

REAL ESTATE

EXECUTIVE

Hawaii Edition | June 2006

A BUSINESS AND LIFESTYLE MAGAZINE

Special Feature
**AIM: Alliance to
Improve Maui**

National Feature
**Buying Properties
for Fun and Profit**



**Don McEntire,
McEntire Realty**

Iron Will, Heart of Gold

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PHOTO BY STEVE BRINKMAN

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HALFWAY THERE

Can you believe we are already almost halfway through 2006? Where does the time go? I hope that you are all on track to meet your goals for the year. The good news is, even if you are behind, your year's cup remains more than half-full.

Calvin Coolidge, the 30th President of the United States, once said, "Nothing in the world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination are omnipotent. The slogan 'press on' has solved and always will solve the problems of the human race."

Remember these words as you read the story of this month's cover honoree, Don McEntire of Don McEntire Realty. Don is a relatively new, but fast, rising star on the local real estate scene. There have been many hurdles that he has had to overcome to reach the level of success that he enjoys — hurdles that surely would have caused a lesser person to throw up their hands and just quit. His story of success is a profile of triumph over tragedy that should inspire us all. Don shows us that many of life's challenges that we often perceive as hurdles may really be no more than an occasional speed bump. Given his demonstrated "persistence and determination" coupled with the willingness to do the hard work, you can be sure that his star will continue to rise. I wish him much continued success!

This month's national feature is "Buying Properties for Fun and Profit." While there are no guarantees when it comes to making money on real estate investments, this article may give you some important tips to help hone your skills.

This month's special feature is about AIM, The Alliance to Improve Maui. It is another inspiring story of "persistence and determination." Read about how 10 West Maui Realtors changed the lives of their community by digging deep into their own pockets to help fund the new Maui Preparatory Academy. In doing so, they have significantly raised the bar for those of us who seek to find a way to contribute something back to our community and permanently erased any possible perception of their status as ordinary. May they continue to succeed in all they do. Go AIM!

Success To You,

Courtney Battise,
Publisher



Courtney Battise
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IRC §1031 Exchange Expenses

What Are They and How Do They Affect the Exchange?

Compliments of Julie Tumbaga, Old Republic Exchange Facilitator Company, www.orexco1031.com

When engaging in an IRC §1031 tax deferred exchange, it is important to note that the use of your exchange proceeds to pay some of your closing costs for the relinquished and replacement properties may result in “boot.”

Boot is any property received in an exchange that is not like kind to the property disposed of in the exchange. In a real property transaction, property received that is not like kind may include such items as cash, a mortgage note, a boat or stock. The exchanger pays taxes on the boot to the extent of realized capital gain. The authority addressing the treatment of exchange expenses is limited. Revenue Ruling 72-456, however, does provide that brokerage commissions reduce the realized gain and recognized gain of the taxpayer, and increases the tax basis of the replacement property.

No specific authority exists for the deduction of any transactional cost from realized gain other than commissions. PLR 8328011, however, implies that other transactional expenses should be disregarded if paid from the exchange proceeds in connection with the exchange. These costs are referred to as “exchange expenses” on IRS Tax Form 8824, but are not specifically listed anywhere. The question then becomes, “What is an exchange expense?”

The following is a list of items that most tax practitioners consider allowable exchange expenses for purposes of reducing realized gain and recognized gain:

- Exchange or accommodator fees
- Messenger fees
- Escrow, processing and statement fees
- Finder fees
- Tax service fees
- Inspection and testing fees

- Notary and recording fees
- Brokerage commissions
- Title insurance premiums
- Documentary transfer taxes
- Legal/consulting fees incurred in the

transaction

Likewise, the following is a list of closing costs that are not considered exchange expenses and may be treated as boot:

- Rents

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Don McEntire, McEntire Realty

Iron Will, Heart of Gold

By Celsie Levister and Duane Barnes

Occasionally we meet people whose life story reaffirms our faith in our fellow man. Don McEntire is that kind of man. Despite the obstacles and challenges life has presented him, he has risen to the top of his profession through commitment, dedication and hard work. It is refreshing to meet a businessman with such an optimistic approach to all he does.

Don McEntire is one of Maui's premier Realtors. His business sense seems almost second nature. He enjoys people and is truly interested in helping them realize their dreams and expand their investments.

Don specializes in the South Maui resort areas of Wailea and Makena.



PHOTO BY STEVE BRINKMAN

McEntire specializes and works almost exclusively in residential luxury condos and homes within the Wailea and Makena resorts of South Maui. Don's business motto is a play off of his name, "Entirely About Service." But he takes these words seriously. "We want to be all about service," he says. "That's something that my staff and I try to live up to on a daily basis." Don and his staff are committed to ensuring the highest caliber of service for all their clients. Everyone at the firm is willing to go the extra mile. This is the reputation that has quickly garnered the loyalty and confidence of his clientele.

Over the course of the last several years, a definite trend has emerged — and it's quickly "upwards." In 2004, Don had his breakthrough year, selling more than \$21 million, and the trend has continued upward from there. "I credit this success to both hard work and good timing," says Don. He goes on to say, "Some people will say that I've been lucky, but I've always found that the harder I work, the luckier I get."

Don McEntire is an expert in his field; he is highly regarded within the ranks of the industry. His reputation as an honest and astute businessman is set in stone. And after spending an afternoon talking to him, you understand why. There is an unmistakable genuineness and sincerity about him that sets you at ease. In conversation you find that he understands the inner workings of the business and knows the island, the market and its trends. Within minutes, you know that this is a person you want in your corner. The investment of a luxury home is far too significant to place in the hands of anyone less than a straight-shooter. "It's important to me to be 100 percent honest with my clients," says Don. "Even if it means that it may cost me a sale. I want them to know they can count on me always putting their needs and interests above my own."

Don is an articulate man with a peace and kindness that resonates from every word he speaks. He enjoys his work, he loves his family unconditionally and he strives to leave the places and lives he ventures into a little better than when he arrived.

When you meet Don, you immediately conclude that he must have lived the proverbial "charmed life," because of all that you see and you know of him. Interestingly enough, Don's story will lead you through the challenges of his life and expose the heart and soul of a determined man. "I am willing to open



PHOTO BY STEVE BRINKMAN

The McEntire Team, from right to left: Claudia McEntire, Don, Lisa Johnson and Deb Lombard.

myself up to this story because if it helps make a difference in one person's life, then it is worth it," says Don.

It is not as easy as it appears to invite strangers in for a bird's eye view of your personal life. It is not any easier to open up and introduce them to your inner circle at work and the details of your family life. Everyone has a story, and many are filled with triumph and tragedy. The reality is, for better or worse, our experiences are a culmination of who we are. They mold and shape our existence. Don McEntire has the courage to open his life up to the people in the community and profession he serves and cares about dearly. To stand in the spotlight and let people know that you are human with human frailties is bold. Don McEntire serves as an inspiration to new and veteran agents alike.

