# SAVANT REPORT

ISSUE 5, VOL. 1

## IN THIS ISSUE

February 24th, 2014

Welcome to the Savant Report, a straight lined "how we see it" investment report created by sophisticated investors, for sophisticated investors. This report is free. All we ask in return is that you share the Savant Report with other high quality, like-minded individuals who will benefit from having this information.

Jordan Wirsz

Jordan Wirsz, Managing Editor
CEO, Savant Equity Partners

## In This Issue

## Savant Quotes of the Month

"An investment in knowledge pays the best interest." – Benjamin Franklin

"The stock market is the story of cycles and of the human behavior that is responsible for over-reactions in both directions." – Seth Klarmans

"Buy not on optimism, but on arithmetic." – Benjamin Graham

# Bernanke may be leaving, but QE is here for good.

*By Jordan Wirsz – Jordan@SavantEquity.com*


The Obama administration has had more than its fair share of controversy, not the least of which is the unemployment rate. Just recently, it was made public that a census bureau employee "rigged" the unemployment rate released in September of 2012, right before the Obama election, which happened to reduce the unemployment rate from 8.1% to 7.8%, beneath the 8% emotionally sensitive number. There is little question that the positive move in unemployment was manipulated, but the question remains "by how much?" Keep in mind, this is not a conspiracy theory…This is real history which was quickly "glossed over" by most news agencies.

I tend to shy away from conspiracy theories and negative drumbeats in the political and economic realms, mostly because I believe it distracts from the productive problem solving work that needs to be done in order to be effective at our primary objective, which is to make money. However, after the IRS Tea Party scandal and now the unemployment/election scandal, one can only wonder how much manipulation might be going on behind the scenes of the U.S. economic front. While these issues frustrate me as much as the next guy, I don't want to lose sight of the underlying message behind these actions. "What message" you ask?

The U.S. Government will do anything to keep the "wealth effect" growing. The wealth effect is an economic term, referring to an increase in spending that accompanies an increase in perceived wealth. In simple speak, the more the stock market grows, the more the real estate market recovers, the more people will believe that "life is good" and and they will continue to believe in the work their government is doing. The better people feel economically, the more they spend. Just like Houdini, this is a grand illusion.

As "Helicopter Ben" Bernanke prepares to leave his seat as Chairman of the Federal Reserve, there is massive speculation as to whether or not his successor, Janet Yellen, will continue the money printing known as "Quantitative Easing". It has created quite the stir amongst equity investors and particularly gold traders. After all, the more money that is printed and pumped into the bond markets to keep interest rates low, the more companies will invest back into their business and the more consumers will spend.

Perhaps one of the most important charts that I have seen all year is the chart below:


As you can see above, the stock market has followed the trend line of the U.S. Fed balance sheet. The more money that is printed, the higher the stock market goes. The higher the stock market goes, the greater the wealth effect. The greater the wealth effect, the more confidence people have in the direction of their government policies. Is this all sinking into your head yet?

The growth that our stock market has had, along with the growth of the Fed's balance sheet, is pure fabrication by manipulation. Is this a reason to be bearish? Absolutely NOT! In fact, I believe the opposite. While many "doomsayers" grumble about negative bubble talk, I argue that these facts show the commitment of the U.S. government, at any and all costs, to pour as much gasoline on the fire as necessary to keep our economy growing. The Fed has committed to feed the fire as much gasoline as needed until such time as the trees are chopped down, the logs are cut, and the wood is dry enough to have a real sustainable fuel source going forward. Right now, the flames are being fed with pure gas…Short term, artificial fuel is unsustainable…But sustainable long enough to keep the flame burning until the wood catches fire.

Is it "smoke and mirrors"? Of course it is. But that doesn't make the stock market rally, the housing recovery, and the economic uptick any less real. It is as real as it's ever been… In fact, it is just the start. Forget the daily, weekly, or even monthly gyrations of the markets. That is not where fortunes are made. The real fortunes are made with big bets in the right asset classes at the right time in the cycle.

I have little doubt that Janet Yellen will continue in Bernanke's strategy of feeding the fire with as much fuel as necessary until such time as the firewood is ready to burn as it should. In our current economic condition, if you remove the fuel, you kill the flame….So simply put, the Fed won't remove the fuel until such time that the flame will sustain on its own. Does that mean that monetary policy won't change? No. Does that mean more bond-buying tapering won't happen? No. It simply means that there is an absolute commitment by the Feds to make sure we don't end up in a recession again anytime soon.

If you are expecting inflation, you're on the right side of the bet. But we won't see the real fire of inflation until such time as the economy is carrying its own weight. Anyone who tries to predict the timing of that event might have better luck predicting the winning numbers to the next Powerball jackpot. Don't be a market timer, be a market investor.

