Alpesh Parmar 0:00
Welcome to wealth matters podcast I have with me Caeli Ridge, she's the owner and CEO of Ridge lending group. And she spent the last 22 years as a nationwide lender and lawn officer in both residential and commercial transactions. Welcome Sherry. Thank you Alpesh I'm happy to be here, sir. Now let's something interesting about yourself.

Caeli Ridge 0:24
Oh, you know, okay, I got your list. And I've been looking at it for a couple of days. And I was I was racking my brain to think about something that might be amusing to the audience. And the only thing I could come up with it, I thought might be kind of fun. Is that before all of this for my life, in residential real estate, I was a pre med student. So really,

Alpesh Parmar 0:42
wow, I can be matched to commercial and residential is

Caeli Ridge 0:47
it

Alpesh Parmar 0:48
would have taught but then again, being a computer engineer masters and now in doing real estate. Think of that.

Caeli Ridge 0:56
Right, right. So that's, that's funny.

Alpesh Parmar 0:58
So let me ask you this. And of course you are watching this market at the pandemic, and then the wildlands, unrest, etc. You have been watching and pretty much you are watching it closely. So how is the mortgage and credit market doing right now?

Caeli Ridge 1:13
You know, I think overall, it's doing pretty well on the mortgage side. I mean, there's a lot of upheaval, certainly tremendous amount of uncertainty about what the future might hold. But if we're going to focus on the mortgage side of the conversation, I would say it's it's improved greatly over the course of the last couple months. There were some very quick and very severe changes early early on quite a bit of upheaval for the first couple of weeks that people started to panic about. But I think that we've recovered pretty well. Now. Certainly, it's going to continue to be a few steps forward, one step back, right. But I really think especially for investors, I'll push what I'm finding, and this is great news. I think that for investors in the mortgage industry more or less? And I think we'll get into some of the details in need of this more or less it's business as usual. Right. All right.

Alpesh Parmar 2:09
Yeah. The only thing I saw especially cuz I was also raising capital for a senior housing project and our lender, Greystone froze all the loans right when we were about to close. So we saw that happening. Oh, yeah. And we are still going through it. I'm hoping to close that, you know, entire syndication by end of the month, but it's been delayed by a couple of months. Yeah, exactly. So in today's discussion would be around all in one loan. aIlow is what we refer to as I heard about it on another podcast from you as well. And I was following a market for five years ago and I was surprised that we don't offer something like this in USA, because it's very common in you know, other parts of the world. So Can you just dump it down for us? What is an AI o loan? All all in one?

Caeli Ridge 3:06
Sure. So abbreviated right, I will just give you the high level stuff. Let me first start by saying that this loan product is is extremely different than what I think most people here in the United States, kind of like you alluded to have come to understand mortgage finance, right, we've sort of addition is how I say, to really only wrap our heads around that closed ended amortized loan, the 30 year fixed or 15 year fix. This couldn't be more different. In fact, I'm into 180

of that this is an old right, so it's a line of credit open ended, not closed ended. And is it helpful for me to define what that means? Oh, yes, yes, please. Okay. Yes. So closed ended. Just basically a simple way to look at it is you make your mortgage payment on your 30 year fixed loan, and that money is gone. You don't get it, it's closed ended. It's closed off. It's It's sad, and it'll it'll

Alpesh Parmar 4:00
Yeah, once you pay it off, if you make a lump sum payment, you're done. You can't do anything you can't can't even change. Maybe one time, you can change the amortization or I What is it called the reorg of the loan or something and they may reduce the principal payment if you make a large lump sum payment.

Caeli Ridge 4:17
That might be some sort of a hybrid. I'm not sure okay.

Alpesh Parmar 4:21
Yeah, but you're right. Yeah, the money is gone pretty much right and do anything with it.

