

*By Pat Cutler***The Real Poop on Dust Mites and Mattresses**

Dust mites thrive in warm, humid environments. Since that pretty much describes weather in the South, I suspect that we are the dust mite capital of the United States. I am amazed that at least one southern town hasn't started a Dust Mite Festival. We Southerners do love our festivals. South Carolina is home to the Peach Festival, Okra Strut, Catfish Stomp, and the Chitlin' Strut, to name only a few. For those readers who "ain't from around here" (i.e. northerners), a chitlin is a fried pig intestine. If you can celebrate the chitlin, you can celebrate just about anything.

Dust mites' favorite place to live is in your mattress. A few years ago, the *Wall Street Journal* reported that after just 2 years, a mattress will weigh 10% more than its original weight due to dust mite poop. After 10 years the mattress will double in weight. I am not sure I believe this. James Earl Lee's grandma has slept on the same mattress for 72 years. Based on a 10% weight gain every two years, Granny's bed frame would have collapsed long ago. Whether the story is true or not, I bet it sells a lot of mattresses. Since my bedroom is on the second floor, I decided it was time to purchase a new mattress and box springs while I could still carry my old ones downstairs.

I went to our local Mattress Super Store. As soon as I entered the store, I noticed people lying fully dressed on unmade beds. Most of them were lying flat on their back and telling a salesperson or their sleep partner how it felt. That's the politically correct term these days – "sleep partner". I saw no one turning on their side, fighting their sleep partner for the covers, or sleeping precariously on the edge while their coon dog is stretched out in the middle of the bed. There were no Moon Pies to munch on, pillows to prop up on, or TVs to watch. It is very difficult to make a good choice on a mattress without the basic necessities.

After lying on numerous mattresses, I announced that I had found the mattress that was "just right" for me. My mattress and box springs were delivered the next day. I should be good to go for the next 10 years or so. At that time I'll either buy a new mattress or start sleeping downstairs.

A New Foundation for the Economy – the Stimulus Package

The financial meltdown of the last 18 months has caused many a sleepless night. The nation's economic foundation is sagging from the weight of too many risks taken by those who did not understand or chose not to understand them. An economy once defined by uneven areas such as falling real estate prices and delinquent sub-prime loans has morphed into an economy where everything is evenly bad. A large problem requires a large solution – a \$787 billion dollar solution.

To no one's surprise, Congress failed to reconcile the desire to fix the problem and the need to spend wisely. Everything became stimulus. Many are worthy causes but do little to stimulate the economy. Examples are: \$2.1 billion for Head Start, \$6 billion for wellness preservation, \$200 million for birth control and \$2.4 billion for carbon-catching demonstration projects.

Most of us will receive more money in our paychecks via reduced payroll taxes, \$400 for individuals and \$800 for those filing jointly. The threshold to hit the Alternative Minimum Tax has been temporarily raised. The HOPE Education credit, renamed the "American Opportunity Tax Credit," has been increased to a maximum \$2,500 from \$1,800 through next year.

As for job creation, more than \$170 billion will be spent on infrastructure projects such as road building, public transit, broadband access, biomedical research, medical-records software systems and electrical-grid modernization. Hiring will be boosted at major private construction contractors, telecom companies, and heavy-equipment makers. Helpful, yes, but filling pot holes and being able to access the internet at Flo's grill in Scranton, South Carolina promises little in the way of long term job creation.

Depending on your view, the stimulus plan is a good start to bringing the economy back or too little stimulus and too much pork. Until taxpayers are confident that real estate and stock prices have found a bottom, it is not likely this or any other stimulus package can return us to prosperity.

On a personal note, I am not aware of an earth friendly category of mattresses. I have written a business plan based on cloth mattresses filled with corn husks left over from the manufacturing of ethanol, and delivered using "green" vehicles. I have contracted with a lobbying firm to acquire stimulus monies to manufacture these special mattresses and purchase a fleet of Prius trucks.

Obama's \$275 billion foreclosure prevention plan – return your old mortgage for a new one

Many mattress companies offer an in-home trial of their products. This gives you the opportunity to try out the mattress and box springs in a real world situation. If you are not completely satisfied, you can return the mattress and box springs for new ones. The Obama administration has decided to offer a trial period on mortgages. If you are not satisfied with the mortgage you currently have, you can return it and get another one.

Many homeowners have been hurt by falling real estate values and no longer have enough equity in their property to refinance their mortgage. Under the announced Home Affordable refinance plan, homeowners holding 30 year fixed agency mortgages with loan amounts of \$417,000 or less (amount is higher for certain high cost areas identified by the agencies), who have a rate greater than 6% and no late payments for the last twelve months, may be able to reduce their monthly payments by refinancing. With the modification option, mortgagors who can no longer make their payments due a life changing event such as loss of one's job, or whose first mortgage payments represent more than 31% of their gross monthly income may be able to lower their payments or temporarily reduce their mortgaged amount.

According to Fannie and Freddie, a large population of loans is eligible for a payment reduction under either the refinance or modification plan. Since Fannie and Freddie requirements are different, mortgagors are encouraged to access Fannie or Freddie's websites to determine eligibility prior to making application with the lender.

Many taxpayers resent the idea of bailing out individuals who closed on a loan they clearly couldn't afford. In spite of all the bad news on foreclosures, 92% of all mortgages are paid on time. Why should the people who saved a down payment and bought a house they could afford subsidize everyone else? Barack Obama said his foreclosure plan isn't going to bail out people who made bad decisions. In many cases, that's precisely what it will do.

Up to your ankles in Dust Mite Poop

Barack Obama inherited a financial panic in the housing and credit markets. Bold initiatives are required to quickly reach a rebounding point. Although the President has acted quickly and decisively, many questions remain. Will the stimulus package and foreclosure prevention plans work? How about the bank bailout plan or plans to buy troubled assets? Will the combination of all of these initiatives restore our economic foundation? As far as the economics go, probably not. But at this point in the game, psychology trumps economics. We need positives. We need a mattress that feels just right!

There is money on the table – take it!

Traditionally, mandatory delivery all-in pricing (base price plus SRP) is 30 basis points better than best efforts delivery. Current market conditions have pushed the spread between mandatory and best efforts pricing to 100 - 125 basis points. Many lenders are using aggregator best efforts pricing to set their daily rates and selling the majority of their closed loans under mandatory commitments. Given the volatility and uncertainty in the market, the price differential is likely to continue for some time. If you are not using this strategy, start and watch your profits grow. \$100,000 in extra profit for each \$10 million in closed loans – pretty soon you are talking real money!

By utilizing a combination of both mandatory sales and best efforts delivery, secondary marketing can:

- Take advantage of mandatory pricing on sale of a large portion of the pipeline.
- Mitigate unexpected fallout by using best efforts delivery to hedge the more difficult portion of the pipeline.
- Quickly change strategy in response to fluctuating market conditions.

This article contains information gathered from numerous sources. The information is considered reliable but is not guaranteed as accurate. The opinions are my own and not deemed appropriate for any purpose other than to provide information to customers and potential customers.

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