

# Houses of Cards

Sell more DI to help solve the mortgage problem.

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**N**o job. No financial documentation. No down payment. No problem. You still qualify for a home mortgage! The lender will just adjust the interest rate down the road but, you know, you'll probably be in better financial shape then.

So began the huge problem that has dominated the headlines for months: subprime mortgages. And evidently, it wasn't just the marginal borrowers who were walking the tight rope. It now appears that plenty of folks who would normally be considered very desirable borrowers also got in trouble trying to capitalize on the real estate boom that was in full swing at the beginning of the millennium. The stock market indices had been cut in half from 2000 to 2002, so real estate looked to be a great alternative. Buy something and "flip" it. Get a bigger personal residence. "Heck, the banks will lend you 110 percent of its value!"

Unfortunately, the chickens have come home to roost as real estate prices stalled—and then plunged—just about the same time as increased interest rates came due on all that easy mortgage money. With all those bad mortgages out there, the default rate increased and people began losing their homes in record numbers. More defaults spawned a tightening of credit and that means it's tougher for people to buy real estate right now—and prices get pushed down even further.

The financial pundits go on and on about how deep and broad the effects of the subprime mortgage problems are, and even Congress has been pushed to action to "freeze" interest rates to give people temporary relief to stem the defaults.

And all this clatter has been generated by a subprime-mortgage market that has never amounted to more than about 6 percent to 7 percent of all mortgages that are made. But the experts will say, "Yeah, but that's still a large number, with huge consequences."

## A more relevant number

Well, I have another number for the experts: 48. And that number had the most relevance before this crisis and it will have the most relevance when the crisis subsides. But we can be pretty sure most of the experts will ignore it because they don't think it's "newsworthy."

What's so compelling about 48 and the subprime-mortgage crisis? Well, 48 percent of all the home-mortgage foreclosures in this country are caused by the disability of the breadwinner!

While I don't mean to diminish the impact of bad loans and rising interest rates, the real problem faced by homeowners is that if they get sick or hurt and their paycheck stops, they may not have enough money to pay what amounts to be their largest monthly bill—their mortgage.

Have you heard any major financial pundit, when decrying the subprime problem, urge people to get disability income (DI) insurance because getting sick or hurt is the biggest risk they face—not the increase of a couple basis points in their interest rate? No way. So we have to do it.

Ask your clients or prospects: "When you insured your house, did you pick a strong company because you wanted to be sure it would be around to pay the claim if the house burned down? And when you bought your life insurance, did you choose a company with significant asset size to make sure it could keep the promise it made to pay death benefits to your family? Sure you did." Then, why,

**48%**  
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when it came to protecting your greatest asset—your ability to make a living and pay for things like your mortgage—did you choose the smallest company to perform that task?

Because that's what we do when we "self insure" instead of buying disability insurance. YOU become the insurance company. And the numbers, now sadly accentuated by the subprime crisis, show lots of us can't take on that risk for very long.

Want to help make a huge dent in the mortgage problem? Tell people it's time to get DI insurance so they can protect their income—and have a better chance at a good outcome. **AI**

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