



# FOCUS

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Joseph F Bayer  
*President*

Paul J. Turin, Jr.  
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Eve Janis  
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Geri Glixman  
*Vice President*

Matt Eversgerd  
*Asst. Vice President*

Jim Dorna  
*Business Development Manager*



### Loan Officers:

Michele Darragh 460-0451

Don Droege 420-7653

Matt Eversgerd 620-7227

Dave Higgins 518-0445

Mike Jung 422-5841

Tim Logush 960-5083

Kate Pieroni 220-6207

Ellen Rigel 995-0890

Frank Ruzicka 871-3855

Kaaren Surina (618) 623-8377

Paul Turin 460-6363

Steve Vitale 330-3195



77 West Port Plaza  
Saint Louis, MO 63146  
Office: (314) 878-7900  
Fax: (314) 878-5636  
Toll Free: 1-800-263-3959

E-mail:  
info@FirstIntegrity.com

Web site:  
www.FirstIntegrity.com

## What Happened In The Mortgage Industry? Does It Effect Your Home?

by: Joseph Bayer, President

Sometimes being right brings little joy. For years, I have been telling First Integrity employees that loan programs being offered by sub-prime lenders would come back and smear our industry. For me, this malaise was brought about by GREED. The purpose of this article is to separate fact from fiction.

The good news is that, as an industry, mortgage lending has returned to time-tested basics and away from a brief interlude of insanity. Hopefully, gone for good are the days lenders were allowed to create a marketplace for riskier loans which yielded higher interest rates.

Sub-prime lenders never truly thought their actions would come back to haunt them. It was believed that riskier borrowers would continue paying these loans or pay them off with additional loans. This belief was bolstered by runaway inflation on housing. This skewed their decisions because the real estate became the primary focus over the individual borrowers' ability to pay. The old system of lending had checks and balances built into it. Borrowers were reviewed for

their abilities to repay. The property evaluated was the security. But storm-clouds began gathering when the new system of lending began showing its flaws.

### The Home (the security):

Mortgage lending is not national or regional, it is primarily local. The St. Louis area has had significantly lower inflation rates on housing for years. Nationally, "our" housing has been viewed as very affordable and easy to own. In many markets outside the Midwest, housing prices soared to unsustainable levels. The truth is, St. Louis-area housing costs have not gone down as much as they have leveled off. Other markets skyrocketed because they became meccas for speculators.

The end result is those values dropped as fast as they had previously skyrocketed. The first key to this in the current environment was the erroneous assumption that values would increase no matter what happened. WRONG!

### The Borrower:

The hard fact is not every individual should own their own home. Homeownership is an

*see Mortgage Industry (next page)*



## **Mortgage Industry** (continued from page 1)

earned process. The second key to the unwinding was how borrowers were viewed. Borrower strength is the basis of mortgage repayment. No lender should ever consider the property to be more important than the borrower. Unfortunately, that is exactly what took place.