We all remember when we were young and brimming with dreams of the future. The whole world seems to be ours for the taking. Perhaps many of us sit back and remember the plans we made for ourselves, as we were trying to sort out life and our place in this world. Early in his life, Don McEntire would have to determine what road he would take. He was met by tragedy and heartbreak, but his resolve and strength through life's bumpy ride serves as an example to us all. His story tells

us that no matter what hand life deals us, regardless of what comes our way, we still have the power to make choices and determine whom we become.

Donald Ray McEntire, Jr. was born to Donald Ray McEntire, Sr. and Frances Ruth Hardy in Logan, UT. Frances Hardy was widowed with two small children when she met and married Don's father. The couple settled in Logan, a small, pleasant city situated in the verdant Cache Valley. It is an attractive, somewhat rural city located approximately an hour-and-a-half north of Salt Lake City.

When Don was 4, tragedy struck. His mother, Frances, and his grandmother were killed in a car accident caused by a drunk driver. His father was left a single parent, with five children ranging in ages from 4 to 13. Devastated from the loss of his wife, Donald Sr. found himself unable to properly care for his children. After being shuffled around from place to place, the children were eventually sent to live with their oldest brother, Vern. "My mother was the glue that held the family together," says Don. "When she died the family fell apart."

The children eventually went back to live with their father. His father, a former military man, moved his family from place to place. He spent most of his childhood in Utah, but



remembers living in a number of places. “I went to a different school every year,” says McEntire. “Dad had that gypsy gene. He constantly had to be moving around and we were in tow.”

Don admits that moving around was difficult for him and his siblings, but they found a way to adjust. It was even more difficult for them to try to manage after the loss of their mother. Once again, they found a way to adjust. “I didn’t realize that these experiences were preparation for what would come later in life,” says McEntire. “I handle change well, and in my given profession, I have to roll with whatever comes my way.”

At the age of 14, and tired of the constant moving, Don went to live with Russ and Patricia Muir. He was doing well in school and excelling on the basketball team. The Muir family, not wanting him to be uprooted again, took him into their home. Families from the community who knew the children and their situation stepped in to help care for the other children. Don and the Muirs’ son, Russell Jr., were already good friends. Don and Russell were both starters on the high school basketball team and were inseparable. They were the same age and they were always playing basketball together. They became known as the dynamic duo and went on to win the state basketball championship in their senior year.

Don immediately took to the stability and harmony that the Muir family offered. The family is described by Don as salt of the earth, honest, churchgoing people, who offered a young man love, acceptance and hope for the future. “This family became such a good influence in my life,” says McEntire. “To sit down and eat as a family, to spend quality time together as a family was totally different for me and I embraced it.”

Although Don will be the first to tell you that his early childhood was difficult, his experiences with the Muir family allowed him to remain positive. “You learn from the good and bad in your life,” states Don. “Even when things around you may not be the most positive, you still have the power to make choices for yourself. You can decide to take control and turn a different way. Everyone can find something that has turned them a different way. These choices are pivotal moments in your life.”

Don is still close to the Muir family. He believes that part of the reason he is the person he is today is because of their love and influence. They instilled in him the importance of maintaining values and integrity. They kept him active in sports. He believes that his involvement in sports kept him from going off the right track. “Eventually, peer pressure finds you,” says Don.

“You are who you associate with. You need to align yourself with good people in friendships and business.”

After graduation from high school, Don McEntire went on to attend Utah Valley State College (UVSC) on a basketball scholarship. He was 17 years old when he started at UVSC. He had dreams of possibly pursuing a professional athletic career. “I love basketball,” says Don. “I still enjoy playing ball and always will.”

Don knew that in addition to his scholarship, he needed to look for work. That summer, Don started work as a construction laborer. When school resumed, he took a job as a janitor at an athletic club at night, and attended classes during the day. “Those two jobs provided me the means and determination to stay in college and continue my education,” states Don.

He transferred from Utah Valley State College to the University of Utah, where he earned his bachelor’s degree in education in 1992, majoring in Spanish. After completing his undergraduate studies, Don went on to pursue his M.B.A. at Westminster University, a private school located in Salt Lake City.

Don held on to his first love — basketball. After graduation, he taught high school Spanish and coached the boys’ varsity basketball team. He had served as an assistant coach at Jordan High School, his alma mater, before accepting the head basketball coaching position at North Summit High School, and then later at Salt Lake Lutheran High School.

Don entered the world of real estate by taking an educational course in real estate investing. He learned enough through this course to land a job coaching prospective real estate investors. Since coaching was something that he loved, it was an easy and natural transition. Don had already enjoyed some success investing in real estate, and this was a logical extension of his knowledge and expertise, coaching other investors on the process and red tape of real estate transactions.

Don had found his niche. He enjoyed being able to support and guide his clients through their real estate investments. He found gratification in helping them build their wealth. Working in the office next door as a personal development coach for Franklin Covey was a bright and energetic woman named Claudia. Don had met Claudia a few times in passing. Unknown to Claudia, she had made quite an impression on Don. “I remember looking at her and thinking I would like to get to know her better.” Don laughs as he recounts his many requests to take her to lunch. He admits to sneaking into her office and grabbing her daily planner and penciling himself in for a lunch date, only to find out that she had later penciled him out. His persistence paid off. Eventually, Claudia accepted his invitation to lunch. The couple connected immediately. They discovered that they had much in common, and soon they began dating. “I knew right away that I wanted to share



PHOTO SUPPLIED BY THE MCENTIRE FAMILY

The McEntire family, from left to right: Daniel, Natalie, Marcus, Claudia, Don, Alexandra and Jordan.

my life with her. She was wonderful with my children. She has an incredible zest for life, and she is very loving and caring.” Claudia and Don were married in 1997.

Don and Claudia are the ideal blended family. Both were previously married, and both had custody of their children. Don brought two children, Jordan and Marcus, into the marriage and Claudia brought four: Alexandra, Natalie, Andrew and Daniel. “I don’t know how we did it,” chuckles McEntire, “but we were committed to making it work.” So you have a newly married couple with six children ranging in age from 3 to 17; throw in a 6,000-square-foot house with eight bedrooms, and a minivan and you have the makings of a blissful, happy family. Almost 10 years later, the kids are older and some of the chaos has dissipated, and Don still speaks of his wife, Claudia, with deep affection and love. He goes on to tell of not only how beautiful she is, but how incredible she is. “She loved all the kids equally,” states Don. “She was so good with all of them. We abolished the ‘mine’ and ‘yours’ — they were ‘our’ children.”

Don’s older brother, Vern Andrews, had moved to Maui several years earlier, and for many of those years, had been urging Don to consider moving to Maui as well. Don and Claudia honeymooned in Hawaii, and they both fell in love with Maui. They began making plans to relocate their family to Maui. Four years later in 2001, they made the move.

