

The Community

Sponsored by Barrett & Associates Inc.

Summer 2010

What's New

Safe Act—The best advice I can give you is to keep in contact with the state association. HUD has not ruled on what needs to be done with our employees. The problem is coming down to what is compensation. The Michigan Manufactured Housing Association (MMHA) is doing a good job to keep up with HUD, however, as any government agency, they move at their own pace. MMHA is holding classes if you believe you need the license.

Coverage—Privacy Injury (data breach) Liability—We have been working with insurance carriers to develop coverage in case your data is stolen or compromised. Claims could develop from your tenant/client identity thief. Coverage can also be added to websites and intellectual property rights. We now have a reasonably priced option for your review. If interested please contact our office, 248.283.0250.

Elections—For a change I can say they cannot come too soon. Please stay involved with MMHA to help develop candidates to stay friendly to our industry. If you think of the garbage taxes and laws we now have in just the last couple years, you understand the need for corrective action. This can only be done by keeping our voice united on a state level. If you are not a member of MMHA, now is the time (or maybe you like what is going on?).

Mark Barrett

Risk Management

Be prepared for tornadoes

First some facts:

- On average, 16 tornadoes occur in Michigan each year.
- Between 1950 and 1998, 867 tornadoes hit Michigan causing 239 deaths.
- In Michigan, most tornadoes occur in April, May, June and July between 3 and 7 p.m. Since many employees are still at work when tornadoes may strike, it is important that businesses take precautions.
- Purchase a battery-powered weather alert radio, or several, if you have a large facility. Make sure employees are aware of the different warnings and precautions to take when alarms are sounded.
- Keep supplies accessible, including flashlights, batteries, blankets and bottled water.
- Have employee accountability and communication plans in place. Make sure they are tested annually.

Some best practices:

- Conduct annual emergency drills. Familiarize employees with safe areas and procedures for getting there.
- Visit the Risk Management page at ba-insurance.com for more facts and best practices for tornado preparedness.

At a Glance

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Guest Authorities

An excerpt from *Securitization 2.0*

By Creighton Weber and Tony Petosa, *Wells Fargo Multifamily Capital*

For nearly two decades, securitized, or conduit, lending filled the capital void that existed in the aftermath of the savings and loan crisis. Eventually, the complexity of these securitized loan pools (also called commercial mortgage backed securities, or CMBS) combined with increasingly aggressive underwriting practices left this largely unregulated industry in a state of disarray. Many borrowers, who for years benefited from low rates, high leverage and easy qualifying standards, are now faced with maturing loans and fewer financing options—a new capital void.

CMBS origination volume was \$230 billion in 2007. CMBS volume plummeted to \$12 billion in 2008 and \$3 billion in 2009 as the industry was essentially dismantled. Spreads on AAA CMBS bonds soared to over 1,000 basis points over treasuries, but have since declined to a level where new loan originations are again feasible. Over the past few months there has been an improvement in market conditions as measured by credit spreads and the re-opening of many previously shuttered conduit shops.

While borrowers welcome any steps toward a return to normalcy, many are likely to question if the conduit lending market—let's call it "Securitization 2.0"—is truly back and if new loans are being funded. Mortgage brokers will play a key role identifying lenders that are originating new loans and also educating borrowers on the underwriting criteria and structure that is required.

So who are the players in this new CMBS market? Mostly the same ones as the last go around. Many national banks have announced that they are going to be making new loans for securitization or in some cases have already closed loans. There are also funds, staffed by former CMBS executives that are originating loans with the intent of teaming with other lenders for securitization.

What properties currently qualify as collateral for these new pools? What are the underwriting guidelines and structure of the loans? While evolving, conduit loans are being processed and closed, and we are seeing several approaches to underwriting. For underwriting approaches and the complete article, please visit ba-insurance.com.

Personal Insurance

Reduce your exposure to home burglaries

U.S. residences were burglarized more than 1.5 million times in 2008, according to FBI studies. Nearly 65 percent of the thefts occur during the day because people are often not at home during weekdays. Proper home theft prevention ideas and techniques, however, can reduce the odds of a home burglary. Consider the following loss control techniques to reduce your chances of suffering a home burglary:

- Invest in a burglar alarm with a central monitoring station. Research indicates that homes without

security systems are about three times more likely to be broken into than homes with security systems. If a burglar is aware that a home has an alarm, he or she is more likely to avoid that home.

