

The *Mix*

- To see our subscription options, please click on the Mishpacha tab
- 74 JUST PAREVE
 - 84 OFF THE COUCH
 - 86 SHUL WITH A VIEW
 - 88 NORMAL LIKE ME
 - 92 ENDNOTE
 - 95 THE KICHELS

A Potpourri of Encounters and Impressions

PHOTO: LILOR MIZRACHI



Put Your House in Order

Some mortgage brokers are keen on protecting their preferred relationships with the banks, many are poorly trained, and others might even lie or resort to forgery. So where's a home buyer to turn when he's about to sign the most complicated document of his life?

> Rachel Bachrach

10

QUESTIONS FOR

Shmuel Bisk

Shmuel Bisk is the founding director of Tzavta Mashkantot, a program that offers full-service mortgage brokerage in Israel at reduced cost that can substantially cut down monthly payments. Tzavta is based in the greater-Jerusalem area.

PHOTO: LIOR MIZRACHI



How did you get into this?

I'm a serial social entrepreneur. I see problems, I see suffering, and I want to do something about it. As the executive director of JOIN Israel, a community-services organization, I've been able to start and run more than 75 welfare, family, and educational projects. I've seen a lot of poverty and its devastating repercussions on the whole family, but the needs are infinite and the resources are always very limited. There had to be a way to go beyond JOIN Israel's budgetary capacity to create a social enterprise with a revenue stream that would cover most of its costs after start-up.



Why mortgages?

We spent a full year researching ways we could reduce the financial strains of thousands of families. Conceptually, there are two ways to address poverty: by increasing income — through career training, job placement, even charity — and by decreasing expenditures. The two largest regular expenses are food and housing, so reducing mortgage payments saves a family a lot of money, obviously. Food prices are kept low by strong supermarket competition and community food programs, so we turned to reducing mortgage payments. We learned that a good mortgage broker can save you NIS 100,000 or more on your mortgage. Reducing monthly payments by NIS 350 to 400 for 25 to 30 years makes a huge difference to a struggling family.



How does Tzavta Mashkantot help with that?

It's simple. Mortgage brokers are too expensive for many families — the brokers' charge, with VAT, costs NIS 5,000 to well over NIS 10,000, while many families live on that amount a month. We were concerned that the poorest families, the ones who needed this service the most, were the least able to pay up front to save over the long-term. This initiative fixes that — we set you up with a *yoetz mashkantah*, a mortgage broker, at a reduced cost, and he saves you hundreds of shekels each month for the next 25-plus years.



What's a common question people ask you?

"My real estate agent wants to know, how long will it take to get an approval in principle for an apartment we want to buy?" It varies, but a broker has regular bank appointments and can often get it in a matter of days. It's a critical question, because you don't sign on a purchase until you've arranged initial approval from the bank, otherwise you can get in a real bind — you may not qualify, or only for a smaller amount, and you'll be stuck trying to finance an apartment you can't afford. Recently, a mortgage broker was unable to secure an NIS 800,000 mortgage for a client with insufficient income. The client wanted to buy, and the broker wanted to earn his fee, so he told the bank the buyer would sell the apartment within two years. The client was just thrilled to get the money. He didn't realize the loan was a bridge loan, paying only interest and no principal for two years. He wasn't interested in selling, but he's stuck! He approached Tzavta, desperate for a mortgage to pay that bridge loan, but it's a mess and will take lots of work to untangle.

5

Who's your clientele?

Originally, we wanted to target the poorest families. But, *l'maiseh*, 90 percent of the *tzibbur* faces enormous financial stress — close to 100 percent when it's time to marry off children. Also, we learned that if we serviced only the borderline

families, the banks didn't want to work with us. By bringing relatively financially stable families as well, they were willing to push to help our neediest families.

7

What makes a good mortgage broker?

In our initial research, we found that some brokers here aren't well trained, if at all. Some don't use sophisticated software, which is necessary, and some want to maintain a preferred relationship with the bank or to save themselves time and exertion, so they're not fully invested in the client's best interest. Some even lie and forge documents. The industry here isn't regulated; anyone can call himself a mortgage broker and hang up a shingle, and luckily for him, but not so lucky for everyone else, it's difficult to ascertain if you received good service. It's a big problem, because the broker can make the difference in getting a mortgage or not — or having to settle for a plan or bank offering unfavorable terms. A good broker, on the other hand, can negotiate sales, promotions, and benefits, saving tens of thousands of shekels over the course of the years of the mortgage.

9

How do you cover your costs?

Our brokers work for just a bit over minimum wage. Whereas businesses require a non-competition clause, I allow and even encourage them to work on the side, using our software, hardware, and so on, to supplement their income. If they can get a client or two on their own, I have no problem with that. We've subsidized the setup, training, and shortfall over the years. Revenues now cover about 90 percent of the costs, over \$100,000 in total. I receive nothing — this is a nonprofit, and I'm not salaried.

6

What should everyone know before applying for a mortgage?

Mortgages in Israel are complicated. They're not off-the-shelf products, and slight differences in rates and terms can have a large effect on the overall cost of borrowing over the life of a two-decade policy. In Israel, a mortgage is more than how much you pay per month or in total — each mortgage is made up of several independent ones, almost like a mortgage portfolio. It allows greater flexibility and optimization, but it makes choosing the right mix and rates complicated. Different indexing options have different rewards and risks and consequences. A professional knows to distribute the risks through a combination of plans. Sometimes a broker offers an attractive package — low monthly payments, immediate time frame — but it's poorly linked to indices that will likely turn against the client.

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How do you find your brokers?

We wanted top quality, so we hired the best trainer we could find to give his most comprehensive training course. We accepted the best applicants for it, and we hired the very top of the graduating class. Then we hired a highly capable and experienced broker, and we asked him to create an internship for several months, where he worked with the interns on every case. He and the original trainer were supervisors until they could both assure me our brokers were top quality. I also received feedback from banks they worked with.



10

Is there something you wish people knew?

Use a reliable professional broker *l'chatchilah!* So much is at stake; you're signing a complex document involving hundreds of thousands of dollars and agreeing to complicated terms that expose you to all sorts of risks, handed to you by a bank clerk with a strong oppositional profit interest — you can't just sign blindly and hope for the best.