Don immediately went to work. He hung his license with the prestigious boutique firm Wailea Realty. “I was incredibly fortunate to be given the opportunity to work with such a reputable real estate firm,” he says. Don was determined to succeed. He hit the pavement, attended open houses, held open houses and volunteered for evening floor time. He familiarized himself with the Wailea and Makena resort areas. He studied floorplans and was eager to learn all he could. “It was tough starting out,” Don says. He recalls borrowing his brother’s



Clockwise starting with Alexandra (in the long sleeve black shirt) are Marcus, Daniel, Andrew, Jordan and Natalie.

spare car, a Maui cruiser, to show property. “I am sure I made an interesting picture,” chuckles Don. “I would meet clients to show multimillion-dollar properties in my Maui cruiser. It took me seven months to make my first sale, but my brother believed that I would eventually succeed.” Don credits a large part of his success to steadfast encouragement and the untiring support of his wife and brother. They stood by him, always believing in his ability to succeed. “I am so proud of Don and what he has accomplished. He is a wonderful husband and an incredible father. He makes me feel vibrant and alive,” says Claudia.

Just as his career was proving to be very promising, tragedy struck. Claudia and Don’s 19 year-old son, Andrew, was killed in a motorcycle accident, devastating their lives. Don simply stopped going to work in a career where if you don’t work, you don’t get paid. He did this to be by his wife’s side, to comfort and care for her. He stayed by her side for four months holding her close as they grieved. “Those were tough times,” says Claudia. She continues, “Some days I didn’t know if I could make it, but Don was right there by my side. We would just sit by the ocean and hold each other and cry.”

In remembrance of the son they loved, the McEntires established Drudon, LLC. They didn’t know exactly what to do with the relatively small amount of proceeds from Andrew’s life insurance policy. The idea of spending the money seemed unimaginable. They decided to invest the money in this company with the goal to grow the proceeds. The purpose of the LLC is to eventually use the company’s profits to fund a charitable foundation in their son’s name. The company is still in its infancy, but both Don and Claudia hope to build it into a foundation that will impact people’s lives in a positive way.

In 2005, Don McEntire opened the doors to McEntire Realty. Don serves as the owner and Principal Broker of the firm. Located in the Wailea Town Center, McEntire Realty offers

personalized service with professionalism and discretion.

For a driven individual such as Don McEntire, there are no bounds to the success that can be attained in real estate. In a profession where there is no ceiling on the income you can generate, you determine what you achieve and earn. McEntire loves his work and enjoys working with people. He thrives on the fact that his worth can be determined by the value that he adds to the transaction.

There is another side to Don McEntire, besides entrepreneur and father of six. He is soon to be a grandfather. Their eldest daughter, Alexandra, and her husband, Greg, are expecting their first child. Don and Claudia look forward to welcoming the baby into the family. The baby is due to arrive on Don’s birthday in September.

In his spare time, you will find Don on the basketball court. He still loves to play basketball. He also enjoys playing golf, traveling and reading a good book. He says that his favorite time is spent at the beach with his family and enjoying the beautiful sunsets with Claudia.

There is a saying that states, “A smart man will learn from his mistakes, but a wise man will learn from other people’s.” Don enjoys talking to new agents, because he understands how difficult it can be to break into the business. “When you are just starting out, you are usually overwhelmed with the complexity of it all, and your skills are still developing,” says McEntire. “It’s easy to look at experienced and productive agents and forget that they were once new agents themselves.” Don shares his personal experiences with new agents and encourages them to stick with the business. “Sometimes it takes a lot of time to build something of value, and you never really know how close you are until it is upon you,” states Don. “Take every opportunity to learn and master your craft, associate yourself with reputable professionals — learn from them.”

What does the future hold for Don McEntire? “Well, I got into real estate as an investor,” he says. “I’d like to do more investing in the future. If you are good at investing in real estate, then you are even more qualified to broker good real estate investments to your clients.”

Don McEntire is an inspiration in every sense of the word. He has endured tragedy and disappointment from a very young age. His adult life has been touched by heartbreak. But through it all, Don has managed to preserve his heart, soul and mind. He is a success in life simply because he decided never to give up and quit, even when the cards were seemingly stacked against him. Even as a youngster, people around him could see that he was special and destined for greatness. In spite of the challenges he faced and had to overcome growing up, Don never lost the determination to succeed. Failure was never an option for Don. Don McEntire is a man of honor and integrity. He is a man who possesses an ironclad will and a heart of gold. ■

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NOVEMBER

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DECEMBER

NAR Show Industry Wrap-up

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- Security deposits
- Utilities
- Property taxes
- Property insurance
- Association dues
- Repairs and termite work
- Credits to buyers for nonrecurring closing costs or repairs
- Loan acquisition fees (such as points, mortgage insurance, application fees, lender's title insurance, assumption fees, appraisal fees, hazardous waste/property inspections required by the lender)

Although these items may result in taxable boot, they may also be deductible as interest, taxes or operating expenses (subject to the passive loss limitation of IRC § 469). See IRC §§ 162, 163, 164, 1001(b). Security deposits are cash boot if held in a separate account by the landlord, and are mortgage boot if not required to be segregated. Accordingly, where a security deposit can be classified as mortgage boot, it may not be necessary to bring the security deposits into the closing of the relinquished property if the exchanger intends to acquire equal or more debt or bring additional cash in for the purchase of the replacement property. The chart above is an example.

In this example, the security deposits are an obligation of the exchanger and credited to the buyer, resulting in debt relief to the exchanger. Here, the debt was reassumed in the purchase of the replacement property with additional cash in or mortgage assumed. In any transaction where the exchanger pays closing costs that are necessary for the disposition of the relinquished property or the acquisition of the replacement property, the payment of such costs effectively reduces the amount the exchanger has to spend for the replacement property.

In other words, if a commission paid on the relinquished property reduces the cash to the exchanger by \$30,000,

then the exchanger can spend \$30,000 less than the selling price of the relinquished property. Likewise, where an exchanger pays for items that may not be allowable exchange expenses — for example, insurance and real property taxes — the payment of those expenses will lower the amount the exchanger needs to spend for replacement property, and will be taxable as boot. In general, selling expenses, both allowable and nonallowable, may be paid at any time during the exchange period without affecting the safe harbors under Reg. §1.1031(k)-1(g) if they are transactional items under Reg. §1.1031(k)-1(g)7. Transactional items are defined by the regulations as items that relate to the disposition of the relinquished property or the acquisition of the replacement property, and appear under local standards in the typical closing statement as the responsibility of the buyer or seller. Reg. §1.1031(k)-1(g)7(ii).

It should be noted that loan acquisition fees, such as loan fees, points, appraisal fees, assumption fees, lender's title insurance and

other costs related to the loan are costs associated with obtaining the loan and should not be paid for with exchange proceeds. Please review this information with your financial advisor prior to the closing to determine the treatment of your closing costs.

Relinquished Property

Selling Price: \$600,000
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Security Deposits: \$25,000 (credited to buyer)
Closing Costs: \$45,000
Net Equity: \$230,000

Replacement Property

Purchase Price: \$545,000
New Mortgage: \$300,000
Down Payment: \$230,000
Closing Costs: \$10,000
Additional Cash or Mortgage: \$25,000

For questions or comments on the above article, contact Julie Tumbaga at (808) 524-6737, or e-mail jtumbaga@ortc.com. ■



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Buying and Selling Real Estate for Fun and Profit!

By Donna Kozik

If you've been helping others make money, but not acting on your own behalf, it may be time to take a look at purchasing some investment properties yourself.