Caeli Ridge 4:25
Right. So that's closed ended, this is open ended, so that when you make payments against the principal balance, it's, it's immediately available the next hour, the next day, whatever open ended. Additionally, you've got a fixed rate over here, and this open ended revolving mortgage is variable and we'll talk more about that so okay, that's just some quick basics. 30 year fixed, close ended, adjustable, open ended line of credit, okay. The concept is fairly foreign to most people and let me preface by saying to the audience Hear that I you read off at the beginning some of my my background. I've been doing this for a very, very long time. I am a real estate investor. I'm in finance. So typically, you know, I can pick things up pretty quickly. This was a little bit different. It took me Yeah, I had to look at this thing for several days and really kind of dig into it before the light bulb went off and I was able to understand the mechanics of it right the concept itself. So let's just start with that. So this is a first lien HELOC everybody that is in essence replacing the mortgage and your savings and checking account.

Alpesh Parmar 5:40
Okay, sorry to interrupt. So when you mentioned he locked, that's the home equity line of credit. And this goes on first lane usually when we get HELOC we already have a mortgage. And then we get to get the equity out of the house or the property if you don't want to refinance. We add here he locked right but in this case This is your first lien HELOC.

Caeli Ridge 6:02
Exactly right so exactly so when people hear he lost they do think of a second lien that goes behind the mortgage right. They also that's that's a good place to start let me do that. So they also think of a HELOC where it would be a 10 year interest only draw and then it turns into the repayment of that HELOC where it becomes principal and interest amortized over the remaining 20 years. The traditional second lock this is a first lien HELOC it's the only mortgage or mortgage tied to that property to that asset. Okay, and it's good for 30 years this is a 30 year he lock so you're able to draw on it for the full 30 years Okay, which is very nice, nice. Um, but you know, the concept of this that people that are listening have heard the term sweep account or velocity banking, banking, right, those are what that's what this is okay. Okay. Um, so what you would do is have this line of credit and assuming that there is a balance on your line of credit, okay, you now are in control, I'm able to dictate or define how much interest will accrue on that line of credit on the balance of that line of credit on a day by day basis using your own income, right your deposit income. Okay?

he locks accrue interest on a daily basis, daily basis, not

Alpesh Parmar 7:23
monthly, like mortgages. Yeah,

Caeli Ridge 7:26
right. It goes daily. And what will happen is, is that the the bank, the lending institution is going to take a snapshot of every single day in a 30 day billing cycle, and they're going to figure out what the balance for that day was times the interest rate, and then they'll add that up together 30 for 30 days, and that's the monthly interest accrual for that month. Okay, but I think it's easier to give an example. So let's say that we start with a balance of $100,000. And I make $10,000 a month from all sources of it. income and that could be my paycheck. That could be my friends. That could be my dividends,

Alpesh Parmar 8:05
my donations. Yeah, everything,

Caeli Ridge 8:07
everything. So my $10,000 and I'm just for ease of explanation, I'm going to say I get my $10,000. On day one of the month, I'm going to take that thousand. And I'm going to deposit it into my HELOC slash checking account. dollar for dollar. My hundred thousand dollar initial balance is now what 90,000 right? Right. So on day one, the interest that's accruing is only on 90,000, not 100,000. So there's some significant interest savings there. No longer I keep my 10,000 in against leaving at 90,000 is the balance, the less interest can accrue. Right,

Alpesh Parmar 8:45
yeah.

Caeli Ridge 8:46
So what makes sense, the natural progression most people are going to utilize, let's say a credit card of they're just wanting the most points of the benefits, whatever and on that credit card to maximize the reduction of interest to cruel, they're going to pay every cent of those monthly their monthly living expenses. And I don't care what it is, your rental mortgages, your car payment, your credit cards, your food, your gas, your utilities, everything goes on that credit card. But before the credit card accrues any of its own interest, you simply go into your checking account where your money is sitting, right? functional, by the way, and I'll explain that in a second. And you pay off the credit card on day 29. So you've effectively become your own bank, you've utilized your yes about your your income or your spending habits, your expenses, nothing changes, right, you're simply now able to utilize your income to drive down the balance that you have due reducing the amount of interest that can accrue so there's a compounding effect that's at work there because you're doing this month after month after month. Okay, let me quickly touch on the banking features and then I'll go into compounding effect number two, okay. Banking features attached to this particular product. Totally automated. Okay, everything that you have right now with your BFA or chase or Wells Fargo account, online bill, pay a debit card, routing numbers. Paper checks if you need an imaging service. Right? Right. So if you if you still get a paper check for rents or something, you could take a picture with your phone

Alpesh Parmar 10:20
and upload it. Oh, yeah, same way, like big banks.