## Can Commodities Survive Without Wall Street?

*By Kevin Van Trump – Author, "The Van Trump Report"*

Criticism regarding the involvement of Wall Street banks in the commodity business is heightening. Concerns are increasing as the powers in Washington wonder if "Big Banks" now have too much control over supply chains, and how the added risk exposure could ultimately unwind. Traders fear an exodus by the Big Banks could ultimately harm enough of the other businesses tied to the industry that it would ultimately reduce liquidity in the marketplace.

Historically speaking, Financial Holding Companies (FHC) are relatively new to the commodities business. In fact they've only been allowed by U.S. regulations to hold physical commodity assets for the last decade. The Federal Reserve began making exceptions in 2003 to the Bank Holding Company Act that allowed for JP Morgan, Bank of America, Citigroup and the likes to acquire metal warehouses, oil storage facilities, power plants, etc. Remember, when the Fed made these changes back in 2003, it felt that "certain commodity activities were complementary to their financial activities (hedging risk to some degree) and thus permissible for bank holding companies." On the surface that makes sense, but in some cases these banks have been caught red handed manipulating the system in order to boost their own profits. Keep in mind, Goldman Sachs and Morgan Stanley started off as "investment" banks, therefore their commodity assets were grandfathered in when they converted to FHCs in 2008.

The problem is, investment banks have one objective, make money at any and all cost. As we have seen in the news, the regulators now understand this and are starting to crackdown. Goldman Sachs is now being investigated over claims they created the illusion of an aluminum shortage by shuffling the metal around in its warehouses, causing delays in order fulfillment, which in turn artificially inflated prices and allowed them to make money. JP Morgan got nailed with a $410 million fine for manipulating electricity markets in California and the Midwest. These and other examples are making it tough for many to now justify the Big Banks involvement.

The Fed is now reviewing the commodity asset policy and considering imposing some sort of surcharge. Critics of that move are worried that if that rate is too high, it would cut too deep into a bank's commodity profits and they will eventually just abandon the business altogether.

It may not take the headache or cost of new regulations to drive the Wall Street banks away though. When they entered the business, it was very profitable for them. In 2009, Goldman's commodity revenues totaled more than $4.5 billion. However, in 2012, they had plummeted to $575 million. It's a similar story across the board for the banks, with commodity revenue having declined by more than 50% in the last five years. JP Morgan this summer decided that they had had enough and put their commodities division up for sale, claiming the returns didn't justify the financial and regulatory risk associated.

Morgan Stanley has stated that it was considering at least a partial sale of its commodities business and Goldman at one point had put out feelers to sell its metal warehousing unit. The dwindling profits are a combination of declining prices for raw materials, less volatility in the markets leading to fewer arbitrage opportunities, and greater capital requirements for more risky assets.

Whether the banks choose to leave commodities behind or regulations push them out, the question remains - Could their absence ultimately cause commodity prices to tumble? A report issued last month (commissioned by a Wall Street lobbying group, mind you) would have everyone believe so. In the article they claim, "If the banks were not participating in physical commodity markets, their ability to serve clients with risk management and financing services would suffer. It is not at all clear who could replace them." Bottom-line, the commodity markets are clearly going through a transitional phase as regulators try their best to tame the wild beast. What type of marketplace and liquidity will evolve on the other side remains a mystery.

## U.S. Real Estate – Red Hot to Ice Cold?

*By Jordan Wirsz – Jordan@SavantEquity.com*

The last 18 months has been quite the ride for U.S. housing. Just as I predicted in 2011, the housing sector of real estate took off like a wildfire in a dry wheat field. Many markets have appreciated upwards of 40% over the last 18 months, not the least of which were my two favorite markets, Phoenix, Arizona and Las Vegas, Nevada, both up 30% over just the last 12 months alone. But a new undercurrent has become evident in the last 120 days, giving most short-term real estate investors and brokers whiplash from the wildly gyrating market. U.S. residential real estate inventory has nearly doubled in many markets over the last 90-120 days, slowing the pace of sales to a fast walk from an all-out sprint…As is typical for this time of year.


The foreclosure laws in most states continue to change and evolve, as do the options and processes for homeowners to "short sale" their properties or modify their existing mortgages, which most certainly has an effect on the pace of sales. But the real culprit of the slowing pace of sales, is the doubling of inventory stemming from homeowners who have been underwater for more than five years, now realizing they can sell their home from an equity position, rather than a short sale which would damage their credit and yield them $0 in a sale. Now that values have risen so quickly, many homeowners who have been "holding on in hope of a better day" now have the ability to sell…And so they are.