"I started as an investor and decided to get my real estate license in the early 90s," says Lisa Vander, owner of Pacific Blue Investments in Del Mar, CA, and a real estate advisor, author and radio show host. "I immediately saw an opening to educate clients about powerfully using investment real estate as a vehicle toward retirement. These clients have built substantial wealth through the years, using a strategic and analytical approach to investing," so it makes good financial sense for real estate agents and brokers to do the same thing, she explains.

While keeping in mind there are no guarantees when it comes to making money on investment properties, your experiences as a real estate agent are bound to give you a leg up when it comes to property investment success. Investing can increase your overall net worth, create a substantial retirement fund and even allow you to pursue other life pleasures now.

"I entered the investment real estate brokerage profession intending to acquire the same type of properties that I recommend for my investor clients," says Robert Vallera Jr., CCIM and senior vice president and principal of GVA IPC Commercial Real Estate in San Diego. "You could say that I drive what I sell."

Gerri Emalfarb believes, "You have to be able to hold the houses in a slow market; that's when you make the most money on the rental."



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ing to acquire the same type of properties that I recommend for my investor clients," says Robert Vallera Jr., CCIM and senior vice president and principal of GVA IPC Commercial Real Estate in San Diego. "You could say that I drive what I sell."

M i c h e l l e Bouchet, Princeton Real Estate, San Francisco, has been an active investor for approximately six years — even



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Bill Exeter has worked with many high-net worth individuals over the years, and the one thing they have in common is, "the vast majority of them have accumulated, built or maintained their wealth by investing in real estate."

before she became an agent. In 2000, she and her then-boyfriend, now-husband, purchased a three-unit residential building. "Our agent, who is now my broker, advised us to go that route instead of buying a single-family home, which is what we were originally considering," says Bouchet. "It was some of the best advice I've ever been given." A growing knowledge and interest in real estate led to Bouchet becoming an agent.

Investing in real estate has resulted in many present benefits for Bouchet, too. "It's allowed both my husband and me to start new careers in the midst of our lives," she says. "I went into real estate professionally, and he became a visual effects artist. We were able to pull money out of our real estate investments to live while we were getting started."

If you're still searching for another reason to get started, simply take a look at the statistics. Bill Exeter of Exeter 1031 Exchange Services and its affiliates in San Diego says he has worked with many high-net worth individuals over the years, and the one thing they have in common is real estate. "The vast majority of them have accumulated, built or maintained their wealth by investing in real estate," says Exeter. "I think investors should always maintain a diversified portfolio that includes a real estate component."

Plus, as a real estate agent and proponent of investing, you will

Thinking of Jumping In?

The industry's professionals and investors have more suggestions for real estate agents who are looking to invest in property themselves.

"As contractors, you are typically responsible for creating your own financial security and retirement, and it is at your fingertips," says Lisa Vander, Pacific Blue Investments. "Get an education, make mistakes, learn from your mistakes, get more education and start experiencing the power of strategic and long-term real estate investing."

Chuck Wise, Wise Investment Properties, suggests buying properties on good fundamentals, and with good prospects for cash flow early in the ownership. "I like to buy in a three-hour radius of my home so I can physically inspect the property every couple of weeks," he says. "Rental property investment is not for everyone. The good deals are captured when nobody else is looking."

Having a specialty or in-depth knowledge of a section of the market is also helpful. "An academic background in urban geography has helped me recognize clues in selecting locations with above-average appreciation potential over the past 20 years," says Robert Vallera, GVA IPC Commercial Real Estate, who, like Wise, has a Certified Commercial Investment Member (CCIM) designation. Wise adds, "Taking the time to become educated in all phases of investment and management is very useful. With the CCIM designation, I have found the education, technology and networking to be extremely profitable."

"Sometimes it is hard to switch from an agent mentality to an investor mentality — we're so conditioned to keep our clients' goals always in mind," says Michelle Bouchet, Princeton Real Estate. "However, if you want to invest for yourself, there is no one more knowledgeable or capable." She suggests setting your own investing goals and criteria, get preapproved, and learn some creative financing techniques, such as seller financing and lease-optioning.

Real estate pros also have a number of resources at their disposal. "If you don't see what you want on the MLS, don't be afraid to knock on doors and let people know that you are looking to buy property," Bouchet says. "As a self-employed person, you don't have the built-in retirement benefits the 9 – 5 workforce has, so use what you know to create your own retirement nest egg."

She adds, "Being a real estate investor is not only good for you as an individual, but also as a real estate professional. Investing has given me real world experience I can pass on to my clients."

establish even more credibility in your business. Robert Grunnah Jr. has been an active property investor in the Austin, TX area since moving there in 1992. His previous career included product marketing positions with software and Internet companies in central Texas. "While doing that, I bought a duplex in Austin in 1998, and learned that the income streams from the properties could be more lucrative than the software business," says Grunnah. "Over the course of the next several years, I accumulated \$2.5 million in duplexes."

A friend from Los Angeles asked Grunnah to get him started in investing in Austin properties. Grunnah enjoyed the experience so much, he started Castle Hill Investments to help others, mostly those from the West Coast, buy investment properties in Austin.

Grunnah thinks that being an investor himself has given his company a defining competitive edge. "Most of my competition — in terms of other Realtors helping Californians invest in Austin properties — do not invest. You have credibility to your investors. I'm able to communicate real-world advice because I've already done it."

THE EXPECTED RETURN

Just as many of your own clients know, investing in real estate is a good long-haul strategy to building wealth. Vallera says some of his investments have been long term — more than 10 years and yielding internal rates of return starting at 12 percent. And if you have strong nerves, short-term investments can be even more lucrative. Vallera has other investments that were highly leveraged and held for shorter time frames. "They have typically created pretty spectacular returns," he says. "It has definitely been worth it."

Chuck Wise of Wise Investment Properties in Leucadia, CA, owns a number of cash-flow producing properties, ranging from small office buildings and strip retail, to condos and apartments. Although it's difficult to calculate true returns without "taking our money off the table," says Wise, "on the properties we have exchanged, had we taken cash and paid taxes, our returns on property we bought in the mid-1990s were more than 1,200 percent. We look for an internal rate of return in excess of 20 percent for

Robert Vallera Jr. warns real estate professionals to be aware of negative cash flow generated by single-family homes and condos purchased for rental in high-priced areas, such as coastal markets.



properties we are currently acquiring.”

When it came to managing the properties they bought, some investors do it themselves and some hire others. “I’ve always managed my own property, since it’s all been in San Francisco,” says Bouchet. “Being a real estate agent is helpful, because I come into contact with so many people who are affiliated with this business — tradespeople, attorneys, etc. — so I have a network in place to help when I need it.”

On the other hand, Vallera believes it’s a better use of his time to hire professional property managers. “I primarily hire others so that I can focus on my brokerage business and on finding other investment opportunities,” says Vallera.

WHAT IF THE MARKET SLOWS?

Just like other investors, slow markets can unnerve even seasoned agents and brokers. But there are different strategies you can apply to make it when the market is sluggish.