Caeli Ridge 10:24
Right? exactly the same. Totally seamless, automated. So there's that. The second thing that is at work for compounding, I don't know if we're jumping ahead. Alpesh. But I'm just gonna mention this and maybe we can I think one of your other questions kind of asks more about this later. Who This is right for, but the monthly residual income of whatever is leftover, right, your savings. That's just another way of saying this. $10,000 a month, right? Yeah. $1,000 left over every month after I paid everything that I need to pay, then that thousand dollars that would normally be saved. Sitting in my savings account maybe doing doing what? And no,

Alpesh Parmar 11:03
I earning a lot point 01 percent.

Caeli Ridge 11:08

Yeah. So instead of just letting it sit in there now you can just sit in it against your balance. And again, that compoun d month after month, it just sits there. But this is your money, you have access to it. Right before seven. Right? You' re just utilizing it another way. This is the difference between interest earned versus interest saved.

Alpesh Parmar 11:27
Yes. Okay. That's the key. Right? Because, right, you may make point 1% or maybe Max 1% interest, but if you are saving 4% interest that you can compare. That's

Caeli Ridge 11:39
right. Exactly. Right. So did I mean is that an overall That

Alpesh Parmar 11:43
was great. Okay, so, I think I'm, I'm understanding now and of course, you know, just to let listeners know, I'm actua lly going through a process of a bio loan with rich lending group right now, and that's why I thought it would be you know, great to have Charlie on the podcast as well. So I'm also doing this with my primary mortgage but I have a m ortgage and secondly and he lock in I'm doing this strategy using my checking account and he lock I'm paying down a lump sum mortgage, right? But this strategy alone allows you allows you to have firstly HELOC and automates e verything, I had to do all of that manually, I had to figure out when I should be paying. And then of course my mort gage is with chairs and then he lock is with us bank. So I had to manage all that. And that's what at that time, I could not find any similar product when I started that strategy. But I do pretty much optimizes that strategy for you if I if I 'm understanding correctly.

Caeli Ridge 12:45
Exactly right. And it's pretty smart. Actually, a lot of people don't realize that. Just that second lien HELOC technica lly you could do the same thing. It's gonna take you longer because that's probably a smaller loan amount or line. Se cond lien It's clunky or doesn't have the banking features are not going to be available for 30 years. It's not gonna ha ve some of those other flexibilities, but very smart that you've been doing that organically anyway, this just is the be st of all worlds, right? Yeah.

Alpesh Parmar 13:12
Oh, thank you. So what are the pros and cons of any IO loan?

Caeli Ridge 13:17
Um, you know, I get asked this question a lot. And if, if you are the right candidate, I think we're going to get into th at. Yes. And in truth, the math when we look at it, right, the individual and their qualifying abilities, the math is not going to lie, this loan is of an advantageous vehicle for an individual. I don't know that I would say that there are any disadvantages. Okay. If I were forced to say one thing, it might be, perhaps even though this loan looks like it woul d be very beneficial for the individual, if they don't have some discipline, right? Yes, I have heard. So if you have a l ine of credit, that's that's, you've got 500 dollars with a line of credit, okay, but you only owe 100 grand you got $40 0,000 sitting right there, right? Some people may not have the right instincts, and maybe they just say, oh, I've got al l this equity. Oh, yeah. And they go and they buy a new boat or they Yeah, I'm

Alpesh Parmar 14:17
gonna buy a Lamborghini or, again, expensive vacation.

Caeli Ridge 14:22
So and then so I think that if that were one thing I had to say maybe for those individuals that feel like they don't hav e as much discipline where that's concerned, they might get into a little bit of trouble but knowing that going in, you know, it should probably work itself out.