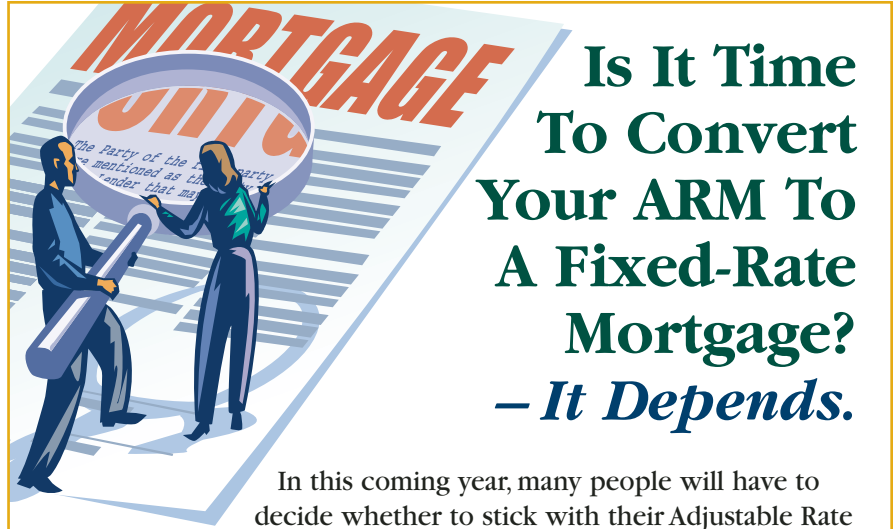
### **The Greed Factor:**

At one point in time, sub-prime lending was below the radar screen. People with credit issues could get loans through “fringe lenders” who specialized in those programs. Unfortunately, the obscene amounts of money “fringe lenders” were making was too alluring. After a period of time, many mainstream investors decided/justified the need for those profits. They jumped in head-first. Larger markets were created by national investors to buy these loans. Along with that came massive media campaigns encouraging borrowers to take advantage of the easy money. Few people realized the new terminology when the airwaves hit staccato themes of “less than perfect credit” tied to promises of easy money.

Individuals who should never have been given loans were duped into huge expenses and high interest rates along with promises of “not to worry, your house will be worth more later on.” However, lenders never took into account that payments needed to be made. It all simply unraveled with thousands of personal tragedies.

In the final analysis, this never should have happened. Here is the good news about our customers. Loans approved by First Integrity are underwritten with the confidence that our borrowers have the ability to make their payments. Lenders that advertised for customers with less than perfect credit were targeting weaker borrowers. Here is the truth: there is no such thing as perfect credit. However, acceptable credit is all anyone truly needs.

First Integrity made a choice not to target customers with issues and make their problems greater. First Integrity will continue to make loans to individuals with acceptable credit and guide them away from dangerous loans.



## **Is It Time To Convert Your ARM To A Fixed-Rate Mortgage? – It Depends.**

In this coming year, many people will have to decide whether to stick with their Adjustable Rate

Mortgages (ARMs) or take advantage of today’s lower fixed rates. Some of you will decide to continue with your loan. Others will decide to refinance to fixed rates. While others will request new ARMs with lower three to seven (3 -7) year initial fixed periods.

ARMs have been popular mortgage loans in St. Louis for more than three decades. Borrowers who choose ARMs are big believers in the program because they enjoy the lowest payment during the initial fixed period of the ARM. Although ARMs are not for everyone, they still continue to be viable.

### **What is the best strategy for you? It depends.**

Paul Turin, Sr. Vice President-Production at First Integrity offers this advice to customers: “First of all, I am a believer in ARM’s. I use my own ARM on my own residence as an asset. It creates a cash-flow for savings or investing. But each individual has different needs. I ask them to consider three things:

- How long do you intend to stay in your home?
- What is your priority for paying off your mortgage? Short-, medium- or long-term? Never is a valid response.
- If your goal is to build rapid equity during the initial period of the ARM, do you see yourself as actually paying extra toward principle?

Conversely, if you are wanting to stay in your home for longer than 10 years or don’t see yourself paying the loan in full by the time the fixed period ends on the ARM, a fixed-rate mortgage could be the best option for you. Fixed-rate loans can also give you the option of getting cash out for home improvements.”

Paul’s best advice: “contact First Integrity or your loan officer for a complimentary mortgage check-up to determine if your existing program best serves you needs.”

You can contact Paul Turin at: [pturin@firstintegrity.com](mailto:pturin@firstintegrity.com) or call (314) 878-7900.

## What A Buyer's Market Means To A Buyer

If you are looking for your dream home, there's no better time than now because we are in a buyer's market!

A buyer's market is one in which there are more homes on the market than the number of buyers. Here is what it means specifically for a buyer:

- **More options for your needs** - Looking for a two-story with more bedrooms or a small ranch for a starter home? With more homes available, you are more likely to find a home with everything you need.
- **Reduced prices** - Homes in a buyer's market take longer to sell. Because of this, sellers often reduce the price of their homes to sell them quicker. In fact, sellers who are in a must-sell position may take little or no profit from the sale of their homes.
- **More incentives** - Another way sellers attract buyers is to add incentives. These could range from home warranties to "redecorating" allowances.
- **More bargaining power** - Because a buyer's interest in a home is at a premium, they can make more demands to the seller. Buyers might request for a portion of the closing costs to be paid by the seller. Even a curio cabinet that normally would not be included in the sale can become a bargaining chip.