“In a slow market, I put the home up for sale or rent, and whichever I feel is a better deal, I take,” says Geri Emalfarb, a Certified Broker Association member and top member of Chicago’s Baird & Warner. “You have to be able to hold the houses in a slow market; that’s when you make the most money on the rental. Be prepared to hold through slow times by adjusting the rent if necessary.”

Emalfarb also cautions real estate professionals to invest only if they are comfortable with their knowledge of the particular market. “Of course the advantage of being a Realtor should be that you can buy the houses ‘right.’ This should always be a business decision and should never be an emotional buy,” she says.

Exeter reminds agents that real estate valuations always rise over the long term, but the short term can be difficult in challenging economic times. When wondering what to do during those challenges, Exeter suggests keeping in mind a four-word phrase: cash flow is king. “Always invest for cash flow,” he says. “Growth in value is just the icing on the cake.”

If the market appears to be weakening, Vallera suggests you consider shifting to a low-leveraged position, and “buff out” the properties you own to give prospective residents an enjoyable living environment while you maximize your net operating income. “Focus on multi-family and commercial properties that will provide break-even or positive cash flow after taking into account all of the long-term costs of ownership, including long-term maintenance costs,” says Vallera. “I emphasize long term, because if you can’t hold the property through a down cycle, you will probably have to heavily discount the property if you need to sell it.”

Real estate professionals who want to invest in property tend to be flush with cash at the “wrong” times, when the market is high, notes Vallera. “The best deals appear when the market is dead, and that’s when real estate professionals typically lack the excess capital to acquire property,” he says. “Such down markets are when property syndication becomes the highest and best use of your time.”

He also warns real estate professionals to be aware of negative cash flow generated by single-family homes and condos purchased



Some investors own a number of cash-flow-producing properties, ranging from small office buildings, strip retail, to condos and apartments. Chuck Wise suggests buying properties on good fundamentals and with good prospects for cash flow early in the ownership.

for rental in high-priced areas, such as coastal markets. “That negative cash flow, coupled with the potentially irregular income stream encountered by real estate professionals in a down market, can lead to foreclosure,” he says.

But being in the business does have its perks, too. “There are times when an alert commercial or investment agent will first notice shifts in the market and can take action before that information becomes common knowledge,” says Vallera. “That provides tremendous opportunity to use your knowledge to create value for yourself and for any co-investors you might approach.”

Wise says he can be patient during slow markets “because our rates are fixed and our loan to value is around 50 percent,” he says. “Some of our cash-flow producing properties are free and clear, and investments in notes and deeds of trust augment the cash flow. We also maintain adequate cash reserves, and we view slow markets as buying opportunities.”

No matter the state of the market, there should be a way to make it work for you, adds Bouchet. “I believe there is always opportunity out there — whether from an investor or a real estate agent perspective,” she says. “A good real estate investor is oftentimes simply a good problem-solver, whether it’s solving a problem with the property or solving a problem for the seller.”

“Anyone who has been in the game for a full cycle, about 10 years, knows that you get bumps and bruises along the way,” adds Vander, who started investing in Southern California in 1989. “The San Diego real estate market plummeted in 1989, which is when I received my first tough lessons about owning investment real estate.” But she persevered, and today is a successful investor and advisor. “If you have a strategy, which considers your ability to hold onto properties when the market corrects itself, as well as a good team around you,” she says, “I would surmise that there isn’t a better investment vehicle.”

Donna Kozik, a frequent contributor to Real Estate Executive, is a copywriter and marketing consultant. To reach Kozik, visit www.DonnaKozik.com. ■

Bureau of Conveyances Closed in Honor of King Kamehameha Day, June 11

King Kamehameha Day is the only ali'i (royalty) holiday established during the monarchy, and observed continually since its establishment by royal proclamation in 1871. The day is celebrated to honor King Kamehameha, who unified the Hawaiian Islands and stands as an exponent of Hawaiian self-determination. The first observance of this holiday was held on June 11, 1872. Kamehameha V designated June 11 as a public holiday to honor the memory of his great-grandfather who was the first ruler of the United Hawaiian Islands.

Kamehameha ("The Lonely One") was born between 1736 and 1758 in Kohala on the island of Hawaii. His father was Keoua Kupuapaikalani, Chief of Kohala and a grandson of Keawe, who once ruled over a powerful kingdom on the island of Hawaii. Kekuiapoiwa, Kamehameha's mother,

was the daughter of a Chief from Kona. The King was a courageous man of unbridled ambition. He became Chief of his western Big Island district in 1781, and waged war against the other chiefs. He accomplished his mission of conquering all the islands, except Kauai, which joined the kingdom voluntarily.

Kamehameha became the first ruler of the Hawaiian kingdom in 1795. During his reign, he encouraged his people to pursue agriculture to restore the ravaged land, and promoted the introduction of new animals and plant life into the islands. Kamehameha united the Hawaiian Islands into a single kingdom through war and diplomacy. However, there are some who believe that he was a ruthless opportunist who used Western weapons to kill his own people and seize power.

In 1878, the Hawaiian legislature commissioned

Thomas B. Gould, an American sculptor living in Italy, to produce a statue of Hawaii's greatest king. The heroic-looking bronze statue bears little resemblance to drawings made of Kamehameha during his lifetime, and was modeled after a Caucasian-Tahitian named John Timoteo Baker. Gould cast the statue in Paris in 1880, and shipped it to Hawaii, but off Port Stanley in the Falkland Islands, the ship caught fire and sank. The statue unveiled in front of the Judiciary building in 1883 for King Kalakaua's coronation was a copy. The original statue was raised later in a salvage operation and brought to Hawaii. It now stands in front of the Kohala courthouse in Hawaii, near Kamehameha's birthplace.

King Kamehameha died in 1819. Though he is no longer alive, he still lives in the hearts and souls of his people. ■



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Dispelling the Top Seven Organizational Myths

By Maria Gracia

There are lots of myths going around when it comes to getting and staying organized. Here are the top seven, along with the truths.

Myth 1: Being organized means being neat.

While you can certainly be neat *and* be organized, the two terms should never be confused with each other. While you might have neat piles, or neat boxes piled one on top of the other, or objects lined up neatly in a straight line, you may still not be able to find a single thing when you need it. Being organized means you're using a structured system that allows you to find everything you need when you need it, and you get everything done when it's due — without frustration, chaos or stress.

Myth 2: To be organized is to be clean.

Once again, while you can be *both* organized *and* clean, those terms should not be



confused. Cleaning means you're removing dirt, grime and otherwise preparing a sanitary surface. But, you can have the cleanest home or office on the block, and still be disorganized.

Myth 3: To be organized means to schedule every minute of your day.

While scheduling appointments, projects you need to complete, chores, etc. is highly recommended, you certainly do not have to schedule every moment of your day to be organized. Scheduling is the fine art of packing every day *just full enough* of the most useful activities. Never overload it. Your schedule should always allow you time for spontaneity.

Myth 4: Only certain types of people can be organized.