Alpesh Parmar 14:39
And I've seen as I mentioned, the i o loans exist in Australia and New Zealand and many other countries. Why don't

we see much of IO in the US? You know, I know you you've spoke about it, but is there a reason how the mortgage industry is built? Because we went from 50 years mortgage, 30 years mortgage and I recently I heard talked about moving it to 40 years mortgage. So do you know why? Yeah.

Caeli Ridge 15:05
So you're right, Australia was the front runner. And many, many countries are utilizing this particular philosophy in the United States. You know, the all in one, this particular product has been around for a while. It's just really been not mainstream at all. And it's brand new for investment properties, by the way, that's only been around Yes, here.

Alpesh Parmar 15:22
I have been looking for it, and that's why I'm going through it.

Caeli Ridge 15:27
But the reason why ultimately is bottom line is money. So mortgage backed securities in this country creates a tremendous amount of revenue. When you think about the GCs government sponsored entities you get your Fannie or Freddie gabey loans lie. Exactly. trillions, trillions of dollars, right. So if I've, if I were going to make a guess that's why

Alpesh Parmar 15:54
Yeah, that's what I heard too. Yeah. So and we you You also alluded to this as well, who do you think would really benefit from AI? You're like, who are the good candidates? Or perfect candidates? Yeah.

Caeli Ridge 16:09
So there's an online simulator, and I'll probably I'll give this to your passion, maybe you can post it. Yes, the online simulator. What this is you guys is that it's a way that you can look at the all in one side by side apples to apples and compare it against a 30 year fixed, for example, and see it's very short intake. At the end, when you're looking at the results of the simulator. Like I said earlier, the math will not lie. Okay, it'll tell you very clearly, you'll see side by side, if the all in one is going to be useful, it'll, it'll tell you how much interest that you would save how many years you shave off. There's a bunch of great information on that results page in the simulator. But what I can tell you in general terms, we find that the individual that is not able to save that residual income that I talked about at least 10% a month, the simulator results are not going to be to their advantage. So generally speaking If you're saving at least 10% of what your depository income is, the all in one is usually going to be a good move for you. If not, probably not the right product.

Alpesh Parmar 17:11
Got it? Is that anything else? Someone should keep in mind when they are looking to let's say, cash out refinance and comparing to AI? Yo, what, what else they should be looking at?

Caeli Ridge 17:24
You mean in terms of the simulator or just in general

Alpesh Parmar 17:27
in general?

Caeli Ridge 17:28
Yeah. Well, okay, let's play devil's advocate. Yeah. For the 30 year fixed compared to the all in one and we're talking about a cash out refinance. And I don't think it really matters if we're talking about a primary or an investment, right? Yeah. Right. 61. I think that what I would anticipate they look for is the 30. year fixed is going to be a fixed rate mortgage right? You don't worry about it rates are really low right now. The disadvantage to that is the cash out you're receiving it on day one. Which is paying interest on all of that on day one, whether or not it's it's deployed out there for whatever your purpose, okay? Right? versus the all in one allows you to pay as you go, right? You take $1 draw or you take $20,000 out of the equity, you're only paying on what you're using

Alpesh Parmar 18:20
is a good comparison. Yeah, it's pretty much a credit card.

Caeli Ridge 18:23
Exactly. Downside on the all in one is that for some people, they hear variable, and they get a little bit freaked out. So you got conservative, for sure, etc. They're here. It's a variable, it's got a lot more flexibility. You're only paying on what you have. Can we talk real quick? Alpesh about variable versus fixed?

Alpesh Parmar 18:41
Actually, I was going there because I thought I'm gonna throw a curveball at you but you brought it up. Cuz cuz that's one of the thing when he when I speak about that, you know, using HELOC to pay down your mortgage. Everyone comes up with that, oh, it's a variable rate. I'm only paying 3% interest now why would I go to 4% For 5%, right? So yes, please go ahead.