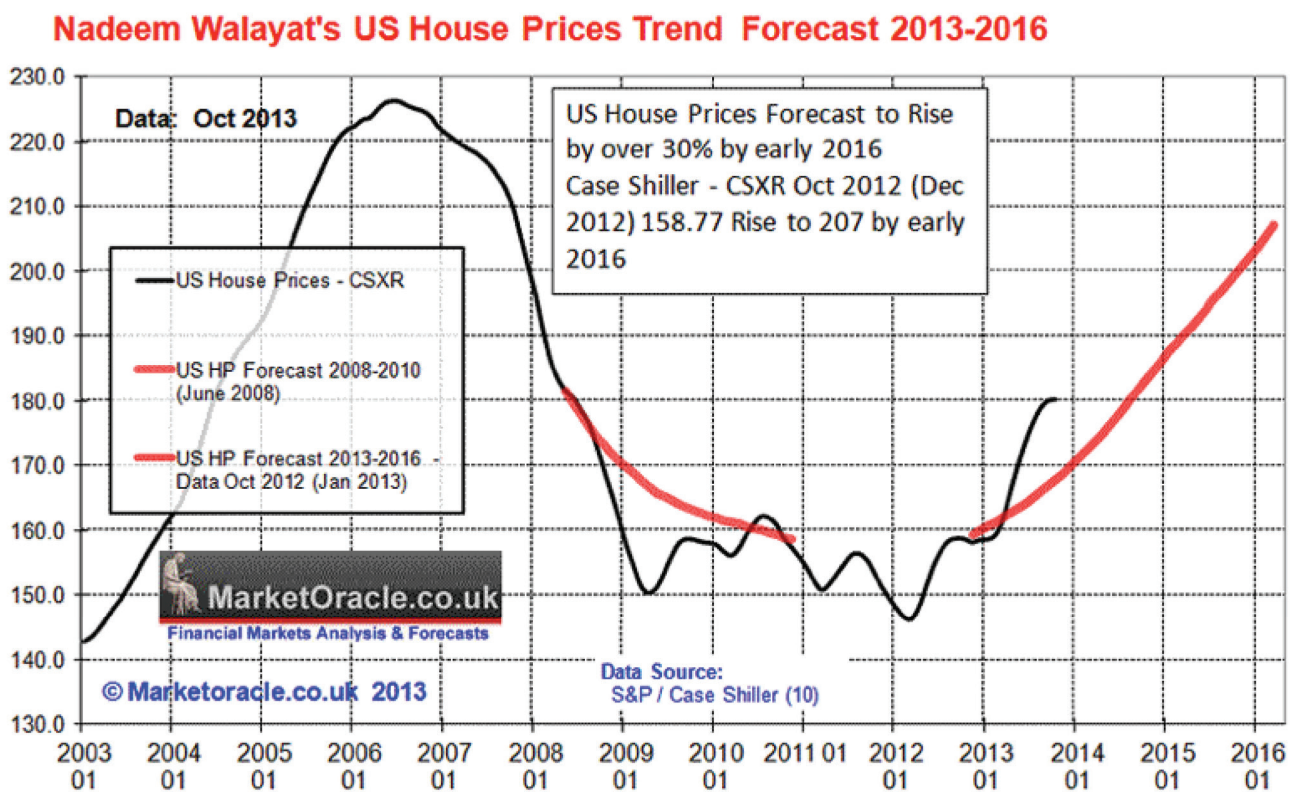
This "air pocket" of value appreciation has spooked many rookie real estate agents and investors who read the novice spectator columns in the media about the "new bubble" in housing.

But the fundamental and technical indicators suggest that we are a long ways from another top in the market. One key indicator that I follow very closely, is the ratio of replacement cost to resale price. Although the market has appreciated substantially over the last 18 months, most U.S. markets are still priced significantly lower than the replacement cost of the homes. Another key indicator that I watch closely is the insider trades of homebuilder land acquisitions. The media has failed to report that homebuilders are buying land fast and furiously, from small 5 acre parcels to hundred acre tracts all over the U.S. Although I have a relatively high degree of disdain for the media, it's not completely their fault that they have failed to focus on this very important aspect…In fact many public and private homebuilders are buying these land tracts in anonymously managed entities and partnerships that aren't necessarily tracked back to the real heavy hitters behind the deals.

I believe right now is the calm before the storm in the coming real estate cycle climb to the top. The elephant in the room is the rising interest rate environment. People (media) speculate that higher rates have caused this slowdown in housing activity. While I'm sure it does have some impact, the greater causes are the factors listed above, in addition to a still tight credit environment.