While there are a very small percentage of people who don't have the ability to be organized, such as someone with a serious illness, most people *can* be organized. Being disorganized is not a disease, it is a decision. If you truly want to be organized, there are proven systems to help you. Once you know these systems and apply them every day of your life, you will be organized.

Myth 5: Being organized takes lots of time and effort.

The truth is, it takes a lot less time and effort to be organized than it does to be disorganized. Disorganization takes more time than you can imagine, and ensures that huge obstacles are always directly in the path of getting things done. Getting and staying organized is not rocket-science. The systems and ideas, once learned, applied and practiced, can become as simple as brushing your teeth or combing your hair.

Myth 6: Everyone I know is organized, except me.

Beware of this myth. Being organized is both an outer and inner trait. Unless you really know a person well, you really can't come to this conclusion. For example, someone may have a very neat home, but she is never on time. Another person may have an organized home, but his office filing system is out of control. Yet another person may have an organized home and office, but never reaches any of her goals. You are not alone. There are many, many people in the world who need help getting organized in certain areas of their lives — even if it doesn't seem so on the surface.

Myth 7: Organized people have no fun.

On the contrary, the people who are organized are getting the very best out of life. They are getting things done. They're achieving their goals. They're not wasting time searching for lost items, or re-doing things or missing appointments. They're finding the time they need to do the things they love, and to spend time with the people they care about.

Maria Gracia is nationally recognized author, speaker, consultant and professional organizer. She is founder of Get Organized Now! and co-founder with husband, Joe, of Give to Get Marketing Newsletter. Garcia offers a free Get Organized Now! Idea-Pak, filled with tips and ideas to help you organize your home, office and life at www.getorganizednow.com. She also provides a complimentary Marketing Idea-Kit at www.give-to-getmarketing.com. Copyright © 2006, Maria Gracia. All right reserved. For information contact FrogPond at 800-704-FROG(3764) or e-mail susie@FrogPond.com. ■

Fidelity National Title's Kihei Office

By Lydia Baldwin

With all the buzz of Fidelity's new Wailea office, rest assured that the Kihei office is staffed and ready to assist you and your clients with your diverse title and escrow needs.

At the helm of Fidelity National Title's Kihei branch is Vicki Steffan, Branch Manager and seasoned escrow officer. Vicki brings 17 years of title and escrow experience to the table. "I have a clear understanding of the real estate business. I understand the pressures and demands placed on my Realtor clients. I see it as my role to be proactive and foresee indicators of problems before they arise," says Vicki.

This proactive approach serves her clientele well. Vicki's many years of experience make it possible for her to address possible problems before they arise.

In March of this year, Sales Representative Nancy Brauer joined Fidelity National Title. Nancy is an energetic professional with positive and upbeat attitude. Nancy, a former

escrow officer, understands the fine details of real estate transactions. "My first love is escrow," says Nancy. "I have been involved with escrow and title, both as an escrow officer and a sales representative. Although I loved my time behind the desk, nothing compares to working out in the field assisting Realtors. I enjoy people. I don't consider this work, rather a privilege." Nancy specializes in real estate marketing and software solutions. She prides herself on being a problem-solver. If you are looking for ways to free up your time so that you can sell more real estate, give Nancy a call. She has some interesting ideas.

One can truly measure a company by its employees, and Fidelity provides the type of atmosphere that makes people excited to come to work. And, happy employees translates to happy customers. "I want the Realtors to know how good our company treats its

employees. It is because of this that we are excited to come to work," says Shannon Rezens. She goes on to say, "There is not a high amount of turnover within Fidelity. I think our stability is good for our clients."

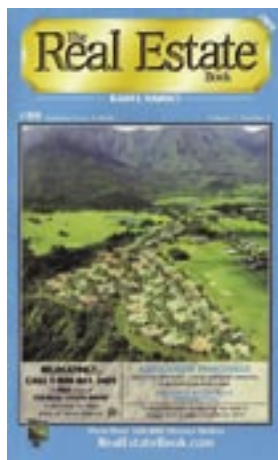
With origins that can be traced back 150 years, Fidelity National Title Insurance Company, through its underwriting subsidiaries, is one of the nation's premier real estate service companies, providing title insurance and other real estate-related products and services.

Fidelity employees are committed to providing their customers with a level of satisfaction that is unparalleled in the title insurance industry. Based on their experience and expertise, they are confident that you'll appreciate the Fidelity Difference.

Fidelity National Title's Kihei office is located at 1325 S. Kihei Road, Suite 104. The office number is (808) 874-9512. ■

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Alliance to Improve Maui (AIM)

How 10 Maui Realtors Changes Lives and Their Community

By Celsie Levister and Iwa Kamaka

Nestled on 15 acres on the slopes above Napili, with panoramic ocean views and a landscape that is unique only to the Valley Isle, lies the Aloha state's newest independent private school, Maui Preparatory Academy.

From the moment you walk through the campus doors, you immediately sense that something special is happening here. You can instantly feel the excitement and energy of the students, faculty and staff alike. As you begin your walk through the campus of the Maui Preparatory Academy, your mind begins to conjure up images of an era long past. An era where quaint old schoolhouses, complete with the old school bell and shiny red apples on the teacher's desk, were the norm. As your mind absorbs these pastoral images, your memory races back to quieter and simpler times. It's almost as if you can see and hear the children running, laughing, playing Blind Man's Bluff or Red Rover. But, as you savor the memories stirred by this charming setting, you are slowly drawn back to the present by what you behold around you. Your reluctance to turn loose of your musings is replaced with an urgency to see more. You realize that this facility represents the best of two worlds, past and present. Maui Preparatory Academy combines the ambiance of a fine old school with modern, first-rate classrooms and state-of-the-art technology.

This oasis of learning could have easily been just another pipe dream for West Maui, unreachable and unattainable, if it were not for an incredible group of Realtors who came together and created an organization with a mission to improve Maui.

AIM, the Alliance to Improve Maui, was founded by Mary Anne Fitch of Coldwell Banker Island Properties and Cliff McQueen of Maui Isle Properties, with direction and input of Maui founding board member Tom DiNoto. They were joined by eight other West Maui Realtors: Jolene Dorner, Laurie Lawson, Mitch Mitchell, Dean Otto, Betty Sakamoto, Roy Sakamoto, Sharen Sylva and Roger Torres. The first project for AIM was the Maui Preparatory Academy. Each of



PHOTO SUPPLIED BY MPA

these members agreed to donate a substantial amount of their commissions in a grassroots effort to provide West Maui with a first-rate educational facility.

To truly appreciate what a magnificent gift this is to present and future students of Maui Preparatory Academy, you must first understand the organization that accomplished this incredible feat. As we all know, given the desirability of West Maui living, the population is expanding at a fast pace. It logically follows that when you have an influx of residents in any area, one of the immediate needs is for schools. This need for expanded educational facilities in this growing area was the first call to action for AIM. Their aim was to satisfy this need while pledging to keep one basic tenet in the forefront: the school must remain accessible to all children regardless of socio-economic status and provisions must be made to accept all children who proved to be academically inclined. Keeping to that pledge, 55 percent of the children currently enrolled at Maui Preparatory Academy are on tuition assistance.