Caeli Ridge 19:03
Well, so let's let's, let's tackle that first thing first. So when you think about a fixed rate mortgage, and even if it's a very low rate of 3%, okay? The amount of interest that that loan is going to accrue is pre determined. When you get your loan documents and you sign them. There's something called a till truth and lending yes tells you, here's the principal amount that you borrowed. But here's what you're gonna end up paying over 30 years, and it's usually twice Oh, yes, original, right. So when you think about it, in those terms, that amortization of how it is stretched out over 30 years, you end up paying a significant amount more in interest than you would on something that's even variable that you have control over because your income is now in charge of driving the balance down saving you that interest. There really isn't a comparison. There is a good analogy. So if you have a forgetting it, it's a comparison against the 30 year and a 15 year. And let's say that the 30 year is a 4% interest rate. Okay? And the 15 year is at a 7% interest rate, okay? Okay, wait, same same loan belts and say it's 4000. Okay? If you look at those side by side, initially, most people, their mind goes straight to the 30 or 4%. Of course, the 4% have less interest when in fact, you pay less, you pay about $40,000, less in interest on that 15 year at 7%, than you would the 30 or 4%. So that just kind of helps illustrate it. The other thing I want to talk about when we when we speak about adjustable rate mortgages. With this one is concerned, let's let's go over some specifics. So when we talk about an arm adjustable rate mortgage, there's two primary components, okay. You have an index, which is the variable piece and there's dozens of indices out there. The Treasury people know the 10 year Treasury right. That's an index the lightboard I bought is

Alpesh Parmar 21:00
the one most of us follow. Yeah,

Caeli Ridge 21:03
right for mortgages live, right? Yes, we use mostly for mortgages. Exactly London interbank offered rate is what that stands for. Where this particular product is concerned, it's the one month live or that it's tied to, so why hasn't one month to six months, one year of I think their five year live or anyway, so this particular loan is tied to the one month live war, okay, so the index, you got the index variable can move, and then you have a margin that's fixed, right? It'll never change for as long as you have that loan, that margin stays exactly where it started. You add those two things together, and that equals your fully indexed rate. Okay, so this gets a little bit convoluted. I'll try and be clear. So every adjustable rate mortgage comes with their own safety net their own side. Yeah, there's a floor right. A floor and a cap. Yep. And a cap. Yes. So in this case there is a life cap, some adjustable as if it's like a five year adjustable. There's several caps on a HELOC. There's just one number. And it is in this case 6% over the initial fully indexed rate. So right now let's just say the fully indexed rate on this all in one is I think it's 3.9. Okay, that's today, if you were locking the rate into day nine, the life cap is going to be 6% over that initial fully indexed rate. So six plus 3.9. Right? Yeah.

So that again,

Alpesh Parmar 22:34
six plus 3.9. So it's like close to 10%. Yes, ma'am.

Caeli Ridge 22:37
Yes, yes. 9.9 will be the life cap. So that means that over 30 years time, your interest rate no matter what happens wi th that index up was whatever, yeah, it can never exceed 9.9%. Okay. Now, the I'll give you another piece of inform ation on the one month live more specifically, if you look at 25 years. historical average. And this would be kind of good information to have. So I encourage everybody listening to do a Google search of the one month live war, the i nformations endless, but you could get a printout that shows every single month of that index for the last 25 years. Y ou can kind of see how this index moves, how often and by how much you'll find it's a pretty steady, slow moving in dex. What I wanted to point out is that the highest it's ever been was in 1989. And I believe it was 10.08 was the hig hest

Alpesh Parmar 23:33
has ever been. That's a

Caeli Ridge 23:35
25 year average is 2.67. I believe that's not bad. So, you know, I won't go too far down that rabbit hole, say educate yourself about the adjustable mortgage. Okay. Lastly, on this topic, let's focus on the 30 year fixed for a second. It's a psychological thing people and I am I'm guilty of it myself. Yeah. Let me put some statistics in In perspective, the percentage of people that keep a 30 year fixed from the day that they close on it for 360 months is less than 1%.

Alpesh Parmar 24:09
Yeah, I don't think anyone.

