



BANK OF ALPENA

We built our future... Let us build yours

The Truth About Sub-Prime Mortgages

The number of foreclosures in Michigan is rising due, in large part, to a weak Michigan economy. It's no secret that the majority of these defaults involve subprime loans—loans made to people with a less-than-perfect credit history.

The surprise is that most banks don't make the kinds of loans that have led to these foreclosures. The majority of those bad loans were made by mortgage brokers and mortgage companies that are not routinely examined by bank regulators and are seldom interested in a long-term relationship with their customers.

While some of those consumers may have been uninformed or misinformed by certain transactional lenders, others were sold loans that they simply could not afford. As much as they dreamed of owning a home, they were often enticed to purchase a larger home than they could afford, and they ultimately lacked the ability to pay back the money. And that is a tragedy.

An educated consumer is the best defense against mortgage fraud and foreclosure. Consumers must understand the terms of their loan before they sign a mortgage agreement. Many defaulted loans involve adjustable-rate mortgages. While the borrower had no problem making the initial payment, when the rate adjusted up after a specified term, the payment became impossible. Adjustable rate loans may be the best option for many borrowers, but it is critical that each borrower understand all its provisions and that the product is best suited for their needs.

At Bank of Alpena, we take pride in our loan officers' ability to educate customers and carefully answer any questions about the credit products we sell. Consumers have an obligation to educate themselves and make careful financial decisions, but banks can help. Most banks offer free financial education programs in their communities, and Bank of Alpena continues to host mortgage education programs throughout the year. The goal of this education is a successful financial relationship and a positive experience for the consumer. Before signing any loan documents, we urge everyone to comparison-shop and educate themselves on various products offered.

It's important to note that the overwhelming majority of subprime borrowers are repaying their loans. However, some borrowers entered risky loans made by disreputable participants in the mortgage markets. The loans were often a case of a product that sounded too good to be true—and was.

Highly regulated banks have simply refused to make the sorts of risky loans that are at the heart of the foreclosure issue, and Bank of Alpena is among that group. Though bank loan portfolios are mostly unaffected by the current subprime mortgage mess, a local federally insured bank can be part of the subprime solution. They are in a solid position to keep mortgage dollars flowing to creditworthy borrowers.

Unfortunately, some of the mortgages made by lenders outside the banking system will simply be impossible to fix. However, borrowers who hope to refinance an expensive loan, as well as first-time home buyers, should start their loan search at a local bank. A loan officer will take time to work with a customer and help them evaluate their options. Governmental agencies such as the Federal Housing Authority are currently at work trying to develop new products that offer a solution for many in this situation. Bank of Alpena will be participating in these new products, and offer our services to develop possible solutions whether you are a customer or not.

The bottom line is that all federally insured banks want every loan to succeed for every borrower. They will not try to sell a loan that someone cannot afford, nor will we.

**COMMUNITY AWARENESS IS AT THE HEART OF OUR NEW
FINANCIAL SERIES: MINDING YOUR MONEY.**

MINDING YOUR MONEY is a series of ongoing practical and informative sessions designed to educate you and empower you to make wise, informed financial decisions. MINDING YOUR MONEY is held here at the Bank of Alpena in our comfortable lobby and will be presented on a quarterly basis by a volunteer professional from within our community.

Our first MINDING YOUR MONEY session was held September 27th with special guest speaker Karen Jo Bennett, Attorney at Law of Wenzel Bennett Kowalski & Harris PC. Thirty-four attendees were present as Mrs. Bennett shared valuable information on how to properly title your accounts. We have been asked to bring this session back due to popular demand, so look for it again in the near future.

Our second MINDING YOUR MONEY session was held Thursday, January 31st, with special guest speaker Bernard R. Lamp, CPA, of Straley Ilsley & Lamp, PC presenting: "Avoid sharing your nest egg with Uncle Sam". Fifty-two attendees learned how to properly withdraw money from their retirement savings accounts, and the differences between the Roth IRA and Traditional IRA.

Our next MINDING YOUR MONEY Session will be held Thursday, April 24th, at 7:00 p.m. and will be titled: "Living Trust, What is it and Do I need One?" Special Guest Speaker Barbara McDougall with Rehmann Financial Group, along with Dr. JoAnne Root, will be sharing the pros and cons of Trusts and answering your questions. There is no charge for these events, and the public is welcome. We encourage you to mark your calendar and take the opportunity to discuss your financial questions with these professionals.

Bank of Alpena Presents
**MINDING YOUR
MONEY:**

**Find out
if you should
have a
Living Trust**

Special Guest Presenter
Barbara McDougall
of Rehmann Financial

**Thursday
April 24, 2008
at Bank of Alpena
7:00 p.m. - 9:00 p.m.**

There is no charge for this event
and the public is welcome.
Pre-registration is requested. Space is limited.

Bank of Alpena does not provide legal advice.
Contact your attorney for specific information.

Things to Avoid When Buying a Home

There are a few major hurdles to overcome before the keys to your new home are handed out. Here are some things to avoid during the home buying process to assure your transaction goes as smoothly as possible:

Don't make major purchases, such as furniture, cars, or appliances until after the closing. Financing with a store credit card or even one of your own credit cards could jeopardize your credit worthiness, and using cash to purchase big items can also create a problem because many banks take into consideration your cash reserves when approving your mortgage.

Don't quit or change jobs. Lenders like to see a consistent job history. Generally, changing jobs will not affect your ability to qualify for a mortgage loan, especially if you're going to be making more money. But for some people, getting a new job during the loan approval process could raise some concern and affect your application.

Don't move money around. Your lender will likely ask you to provide bank statements for the last two or three months on your checking accounts and savings accounts and other liquid assets. To eliminate potential fraud, most loans require a thorough paper trail to document the source of all funds. Changing

banks or transferring money to another account, even if it's just to consolidate funds, could make it difficult for the lender to document your funds.

Don't give a deposit directly to the seller in a FSBO (for sale by owner) purchase. As a rule, your good faith deposit belongs to you, not to the seller, until the deal closes. Your FSBO seller may not know that your good faith funds should be applied to your expenses at closing. The title company can act as a neutral party to hold the deposit until you close on the home. Your purchase contract should dictate to whom the funds go should the transaction fall through.

Don't disregard your lenders requirements. You may have been pre-approved for the loan, but your work with the lender is far from over. In order to process your loan, you need to meet certain requirements. Your lender will need copies of your bank statements, W-2s and other paperwork. It is up to you to get it to your lender as soon as possible because failure to submit certain qualifying documents could cause you to lose the financing you need to buy your home.

Call for an appointment with Paulette Roznowski (989) 358-9906 or Mary Jo Springer (989) 358-9935. They will be happy to help you with any questions or concerns that you might have.

TEST YOUR KNOWLEDGE

1. What is the longest river in Scotland?
2. In which country would you find the Angel Falls, the highest waterfall in the world?
3. The Simpson Desert is in which country?
4. What is the longest river in the U.S.?
5. Which was the first European settlement in the U.S.?
6. What are the Cardinal Directions?
(answers on front page)



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