These Realtors were so determined to succeed with this project that they committed to donate a substantial portion of their commissions



MPA students are given laptops to use as a critically important tool, both in the classroom and outside.

to support the school. These founders are rare indeed. Not often will you find a group of individuals so dedicated to a mission that they are willing to spearhead a project of this magnitude by first digging deep into their own personal pocketbooks.

It is refreshing to be able to give an account of how a group of Realtors whom we may run into at the grocery store or see at the local stoplight backed their commitment and plans with their own money. These Realtors understand that all intentions, however good, go quickly out the window if they are not backed by capital. Two Realtors, Many Anne Fitch of Coldwell Banker Island Properties and Dean Otto of Sakamoto Properties, together have contributed more than

Maui Preparatory Academy provides a superior educational program for West Maui, in a nurturing, safe and stimulating environment.



PHOTOS SUPPLIED BY MPA



Maui Preparatory Academy is fully committed to providing students with a nurturing, caring and safe learning environment.

\$350,000 to date. These outstanding professionals have recognized that the community has been good to them, and now it is time to give back to that same community, and they do so with out qualm or hesitation. “These children will be the leaders, teachers and caregivers of our future. It is vital that they be properly prepared academically to face the challenges they will meet,” says Dean Otto. When asked what inspired her to support Maui Preparatory Academy, Mary Anne Fitch stated, “The opportunity to provide a quality education is the greatest gift we can give to children. It is personally meaningful to me to make this type of investment in the lives of others who share this value. Having no children of my own, I consider it an honor to make this an option for others.”

As many of us who conduct business in Hawaii know, there remained seemingly insurmountable hurdles to overcome. Aside from the required surveys and inspections, there were also land use issues and local politics to settle. There was nobody better to battle through the red tape, construction challenges and myriad of glitches the project would encounter than the Maui Preparatory

Academy Board Chairman, Tom Rosenquist.

Simply stated, Rosenquist is a trailblazer with relentless optimism and dedication. His life-long professional experience in construction along with his business and financial acumen, combined with his earthy, common sense know-how, brought to the grateful community the necessary and unique skill set that was essential to bringing this idea to fruition.

“I feel that building this school has been a culmination of my life experiences,” says Rosenquist, who was involved every step of the way, from the planning phase to the actual construction to the writing of numerous personal checks. On any given day, from sunup to sunset, Tom could be found on site driving a tractor, paving the way for a new basketball court, hanging a chalkboard in one of the classrooms.

Maui Land and Pineapple was also a major contributor to the project. They generously donated the old Honolua plantation buildings, along with 17 acres of former pineapple fields to the venture. The buildings would need to be completely renovated, modernized and

brought up to code in order to form the nucleus of the current and future Maui Preparatory Academy campus. Beyond this donation of land, Maui Land and Pine further demonstrated what good corporate citizenship is all about by donating \$150,000 to the school's tuition assistance program, thereby inspiring others to follow suit.

Maui Preparatory Academy is a shining example of what one small group of highly motivated Realtors with a clear vision can accomplish. Dedication to their community and commitment to children's education brought some diligent parents and the Alliance to Improve Maui (AIM) together. This partnership showed the people on Maui and the state of Hawaii what can be accomplished when motivated people are united with a common goal. They made the dream of providing the children of Maui with an educational facility of the highest caliber a reality.

The physical school is impressive, but even more impressive are the people, the teachers and administrators that have been assembled to educate and nurture the students. The faculty and staff take their roles seriously. They understand that they have been charged with the awesome responsibility of protecting the minds and hearts of their students, while providing an unparalleled quality of education. Maui Preparatory Academy brings another educational option to West Maui families, and the school would like nothing more than to see the student body as a microcosm of all of Maui's children. The school opened in September of 2005 with grades 6, 7 and 8, with a total of 37 students. Pre-K to 9 is scheduled to open in the fall of 2006, with almost 200 students. It will graduate its first class in 2010.

The school is led by Head Master Jack Rizzo, Ed.D. Rizzo is an upbeat man with a genuinely caring personality. It is clear that he understands and shares the vision that the founders and board of directors have for Maui Preparatory Academy. His eyes light up as he talks about the school and its student body. You immediately sense from his demeanor the sincere love and dedication he has for children and education. "It's all about the kids," says Dr. Rizzo. "If you entrust your kids to us, we promise we will love, respect and challenge them. We will support their hopes with discipline and dignity." After meeting and talking with Dr. Rizzo, you realize how fortunate Maui Preparatory Academy is to have him and what a wonderful contributor he will be to our community. He exemplifies the aloha spirit in its truest sense.

The school boasts an impressive science lab and an extensive library. As you walk through the breezeways, it is easy to see how Maui students will thrive in this environment. Make no mistake, the academy has set high academic standards for its student body. Students are expected to strive for personal and academic excellence. The faculty and staff strive to create well-rounded, multifaceted individuals.

The academy looks to cultivate all areas of their student's lives with activities that include a volleyball team, school dances, exposure to the theater and arts and much more. The school also wants to instill



PHOTO BY STEVE BRINKMAN

Tom Rosenquist was involved every step of the way, from the planning phase, to the actual construction, to the writing of numerous personal checks.

a dedication and caring for their community by involving the student body in charitable fundraisers.

The original inhabitants of these magical islands of Hawaii brought stories, insights and wisdom passed down to them by their ancestors. Their stories tell us where we have been and provide guideposts to show us where we are going. Our current population, with people from all walks of life and from every corner of the world, offers a diversity that makes our home unique and alive with culture and character. In respect for the unique character of our island, the staff, faculty and founders of the Maui Preparatory Academy continue to draw from the local culture to enhance the educational experience of the students.

The Realtors of AIM can be justifiably proud of this accomplishment, and should be lauded by the public for their efforts to better their community in which we all live. We live in a time where Realtors give much and typically get little recognition. These amazing Realtors have given of their time and their money to make our community a better place to live now and for generations to come.

Ho'okahi ka 'ilau like ana: "Wield the paddles together." ■

STRONG ECONOMIES WILL BALANCE INCREASED RISK

Despite the fact that risk of declining house prices increased in 48 of the 50 metropolitan statistical areas, the housing market's cooling down process will occur gradually, according to PMI Mortgage Insurance. This is because of the strength of local and national economies, the company added.

The PMI U.S. Market Risk Index showed that appreciation of homes has slowed in nearly half of all MSAs compared to last quarter and that affordability remains a problem with eight MSAs, which registered affordability levels considered low by historical standards. However, all but five of the top 50 MSAs experienced employment growth and many municipalities experienced other favorable economic conditions, PMI said.

The index found that risk increased in all of the top 50 MSAs except Chicago, whose score decreased a point. (New Orleans was not included because of last year's disasters.) Meanwhile, 14 of the top 50 now have risk scores above 500, which mean they face a 50 percent or more risk of home price declines in the next two years — up from 11 such MSAs last quarter.

Cities in which appreciation remained high (at 20 percent or more year-over-year



While investment home purchases are expected to slow down, sales of vacation homes should remain strong.