- Exterior lights with a motion-sensing switch should be installed; timers on lights are also recommended.
- Keep your garage door secure and locked even while you are home.

For more techniques, visit ba-insurance.com.

Source: *International Risk Management Institute, Inc. (irmi.com)*

How to control losses in an owner run finance operation

By Ken Rishel, Precision Capital Funding, Inc.

The problem

Last year, there was a serious discussion with some Georgia community owners about rates of repossession experienced by those engaged in owner assisted finance of manufactured homes. One side was represented by a community owner that contended that anyone who said their repossession rate was less than 50 percent either did not know how to compute, or was just a liar. Of course, that does not square up with any historic data on professionally run finance operations, even for those outside finance companies that went down in flames in the late 1990s.

Perhaps one of the differences comes from the way some operators approach lending verses the professional approach that others utilize.

Mathematically modeled credit matrix

To control losses an operator must first understand to whom loans should be made and under what conditions. If an operator believes that imposing standards for credit granting is counterproductive to the sales goals, they are courting long-term disaster not only for the finance operation, but their community or retail operation as well. Properly controlled lending decisions are not a detriment to a healthy sales or community operation, and if difficulties arise, then the first look should be at the way the homes are being advertised and marketed, and perhaps sold.

A professional credit matrix is based on historical performance data that is as localized as possible that is fed to mathematicians who then create performance prediction indexes based on a variety of conditions like stricter debt to income ratios for some, or perhaps larger down payments and adjusted loan length. Sometimes co-buyers help, and sometimes they can hurt. Most important of all is a reliable ability to forecast and set aside the

proper reserves to handle non performance.

Proper service

Service structure is very important when making manufactured home loans, and is very different than servicing vehicle or even RV loans. Because the majority of manufactured home customers are different, so too must the loan servicing be. There is no doubt that automatic electronic capture of funds really decreases non performance. It is also proven that even the verbiage on the payment slip makes a difference in performance. When people are late, the timing of the first call is very important as well as what is said. Gathering the right contact information and the permission slips to use all available resources is also important. Even low income people have email at work, but to use it for collection requires permission in advance from the borrower.

Collateral performance

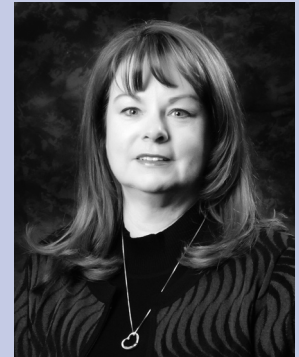
Perhaps the most ignored and least professional aspect encountered in owner assisted financing is the care taken in preserving the collateral and minimizing the costs of recovery, refurbishing, and resale of the home. Routine inspections of the home, inside and out should be made, and corrective action should be taken if necessary.

If it becomes necessary, counseling should be invoked with people unable to make payments because of changed circumstances, with an eye to rewriting the loan if the operator has the proper licenses to do so. A longer term is often cheaper than a repossession.

Finally, a system that encourages voluntary replevin with the borrower cleaning and repairing the home is vastly cheaper than going through the courts.

Source: Originally published in the Chattel Finance Newsletter

B&A
Staff
Staff



Devra Barrett, Office Manager & Accounting

Devra has been working in commercial insurance for over 15 years. She attended the University of Kentucky majoring in Business Administration. She currently sits on the Board of Directors for the Independent Insurance Agents of Oakland County and on the Instar Users Group board (insurance agency operating system). She is a member of the Insurance Association of Metropolitan Detroit (IAMD) and National Association of Insurance Woman (NAIW). She has the designations of Certified Insurance Counselor (CIC) and Certified Insurance Service Representative (CISR). Devra has been married to Mark for over 20 years. She enjoys traveling with her family.


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Claim Reports

Examples of claims filed last quarter

Liability

- Slip and fall: Slipped on ice and broke elbow—reserve of \$15,000. Claimant went around normal sidewalk to find the ice.
- Slip and fall: Tripped in hole at mail station and twisted ankle and knee—reserve \$5,000.
- Tree branch fell on unit in community. Pending review to determine if at fault (depends if the tree branch was alive or diseased)—reserve \$2,000.

- Sexual harassment: Maintenance person made inappropriate advances to tenant. Covered under the Employment Practices Liability Insurance policy with third party.

Property

- Plow stolen when left by building—\$4,500
- Debris removal in a home abandoned after fire in community—\$2,500