave Freeway), making our way along the upper edge of the Mojave Desert, climbing the hills to 5,000 feet among yucca and Joshua Trees. At least we assured one another that's what we were seeing looking off across the desert flatness at very convincing mirages (more convincing, surely, than the Mirage Hotel or any similar fantasy construct in Vegas), and past the amusing signs that line desert highways. "See the world's tallest thermometer in Baker." And "Peggy Sue's 50s Diner 36 miles ahead."

"Peggy Sue's," located at the north end of Barstow, was all I had imagined it would be. A rough-and-tum-