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appreciation) included: Phoenix; Orlando, Fort Lauderdale, Miami, and Tampa, FL; Washington, DC; Virginia Beach, VA; and Los Angeles.

The five least risky areas were: San Antonio; Cincinnati; Indianapolis; Memphis; and Pittsburgh.

Meanwhile, another PMI study found that owning a home in one of the 50 MSAs has resulted consistently in a

positive return on investment since 1986 and that the return increases with the length of time a person owns the home. For example, 100 percent of those who owned 10 years or more received a positive return on their investments while 95 percent who owned for seven years and 92 percent

of those who owned for five years received such a return.

HUD PROPOSES REVISED FHA

The Department of Housing and Urban Development (HUD) has issued a far-reaching proposal that would modernize the Federal Housing Authority (FHA) and the way it conducts business. The result could mean more FHA funding available to a wider group of home buyers.

The FHA Modernization Act would:

1) Create a new, risk-based insurance premium structure for FHA that would match the premium amount with the credit profile of the borrower, replacing the current standard premium for all borrowers. FHA would have the flexibility to charge higher-risk borrowers a slightly higher premium, and to charge a lower premium for low-risk borrowers.

2) Eliminate the current statutory three percent minimum down payment, which HUD says does not meet the demands of today's marketplace. Instead, FHA would offer a variety of down payment options.

3) Increase and simplify FHA's loan

The PMI U.S. Market Risk Index increased in all of the top 50 MSAs except Chicago.



IMAGE PROVIDED BY DREAMSTIME

limits, raising it in high-cost areas from 87 to 100 percent of the GSE conforming loan limit. In lower-cost areas, the limit would rise from 48 to 65 percent of the conforming loan limit.

4) Expand the availability of the Home Equity Conversion Mortgage (HECM) program for the elderly by eliminating the cap on the number of these loans FHA can insure. In addition, a new HECM for Home Purchase product would enable the elderly to move from the family home to housing more suitable for them as they age.

SECOND HOMES HIT RECORD HIGH

The sales of both vacation and investment homes set records in 2005 so that second homes are now four out of 10 residential transactions in real estate, according to figures from the National Association of Realtors (NAR).

And while investment homes will probably slow down during the next year, vacation homes should remain strong, NAR added.

The report reveals that 27.7 percent of all homes purchased in 2005 were for investment purposes, a rise of about 16 percent over the previous year, while 12.2 of all purchases were for vacation homes, a rise of about 16.9 percent over the previous year.

NAR's Chief Economist David Lereah attributed the rise in both markets to the maturing of baby boomers, who are now in the peak of their earning years at a time when interest rates are still low. The typical vacation home buyer is 52, earns \$82,800 and purchased a property 197 miles from their primary residence. Investment buyers were typically age 49 with an income of \$81,400 and bought a home within 15 miles of their primary residence.

When listing why they purchased vacation homes, 41 percent said to use for vacations, while 31 percent said they want a family retreat and 28 percent wanted to diversify investments. Investment home buyers say they wanted rent income (55 percent) while another 35 percent wanted to diversify investments.

The largest concentration of vacation home buyers was in the Midwest, while the most investment buyers were from the South. The median price of a vacation home was \$204,100 while an investment property was \$183,500.

2005 SAW NEAR-BALANCE OF BUYER/SELLER DEMAND

For the first time since 1998, the overall U.S. housing market saw a rare balance between home buyers demand and home seller supply, according to the latest quarterly survey by HouseHunt.

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The survey queried real estate agents in 47 states.

Only 45 percent of respondents reported more buyers than sellers, compared to 61 percent more buyers and 39 percent more sellers six months ago, the survey found.

“The last time we experienced a balanced housing market was in January 1998, when we had a 6.4 month supply of unsold homes,” said Walt Molony, a National Association of Realtors (NAR) spokesperson. HouseHunt’s survey results mirrored the latest NAR statistics. “The record for the lowest inventory was in January of 2005, when we reported a 3.7 month supply,” he added.

The results were national, however. There were regional exceptions, such as Alaska and the Western states, where buyers still outnumber sellers.

The HouseHunt national survey in the first quarter of 2006 also found that:

- It’s taking longer to sell a home: 55 percent of respondents said it now takes more than 60 days from listing to sale compared to 30 percent three months ago.
- Sellers are still getting their asking prices: 75 percent of sellers said they got 95 percent of their asking prices while only seven percent said they got more than 100 percent.
- Home appreciation is holding firm at about 10 percent but moving toward single-digit appreciation: 55 percent reported five percent or less, 20 percent said five to 10 percent, and 26 percent said 10 percent or more.
- Multiple offers dropped: a year ago such offers constituted 70 percent of sales while in the first quarter of 2006, there were only 39 percent that got multiple orders.
- Move-up and repeat buyers outnumber first-time buyers by a two-to-one margin in most parts of the country.

PRICEY NEIGHBORHOODS NOT THE BEST PERFORMERS

According to an article in *Forbes* magazine, the ritzy neighborhoods in many municipalities are not the best performers, and in fact, pale in comparison to what has traditionally been thought of as the worst neighborhoods.

In Los Angeles, for example, the Watts neighborhood saw home prices rise almost 92 percent last year, more than any other zip code in the city, including the upscale neighborhood of Holmby Hills, which had a nine percent increase. In Miami, the area known as Little Havana saw an increase of more than 150 percent in prices in the last two years and in Philadelphia, the tough Northern Liberties area saw a 70 percent increase.

The *Forbes* article says the reason for this phenomenon is that the pricey neighborhoods have topped out while young home buyers are turning to blue-collar areas near the water where they can rehab old homes.

The five neighborhoods with the greatest price appreciation from 2003-2005 (and their median home prices) were:

- The Loop in Chicago; \$710,000; 206.7 percent
- Little Havana/Downtown Miami; \$298,000; 153.1 percent
- Lake Highlands in Dallas; \$234,213; 125.3 percent
- Lower East Side in New York City; \$659,000; 123.4 percent

- City of San Bernardino; \$275,000; 103.7 percent

The five neighborhoods with the least appreciation were:

- Maplewood/Richmond Heights in St. Louis; \$133,100; -28.1 percent
- Desert Ridge/Montage in Phoenix; \$289,950; -22.3 percent
- Near North Side/Gold Coast in Chicago; \$350,000; -20.5 percent
- Tanglewood in Houston; \$335,160; -16.8 percent
- Woodbury in Minneapolis-St. Paul; \$274,900; -16.2 percent

NAR SAYS HOME SALES WILL REMAIN HISTORICALLY HIGH

Homes sales should level out but remain at historical highs, according to the National Association of Realtors (NAR).

The association’s chief economist, David Lereah, said mortgage interest rates will rise, but remain favorable for the year. Meanwhile, economic growth and job creation will provide a good backdrop for the housing market, he said.

Lereah also predicted that home sales would move up and down over the remainder of this year, but stay at a high plateau, making 2005 the third strongest year on record.

NAR projected that existing home sales would drop 6.0 percent to 6.65 million; new-home sales would fall 10.9 percent to 1.14 million; and housing starts would be at 2 million, which is 3.2 percent below last year. ■

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