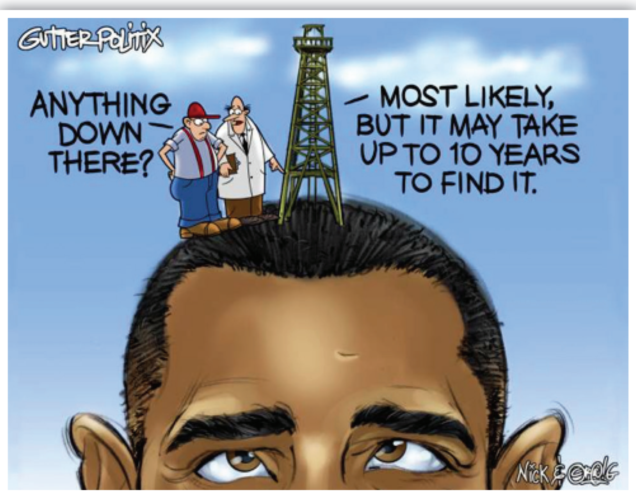
The timing for a continued housing price rebound is right around the corner. Banks are loosening credit guidelines, new lending programs are becoming available for home owners who have previously been foreclosed on, and nearly 4 years has passed since the height of foreclosure activity and borrower's credit reports are healing better than expected.

The fundamental and technical indicators continue to say that housing prices are headed higher.




## Bearish on Oil, but Bullish on Oilfields. - U.S. on track for oil independence.

*By Jordan Wirsz – Jordan@SavantEquity.com*




Like many of you, I get dozens of newsletters talking about oil investing. After all, oil is considered by many to be a "sexy" investment, simply because the billionaire tycoons make it look so easy. I can tell you that my luck has always favored less risky double digit returns in real estate deals which always seem to turn out better than oil deals (for me anyway). Make no mistake about it, oil investments require the successful combination of two components:

1. Oil Prices Stay High
2. Oil Production of the Asset is Good (barrels per day)

Barring the successful combination of these two factors, both of which are generally considered to be educated gambles, one could easily come to the conclusion that oil and gas investments are best left for the big rich oil tycoons who are in the business for those kinds of gambles.

## Why I'm Bearish On Oil Prices

The advent of hydraulic fracturing ("fracking") has changed the game for global oil production. The U.S. is now the #2 oil producing country in the world. In fact, EIA predicts that the U.S. will be the largest oil producer in the world by 2015. It was recently said in a Bloomberg news article that "you can't swing a cat without hitting a barrel of oil in North America." The truth is, we have more shale plays than we ever imagined. The Bakken (North Dakota), the Niobrara (Colorado), the Eagleford (Texas), the Utica (Ohio) shale plays are just a few. There are many, many more which have been discovered in recent years throughout the U.S. which will be tapped at some point…But why tap them now, when we still haven't even finished drilling in our existing plays? Make no mistake about it, the big oil companies have already sent their "land men" out to grab the mineral rights in these new untapped areas.v

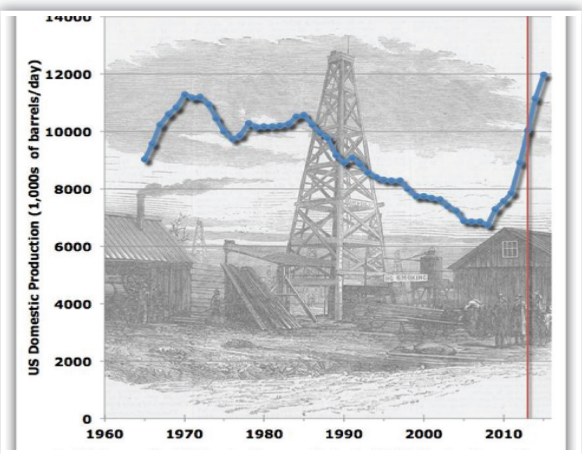
Another gigantic revelation is that Mexico has now ended its oil drilling monopoly, allowing foreign (U.S.) oil companies to make deals and drill. This situation could add another 2.5 million barrels a day of oil production, about the same as the country of Nigeria produces today.

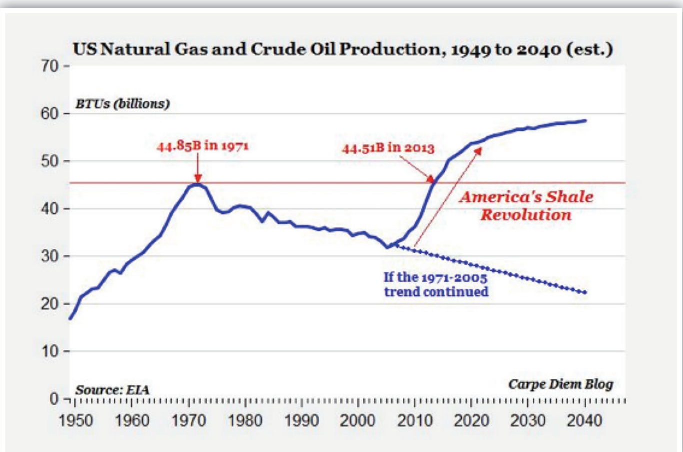
With technology such as fracking continuing to find new and better ways to extract the oil out of the ground in ways we never thought possible only a decade ago, oil will be far more available in much greater quantities than we ever thought possible in recent history. Even with fracking, it is estimated that we are still only able to pull a small fraction of the oil out of the shale. With new technologies on the horizon, we will be able to extract even greater amounts of oil out of the already known oil supplies in the U.S. oil fields. Now combine those factors with the "clean energy" movement which is attempting to move major countries away from fossil fuels, and you have a recipe for stale fossil fuel prices.