Be sure to read the article "First Integrity and Its Credit Unions." It can make a buyer's house-hunting opportunities even greater. To discuss your mortgage options before you shop, contact a First Integrity loan officer today.

### Couple Says First Integrity Made Them Feel Like '...More Than Another Loan Closing'

The home next door to Katie and Jason Dowd had been on the market for nearly six months. The owner was eager to move but received few offers.

"Jason and I discussed purchasing the house ourselves," said Katie. "It's a smaller house, perfect for rental. The lot is huge. We could take part of the lot and build a garage and workshop, and have more room for the boys to play."

The Dowds have four boys, including twins who were six months old at the time.

They decided to make an offer on the Festus home, and the offer was accepted. Now the Dowds just had to find the financing.

"We went to a local bank, and all we got was red tape and hoops to jump through," said Jason. "The owner was getting impatient, and there was a good chance the deal would fall through."

"My father-in-law told us about First Integrity. We called Matt (Eversgerd, a loan officer) and faxed or e-mailed him the information he needed. He even set us up with a real estate agent. Literally two days later we had our financing and a tentative closing date."

"We were impressed with the knowledge and professionalism of the people at First Integrity, said Katie. "You could also tell they cared about us. We were more than just another loan closing."

## First Integrity And Its Credit Unions *A Perfect Partnership*

Many people are unaware that credit unions are not-for-profit financial institutions. These institutions answer to a volunteer board of directors instead of a paid group of stockholders.

First Integrity's credit unions will offer our customers the same services banks offer, but usually at better rates and with fewer fees. First Integrity encourages our customers to consider membership in one of our credit unions because of their unique structure. Like First Integrity, credit unions focus on building long-term relationships with their members rather than focusing on short-term profits.

Joe Bayer, President of First Integrity adds: "Our focus is consistent with our credit unions. I believe in these relationships because of one thing — exceptional service. Customers of First Integrity who have PowerPlus mortgages are continuously reminded of our credit unions when they make their monthly mortgage payments."

**Arsenal Credit Union**  
**Electro Savings Credit Union**  
**First Missouri Credit Union**  
**Gateway Regional Credit Union**  
**Health Care Family Credit Union**  
**Missouri Valley Federal Credit Union**  
**Neighbors Credit Union**  
**Rolla Federal Credit Union**

Consumers have rated credit unions #1 in service among all financial institutions for more than 20 straight years, according to *American Banker* and many national consumer surveys.

To find more information on any of our special credit unions, simply log on to [www.FirstIntegrity.com](http://www.FirstIntegrity.com), click on "Library" and then "Helpful Links."

## Receive FOCUS Electronically And Save A Tree

You can receive FOCUS quicker and help the environment just by choosing to have it sent via e-mail. To sign up, simply log on to [www.FirstIntegrity.com](http://www.FirstIntegrity.com) and give us your e-mail address.

In addition, you can request a free mortgage check up, apply for a loan or just obtain more information on our improved Web site. Be sure to visit today!



**Kiss The Cook!**

*by Marie Gianoulakis*

### World's Best Banana Bread

<p>1 cup butter (2 Sticks) - creamed          1 1/2 cups sugar          2 eggs, well beaten          1 cup - approx. 3 bananas - mashed          (the more ripe the better)</p>	<p>4 tablespoons buttermilk*          1 teaspoon baking soda          1 3/4 cups flour          1 teaspoon baking powder          1 pinch salt</p>
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Preheat oven to 350 degrees. Mix creamed butter, sugar, eggs, bananas and milk in large mixing bowl. Add in all dry ingredients and mix well. Pour all ingredients into two (2) (greased & floured\*\*) 8 1/2 x 4 1/2 x 2 3/4 pans or 4 mini loaf \*\*\* pans.

\* or 4 tablespoons of milk mixed with 1 tablespoon of lemon juice.  
 \*\*instead of flour you can substitute powdered sugar - it's better.  
 \*\*\*mini loaves take less time, check after 25 minutes.

NEWTON/SHUTTERSTOCK

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 Better Business Bureau



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[www.FirstIntegrity.com](http://www.FirstIntegrity.com)

77 West Port Plaza, Suite 200  
 St. Louis, MO 63146  
 ph: 314.878.7900  
 fx: 314.878.5636

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