Caeli Ridge 24:12
Yeah, it just doesn't happen. Um, and in fact on a primary residence, and I'm sure that the the average is lower on a r ental property, but the average lifespan of a 30 year fixed for a primary residence right now is 7.8 years. So,

Alpesh Parmar 24:27
which makes makes sense, right? Most of us move around.

Caeli Ridge 24:30
Right? And then of

Alpesh Parmar 24:32
course, refinance constantly. Right. But yeah, if I don't see anyone staying in the same property for more than 10 yea rs, it's pretty hard.

Caeli Ridge 24:44
Right? Anyway, that was a long winded No, that was a

Alpesh Parmar 24:47
that was a good one. Another curveball at you is the I hear another argument is that, Oh, I'm able to write off that int erest. You know, if I paid off in 10 years now, you know, I'm like, yeah, that's Good, you're free and clear mortgage, but I can't not write off mortgage from my taxes.

Caeli Ridge 25:05
That's not true.

So the newest tax law and always make sure you're up to date and you're doing your own homework. But the way it' s written right now, this is exactly the same. There's no difference between this and a 30 year fix. The rule says, as lo ng as whatever you're using the interest that is being paid was used for Home Improvements or real estate purposes, right? If you're doing cash out, you know, if you're pulling cash out of your home, that interest is only deductible. If it was for home improvements are really fighting delisted. Yeah, that is the same exact thing here. So if you're refina ncing one to the other, you should have no problems that you're absolutely able to write off that interest. God.

Alpesh Parmar 25:49
Anything else? We forgot about a yo before we take a break?

Caeli Ridge 25:53
You know, yes, actually, let's talk about how it's repaid. Right? This is a 30 or here. How does it how does it work at the end right? So we talked about a second lien HELOC in that it's a 10 year interest only draw. And then after that i t becomes a principal and interest can't draw on it anymore. Over the remaining 20 years, it's amortized over 260 mo nths. So on this loan, what happens is, is that in month one of year 11, the limit starts to reduce ever so slightly by o ne 240%. So let me define that again. So the 240 in that number represents 20 years. So if we started with a limit of 100 grand just for round numbers, we have a limit of $100,000. In month, one of your 11, that limit is going to go do wn by one 240, making the limit from 100,000 to 99 760. Right, you know, in consequential, but every month, you'll see that that's what's going to happen until the 30 years, okay, you're still able to draw on it for the full term of the l oan limit starts to go down a little bit.

Alpesh Parmar 26:55
I see. No, that was great. Thank you so much. Let's take a quick break. Okay

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Alpesh Parmar 0:00
Welcome back to wealth matters podcast I am chatting with Caeli Ridge about all in one loan. And this is a fire roun d Caeli. Now I go through these questions every week for with each of my guests. So, and I have added some of the questions because of what we have seen with the pandemic and then the unrest. So what do you see would be short t erm and long term impact on the mortgage market and real estate because of Coronavirus.

Caeli Ridge 0:29
So certainly there are immediate impacts that we we've been seeing we've already seen and that we continue to see. This gets quite detailed. I will share with you a currently what some of the more negative impacts we've seen

because of the virus, the

Kazakh let's talk about that for a second. I think that they acted very quickly.

Alpesh Parmar 0:50
Congress. Oh, yes. I was very surprised. I was usually I'm not impressed, but I was impressed with that.

Caeli Ridge 0:58
And as a result, I think think that there were some unintended consequences. They didn't have the time or they didn't . They weren't able to take the time. The intentions I think were there. But as it relates to mortgage, let's talk about fo rbearance. Okay, this is a big topic, stream. Yeah. You know, the problem that they made, the mistake that they mad e with forbearance in the care Zach was is that it required no hardship. Okay, that's bottom line. And with that came somewhat of a moral hazard that people that really probably didn't need it are taking advantage of it. So, a few thing s have happened with regard to that. The first is that mortgage backed securities to quick definition. So the servicer, right the the company that services your mortgage loan that you make your payment to that is then responsible to dis perse the funds accordingly. The principal, the interest, the taxes, the insurance. If I don't make my mortgage payme nt to my servicer, the servicer is not off the hook, there's obligated to stroke that check. They have to pay the note ho lder, the taxes and the insurance. So, as an uncommon, an unintended consequence, what we saw was huge liquidity