Global politics and unstable periods of time in the Middle East will become much less important for the price of oil in the coming years ahead. For these reasons, I see little reason to be bullish on oil prices. The U.S. is on track to become oil independent by as early as 2016 or as late as 2020 by some estimates.

## Why I'm Bullish On Oil Field Services

So now that I've kicked the fundamental oil bulls in the groin, let me tell you why I am BULLISH on oil fields (oil field production/services businesses). Simply put, the new shale plays which have been discovered but not drilled, will eventually be drilled. And the drilling that is happening in places like the Bakken in North Dakota, will continue for years to come. With the advent of new technology that will eventually make it feasible to get more oil out of the shale than we are presently able to, we will undoubtedly be drilling more wells, and using every new technology that comes available to extract as much oil as possible.



Companies which participate in the oil drilling products and services are likely going to have steady work for decades to come. These services include "hot oiling," "down-hole motors," "wireline" companies, and countless other oilfield niches which are too many to name.

This perspective also sheds a warm light on the U.S. economic future. More drilling means more jobs for U.S. workers, especially in the oil field business which is a very labor intensive business. It also means relatively curbed fossil fuel prices, which is good for economic growth. And last, but certainly not least, will be all the growing local/regional economies which will benefit from all of the new employment, consumers, housing needs, etc.

Welcome to "Boomtown U.S.A. – The entire U.S.A."

## 2014 – Looking Ahead and Current Market Factors

*By Braden Hudye | President, Hudye Group, LP*

Now that 2013 is behind us and we are into the early days of 2014 it is that time to implement any new strategies, review current portfolios, and re-adjust whatever is necessary to get ready for a great year ahead of us.

In this write up we will take a look at some of the current "factors" that are in the air and have the potential to move the market in either direction.

I always base my analysis and approach from a Long-Term Cyclical strategy analyzing each different Asset Class by where it is in its long term cycle. What were the values of that particular asset class at the previous high, what were the values at the previous lows, and where are the values today. If you have that basic knowledge of the investments that you are involved in then it makes it that much easier to determine where you are in that particular market. Once you have that critical information then we dial into what lies ahead of us for the upcoming year and what can we do to mitigate as much risk as possible while carrying out our long term objectives and goals.

### Positive Attributes looking forward in 2014.

1. **Equities to set new high in 2014?** In recent history the stock market has averaged a 12 percent return following a year in which it was up 20 to 30 percent. We may be in store for a healthy correction along the way this year but with the economy improving and past history to rely on, odds seem likely for a decent run in the equities.

2. Washington keeps kicking the can down the road with the current stimulus program, with long term rates at or near zero this will keep US treasury notes low having lenders seek higher yields through increased lending and credit expansion.

3. **Consumer Spending is improving** - consumer spending drives 2/3's of GDP.

4. **Corporate Earnings** - we are currently in earnings reporting season and will shortly learn the results and strength that corporate America has. Preliminary reports are showing a mixed bag but we will soon find out.

5. **Velocity of Money, Money Flow, and Portfolio re-balancing.** The markets saw a huge withdraw of funds out of commodities and into the equities throughout 2013. This too gives us a sign that consumer and investor sentiment is increasing showing more confidence in the stock market.

   The typical equities asset allocation for institutional money managers is approximately 65%, however the only approximately 55% is presently invested, thus showing signs that there are still more dollars that have yet to flow into the equity markets.

6. **Employment is improving.**

7. **Fewer available shares in the marketplace as major US corporations are continuing to "buy back" shares.**

8. **Real Estate**
   Real Estate continues to be "on my radar screen" as a tremendous opportunity to invest at the right time in the market cycle. I believe the market cycle has bot-

tomed, and now the cycle is bullish.

With the improving economy and investor confidence 2013 was a great year for residential real estate, multi-family real estate, and real estate stocks.

I am looking for all of these to continue their upward climb through 2014 with commercial real estate now hitting everyone's radar screens as well.

9. **Rumors of inflation actually running higher than what is being reported.**

### What do we need to watch for and adjust our portfolios accordingly to mitigate risk?

1. **Aggressive "tapering" to the bond buying program.** If the fed shocks the markets with too aggressive of a move this could set the markets back for a short period of time until the market gets comfortable that this is actually a good thing and the economy can stand on its own two feet moving forward.

2. **Employment growth slows down below expectations.**

3. **Geo-Political Events –** there is nothing we can do to predict or control what our neighbors are up to, lets just hope that everyone gets along.
4. **Poor corporate earnings.**

As I mentioned above, if you are a longer term "cyclical investor" these issues and "curveballs" are a little easier to deal with, especially if you have the confidence needed to invest for the long term. Looking forward, 2014 is going to be a great year… sure there are going to be the bumps and grinds that shake us all up from time to time but at the end of the day; the US economy is on the upstroke, the stock market is poised to finish the year on a positive note, and the greatest opportunities lie in Real Estate as it continues its climb to the upside. It will be important to get positioned sooner than later with the opportunity to lock in low interest rates and good terms before "Inflation" really hits the headlines and the cost of borrowing starts to increase as inventory gets tight.

Good luck and all the best to you in 2014.

# Refinancing in today's world

## A horror story from the trenches

*By John Matise – John@SavantEquity.com*

In one of my last articles I advised people to take advantage of the low interest rates before they rise in the long term. Shortly after writing the article, I examined the yield curves and began to shop for refinance options on my principal residence.

I started the process in August and selected the existing lender, Wells Fargo Home Mortgage, in September. I locked my interest rate at the optimal time in October and I just recently closed the loan. I am still in shock that it took the EXISTING lender four months to close a simple refinance transaction with no cash out.

I have bought, sold, financed, refinanced, etc. many real estate properties in the past and have never seen a more poorly executed transaction. The lunacy of the process and management of the process made me both laugh and cry at the same time. I had heard that the process was very different than the "go go" era of real estate finance, but I was still ill prepared for what was to come.

### Appraisal Preparedness

The first issue came when the lender used an out-of-state appraiser. He came in with an appraisal that was $100,000 to $150,000 under market according to several realtors who represent real buyers and sellers in the neighborhood and $125,000 under the Zillow estimate. Even though it did not have a bearing on the loan, the finance professional in me felt obligated to highlight the gross errors in their appraisal in a formal letter including:

- One of the comparable sales that they used was over a year old and another was over six months old. I had to really dig into historical data to locate these sales as they drop off most valuation systems at the six month mark. I have never seen an appraiser use a comparable sale over six months old, let alone one over a year old.

- One of the comparable sales was not even in the same city.
- Several of the comparable sales were in a different neighborhood that the appraiser indicated was "superior." Any local realtor will tell you that this "superior" neighborhood is at the end of the runway of a medium size regional private airport. These homes are both difficult to sell and sell at a substantial discount to homes without the noise pollution.
- The appraiser recognizes that houses are selling for $700-$800 a square foot, but makes size adjustments for houses that are 25-40% smaller than the subject property at $100 a foot. $100 a foot in this zip code does not even get you to the permit stage.
- The appraiser made no adjustments for lot sizes that are 25-40% different, when the average lot value exceeds $1,000,000 and is generally over 50% of the total property value.
- The appraisal contained several factual inaccuracies that were easy to verify. As an example, they stated that the subject property was on a through street between two major arteries. Anyone who bothered to look at a map would realize that this is a physical impossibility.

It was clear that the appraiser was clearly trying to justify as low a property valuation as possible as opposed to the true market. This is a stark contrast to the "go go" era where the appraisers were trying to justify as high of a price as possible for the banks doing zero equity loans or even negative equity loans. The right answer is somewhere in the middle- the appraisal should represent a reasonable price someone would pay for the property at the time of the appraisal.

The take away from this is that if you are refinancing and are close to a key Loan To Value ratio, like that magic 80% mark, be wary and prepared. First, research comparable sales in the neighborhood so you have an idea what the market is. You can find a lot of data on www.zillow.com or www.realtor.com, but look beyond the valuation numbers that these sites use to value your home. Understand the number of bedrooms, bathrooms, square footage of the house, square footage of the lot, proximity to property enhancers and detractors. Second, meet the appraiser in person at the house. Walk him or her through all of the upgrades that you have made on the house and highlight any differences. Better yet, give him a list of the upgrades and any comments you may have on other comparable sales in the neighborhood. For example, if you know that the house down the street that was purchased three months ago was a real dump, but the new owners put $100,000 into fixing it up and now it looks great, you should highlight that. Make the appraiser's job easy, by doing some of the ground work for them. Third, if you are close to a key LTV ratio, be prepared to write a check to increase the equity in the house. For example, if your existing mortgage has an $800,000 balance on it and the appraisal comes in at $990,000 as opposed to the $1,000,000 you expected, be prepared to write a check for $8,000 in addition to closing costs to bring the Loan To Value ratio down to 80% to qualify for a better long term interest rate.

## Endless Verifications and Re-Verifications

The next issue came when they kept re-verifying a past employer to the point where the past employer's HR Manager told them to go pound sand. The lender subsequently told me that it was my responsibility to talk to my past employer and get them to send in the verification form once again. Apparently they needed to get it updated every 10 days. I had to call the CFO of the company the day after Thanksgiving to ask him to complete the form for me. He and I had a good laugh about what exactly they were trying to verify- that I had not rejoined the company? Seriously, how many times do you really need to verify a past employer when you have already done it once, have copies pay stubs and have tax returns audited by a CPA who also verified the data. Afterwards, the bank did apologize and said that they should not have needed that, but explained that there are so many different third parties used in the process now that a lot of mistakes like this are made.