issues because they ran for this forbearance because the way that was presented, it's not gonna affect your credit score, right? I mean, it just sounds too good to be true. And people that just aren't in the space didn't realize what that meant, right? So the servicers were taking huge hits huge, billions and billions of dollars. And what that translated into is, is that on the secondary markets were mortgage backed securities are concerned. They weren't moving. The Fed stepped in and to date, I think the last time I heard and they've really kind of eased off of this and they needed to but we won't go into that. That conversation right now. They were buying billions and billions and billions of dollars of mortgage. Various to keep the the cogs going. I think I believe last time I heard they're up to about 750 billion dollars online. God of purchasing mortgage backed securities to keep some of that liquidity. So that so that mortgage backed securities were moving. Now that's not really a help to the servicers, right? They've been giving they've been given some liquidity facilities to help kind of that barrier just kind of move across that bridge, a little bit of liquidity facility just as a fancy way of saying lines of credit, okay, the government has provided them that so that they can keep their liquidity here while the forbearance stuff kind of starts to move and people start making payments again, etc. But it did affect secondary markets, it did affect pricing and interest rates for a time. So that was a that was a big problem. More than that, though, the language in which it was displayed and given to the consumer, they were told that you don't have to prove any hardship and for anybody that is listening to this, they know how easy it was they probably made a phone call here you got a forbearance, you don't have to make a payment for 12 months, right. The problem with that is is that well It's true, it will not affect the individual's credit score. Okay? Initially, the lenders because the surface or in the lender aren't the same thing.

Alpesh Parmar 4:09
Oh yeah.

Caeli Ridge 4:11
So it was showing up on a credit report within the mortgage trade lines saying forbearance

or deferment score is intact. There's no mortgage. Yes,

Alpesh Parmar 4:19
go Snyder interchange got it,

Caeli Ridge 4:21
right. But the trade line itself was was showing when we would pull our clients credit at shows. Those people were not eligible for loans. They couldn't

get financing. They can't make this payment. We're not going to give them money for something else.

Alpesh Parmar 4:33
Of course, if you're having a hardship, how can you get another loan?

Caeli Ridge 4:37
But that wasn't communicated and realized we building? Yeah, right. So that was a little bit frustrating. And we've kind of worked through I was talking on that almost daily for a couple of weeks. There have been some improvements to it right now as long as the individual so at first, let me back up at first when we saw that we were told that it was it could be 12 to 24 months before these guys were eligible. for financing again, after they go off deferment, that's changed. Now, as long as they make the payments current, they can't defer them or forbear them on the back, they have to make everything current, right? made three consecutive payments, they're again eligible, if they missed one, if they missed a payment, they have to bring it current, they gotta bring whatever the past do is current, three consecutive payments, and then they're eligible again, if they just went into forbearance just to have it, and they haven't made any late payments yet, right? They haven't missed any payments yet. Then all they have to do is remove the forbearance and we can move on immediately.

Alpesh Parmar 5:37

Make sense? Yeah, yeah.

Caeli Ridge 5:39
So anyway, in terms of what we've kind of what we're seeing what we expect to see it into the future, that was one of the big ones as a cause of the Coronavirus. There's been some casualties to our qm has gone. For those that aren't familiar with that term. qm stands for qualified mortgage right. So this is basically You guys, everything outside the confines of Fannie, Freddie, FHA, FHA, USDA, USDA VST. Right? This is the what maybe you used to know is sub prime. Okay, this handle everything else outside of what the government loans would would provide for us. That that disappeared very early, gone, evaporated. Now, there's been some early rumblings I don't want to set the wrong expectation, but some are saying that we might see a non qm come back sometime this year. Okay. So that's good. I hope so. Yeah. Jumbo dried up very quickly. Oh, yes. on the rise. I think that's what you were you were dealing with, right? Yes.

Alpesh Parmar 6:38
Yeah. Yes. That's.

Caeli Ridge 6:40
Anyway, so those were some immediate issues that we dealt with. Let's talk about futuristically. What we will, the good news is rates are going to remain low. Okay. That's my conclusion. I can almost guarantee you we're going to have low rates for the foreseeable future. I say foreseeable future. I'd say a couple years. Yeah. At least Yes.

Alpesh Parmar 7:00
Yeah, if we if we brought them down to almost zero, then yes, at least couple of years and 5 trillion can buy.

Caeli Ridge 7:09
Right. So that's great news. Um, I will tell people that because of what happened in mortgage backed securities and servicers and all of that. I didn't go into great detail because it gets I mean, it's a lot of mortgage jargon. That is not I didn't

Alpesh Parmar 7:27
command everyone to watch The Big Short. Yes.

Caeli Ridge 7:31
Yes, that's

right. That's the best. But what I think we're going to find on a go forward, we're going to great rates, but I believe that the powers that be are going to probably update credit criteria. criteria, I think I think qualification might be enhanced a little bit. So whereas before, we had to show this much in reserves to get a mortgage for rental property, now we have to show an extra

month an extra two months. Yes.

Alpesh Parmar 7:57
I'm already seeing that in the Commercial site is.

Caeli Ridge 8:01
So I would say that that's kind of, you know, kind of where we are now where I think we're going to be those are just a few quick details that I think that's what you're asking right?

Alpesh Parmar 8:10
Yes, yes. Would you be changing any business or investment strategy after Coronavirus?

Caeli Ridge 8:19
investors are doing great. I gotta be honest investors are doing great right now rates are so low there's enough invent ory as far as I can see, I don't see a big restriction on what housing is providing out there. At least for the non owner occupied side

so and the nice thing to Alpesh if

you think about the restriction and requirements that I just talked about, it's funny because this is the first time invest ors haven't really taken it in the backside.

Yes. Oh, wait, oh nine.

When that was bad, it was so bad. We went having unlimited amounts of access to credit to zero Yeah, then thing al most 20% down minimum 720 or greater credit scores always serves. So We've been living in that world for 10 year s. Right, right.

So now, because of that,

that's why I was saying kind of business as usual. We're still in the driver's seat where that's concerned a

little bit, but

we're used to that investors are used to that. Yes.

Um, but But

to answer your question, I think that commercial property is going to see some big changes. I think that because of t he forcing of the quarantine and people having to be working from home, yes, personal

space is going to take a big hit.

Alpesh Parmar 9:31
Yeah, retail office space, for sure.

Caeli Ridge 9:35
I mean, I can see so I'm in class, I don't know if you can see around me, Probably not, but I'm in a very large office s pace. It's got multiple buildings. I say office space. And a lot of people are I can see it there. Just even though we're kind of just facing back into opening. I really think that it's going to feel like a ghost town around here on the comm ercial. Otherwise, I think it's gonna be market specific, as it always is, right? Yeah,

Alpesh Parmar 10:01
yeah, absolutely. It's a real estate is market specific and then I'm hoping that the East Coast and West Coast may slo w down a bit. So let's see when that happens. Favorite real estate or finance book?

Caeli Ridge 10:16
I'm gonna have to say thinking grow rich. And yes,

Alpesh Parmar 10:20
Napoleon Hill. That's a great book. Yeah. Any tool, any tool or website you can't live without or you highly recomm end.

Caeli Ridge 10:29

Um, I don't know if it's gonna mean anything to you guys. So optimal blue. It's a it's a platform, an app that I'm gonn a go to four secondary pricing, okay, loans and interest rates and things. Awesome.

Alpesh Parmar 10:42
Thank you so much. How can my listeners reach out to you?

Caeli Ridge 10:45
Oh, yeah, so a couple of ways you can reach us on our website, obviously Ridge lending group com. You can call us toll free at 855-747-4343. A five 574 Bridge is an easy way to remember or they can email us at info At Ridge lendi ng group calm.

Alpesh Parmar 11:02
Awesome. That was great. Thanks again Carlie. My pleasure. Thanks for hey kid