## Documentation on Everything

After re-verifying past employment, I received a notice that one of the pages on one of the schedules was missing from my 2012 tax return. I have to applaud that they even found this since I must have dropped off 2,000+ pages of statements as part of the loan application. My 2012 tax return alone was over 150 pages, so I could see if maybe I missed copying a particular page. I sent an email to my accountant and asked him to send it. After I explained why, he laughed and explained that the "missing" page was actually an instruction page for the particular schedule with no data on it. He had to write a letter to the lender explaining this and had to send that missing page in with just my name and social security number at the top.

The next thing that surprised me was the need to verify a large deposit. Those of you who read my column, "How Does the US National Debt Affect Me?" know that I recently sold a Porsche and bought a Tesla. I am not sure why, but I needed to provide them all sorts of documentation to prove that the deposit was related to the sale of an asset that I owned. I had to provide a bill of sale for the car and prove the amount matched the deposit into my account. I am not exactly sure why they cared- even if the money was a gift from a wealthy relative would it really make a difference? There was no new secured debt and they clearly would have a first priority on the property in question with substantial equity well into the six figures. Ironically, they had no interest whatsoever in the current collector cars on my personal balance sheet that far exceeded the equity in the subject property.

The lesson here is have all of your documentation well organized and handy. Any meaningful financial transaction you have done in the past six months- receiving a bonus, inheritance, sale of a car or boat, etc. is going to be looked at and you are going to have to provide data on. Instead of trying to find ways to say "yes" as in the "go go" era, the underwriters are looking for ways to say "no" so they do not get burned again.

## Timeline and Rate Lock Expirations

The result of this endless verification of trivial details resulted in jeopardizing the expiration of the rate lock, and since rates had increased they wanted me to pick up the $6,000 fee to extend the rate lock. I indicated that I had been ready to close the loan for in excess of 30 days and that they were the source of the delay. They subsequently called me back and indicated that they would pick up two-thirds of the rate lock extension and that I needed to pick up the remainder. I indicated that if that was needed, I would pay the fee to close and would subsequently close every single account I had with the bank post-closing, including the business accounts that generally kept over $1,500,000 in cash on deposit. The return phone call came five minutes later indicating that they were covering the full cost of the rate lock extension.

Amazingly, they procrastinated once the rate lock extension was in place and had to request a second rate lock extension since they did not have the loan documents ready. Again, they asked me to pay for this extension and I told them to pound sand or I would see them in court. All of my communications at this point were in email/writing, so it was very well documented that I was ready to close and not the source of delay. They capitulated and the loan literally closed on the last day of the THIRD rate lock extension. I think the lender ultimately had to absorb over $10,000 in rate lock extension fees since rates had increased substantially during the time period. The only reason I did not get stuck with these fees is that it was well documented (in writing) that I was ready, willing and able to close the loan on time, and that they were the source of the delays- not managing the process properly.

I really had to keep my Italian blood under control several times during this process. If I had let my emotions rule me, I would have walked away from this several times and found a better partner. However, I did my research and discovered that interest rates had increased by over 50 basis points in general, so it was to their advantage to not close the loan and to my advantage to close it based on the current market. Karma will take its toll next week, though, as I close all of my personal and business accounts with the bank, withdrawing close to $2,000,000. The only business I will have left with them will be the below market loan, the least profitable business.

I remain disappointed in the process. Relationships mean nothing and the refinance transaction process has devolved into "robot processing." Real Estate loans were far too easy in the "go-go" era, but I think the pendulum has swung far too much to the other side. I look forward to the day when a flawless 25+ year history with a bank means something. In the short term, I will be building my relationship with a small regional credit union, where they know my name when I call them and I am not just one of the numbers.

If you are looking to refinance a property, be prepared. First, make sure you have all of your documentation together as all "good" loans are full documentation loans. That means the last two years tax returns, the last two months of all asset accounts and the last two pay stubs at a minimum. Be prepared to write numerous explanation letters about where you lived in the past, why you moved, why you left your last job, what improvements you have made to the house, who your first grade teacher was, etc. etc. Even after you have locked your rate, keep an eye on what is going on in the current market. I have a feeling that my lender was putting up barriers hoping I would drop out of the process or they could make some money on rate lock extension charges since mortgage rates had increased substantially after I locked my rate. Lastly, have written communications that show you are ready to close, especially if you are getting to the end of your rate lock period and rates have increased. I think this is the only thing that ultimately saved me from paying for the extension fees.

Refinancing real estate in today's world requires much more preparation than any time in the recent past. Be prepared.

# Savant Investment Opinions

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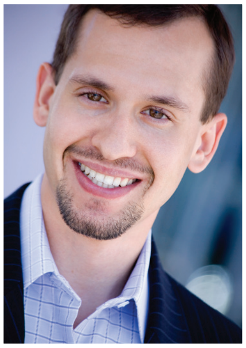
|---|---|
| U.S. Housing | ***STRONG*** Buy & Hold |
| U.S. Commercial Real Estate | ***STRONG*** Buy & Hold |
| International Real Estate | ***STRONG*** Sell |
| U.S. Stocks (Equities) | ***Caution Ahead – Look for substantial pullbacks to buy for the long term.*** |

# About The Authors



***Jordan Wirsz*** – Jordan@SavantEquity.com
Savant Equity Group, CEO
Las Vegas, Nevada

Jordan Wirsz is the founder and CEO of Savant Equity Group, a unique real estate investment and advisory firm which buys, sells, manages, and invests in real estate on our own behalf, [alongside] our investors/partners, and clients. Jordan is a nationally recognized real estate expert, credited with nearly $750 million of real estate investment transactions. Jordan has been recognized by members of the U.S. Senate, Congress, and state government, and has been featured on national television including CNBC, NBC, Fox News, and many others. Jordan is a four-time author and nationally recognized speaker.

***John Matise*** – John@SavantEquity.com
Managing Partner, CIO
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John Matise is an MBA graduate of UCLA with a knack for private equity and venture capital investing. His dynamic record with investment capital firms such as Stone Canyon Venture Partners (Davis Family- Marvin Davis and film titan John Davis), Wedbush Capital Partners, Encore Capital (real estate titan Donald R. Horton), Goldman Sachs and Russell Capital is complemented by service with industry consulting giants Accenture, Deloitte and SSA (Six Sigma). His clients have included Charles Schwab, Kaiser Permanente, Intel, Bank of America, TRW, the State of California and several private equity and venture capital funds. Additional high profile experience includes the turnaround of an ailing automotive manufacturer and tier one supplier, Saleen, Inc. Mr. Matise restructured the sales strategy and profitably grew the business over 5x in less than a year, going from a $16MM business to over $85MM organically, including spearheading the international marketing efforts of the famed Saleen S7 supercar. Most recently Mr. Matise was President and CEO of Skyware Global, a $100M multinational satellite equipment engineering, manufacturing and marketing company.

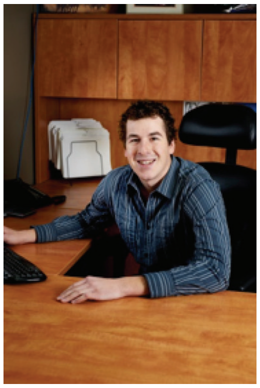
***Kevin Van Trump***
Farm Direction, CEO

Kevin is a leading expert in Agricultural marketing and analysis, and also producer of the award-winning and world-recognized daily industry Ag wire called "The Van Trump Report." With over 20 years of experience trading professionally at the CME, CBOT and KCBOT, Kevin is able to 'connect-the-dots' and simplify the complex moving parts associated with today's commodity markets in a thought provoking yet easy to read format. With thousands of daily readers in over 40 countries, Kevin has become a source for market direction, timing and macro views associated with the agricultural markets worldwide. Kevin is a featured guest on many farm radio programs and business news channels here in the United States. He also speaks internationally to hedge fund managers and industry leading agricultural executives about current market conditions and 'black swan' forecasting. He is currently the acting Chairman of Farm Direction, an international organization assembled to bring the finest and most current agricultural thoughts and strategies directly to the world's top producers. The markets have dramatically changed

## About The Authors

*...Kevin Van Trump Continued*

and Kevin is redefining how those in the agricultural world can better manage their risk and better understand the adversity that lies ahead. Kevin is married to his best friend and together they have two wonderful children who are deeply involved in sports and their community.



***Braden Hudye***
President
Hudye Group LP.

Braden is a managing partner of Hudye Group LP, a 3rd generation family owned company involved in Agriculture, Commercial Real Estate, Multi Family Residential Real Estate, Development Property, Oil and Gas as well as other equity investments in both the United States and Canada. Participating in different entrepreneurship and mentorship courses to keep a leading edge of the ever-changing markets and economy, Braden along with the rest of the Hudye Group Team prides themselves in taking a macro cyclical approach to cycles and timing in regards to the different investment classes in which they pursue, experiencing an 826% growth in Assets under management in the past 11 years. Braden is an active member of a diverse investment team with aggressive goals for growth, teamwork, networking and philanthropy. Hudye Group LP is currently managing businesses and Assets in Saskatchewan-Canada, North Dakota, Colorado, Kansas, and Arizona, and pursuing opportunities and they present themselves.

## DON'T FORGET

It's ***FREE***
It's ***MONTHLY***; and
It's ***INFORMATIVE***

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