

E-Business Proposal for:



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Team X

EMKT 460 Assignment 1-1-6

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TABLE OF CONTENTS

EXECUTIVE SUMMARY (J. MCCUTCHEON, CEO)	1
HIGHLIGHTS (J. MCCUTCHEON, CEO).....	2
OBJECTIVES (J. MCCUTCHEON, CEO)	2
KEYS TO SUCCESS (J. MCCUTCHEON, CEO)	2
RISKS (J. MCCUTCHEON, CEO)	3
MARKET ANALYSIS SUMMARY (S. BRANDON, CMO)	3
SITUATION ANALYSIS (S. BRANDON, CMO)	3
<i>Overall Objectives and Mission Statement (S. Brandon, CMO)</i>	3
<i>History of the Company (S. Brandon, CMO)</i>	4
MARKET SEGMENTATION (S. BRANDON, CMO)	4
<i>Competition (S. Brandon, CMO)</i>	4
<i>Demographic Trends and Target Audience (S. Brandon, CMO)</i>	5
MARKET NEEDS ANALYSIS (S. BRANDON, CMO)	6
<i>Environmental Analysis (S. Brandon, CMO)</i>	6
<i>Trends and Statistics (S. Brandon, CMO)</i>	6
<i>Competition and Buying Analysis (S. Brandon, CMO)</i>	7
<i>Differentiation (S. Brandon, CMO)</i>	7
CAPITALIZING ON TECHNOLOGY (S. BRANDON, CMO)	8
WEBSITE STRATEGY (J. GLASS, CIO)	9
<i>Web Plan Summary (J. Glass, CIO)</i>	9
<i>Business Model (J. Glass, CIO)</i>	9
WEBSITE DEVELOPMENT REQUIREMENTS (J. GLASS, CIO)	9
<i>Front End (J. Glass, CIO)</i>	9
<i>Backend (J. Glass, CIO)</i>	9
<i>Traffic Forecast (J. Glass, CIO)</i>	10
STRATEGY AND IMPLEMENTATION	10
<i>Competitive Edge (J. Glass, CIO)</i>	10
WEBSITE MARKETING STRATEGY (S. BRANDON, CMO)	10
<i>Approaches to Implement Objectives (S. Brandon, CMO)</i>	10
<i>Marketing Action Plan (S. Brandon, CMO)</i>	11
<i>Marketing Promotional Plan (S. Brandon, CMO)</i>	11
<i>Legal and Ethical Concerns (S. Brandon, CMO)</i>	12
FINANCIAL ANALYSIS (J. BERRY, CFO & A. HAGANS, CFO)	13
<i>Startup Funding (A. Hagans, CFO)</i>	13
<i>Important Assumptions in the Financial Plan (J. Berry, CFO)</i>	14
PROJECTED PROFIT AND LOSS (J. BERRY, CFO).....	15
<i>Planned Monthly Profit (J. Berry, CFO)</i>	16
PROJECTED BALANCE SHEET (J. BERRY, CFO & A. HAGANS, CFO)	16
BREAK EVEN ANALYSIS (J. BERRY, CFO).....	17
CONTROLS (J. MCCUTCHEON, CEO)	18
IMPLEMENTATION MILESTONES (J. MCCUTCHEON, CEO)	19
CONTINGENCY PLAN (J. MCCUTCHEON, CEO)	20
REFERENCES	21
REFERENCES	22
REFERENCES	23

Table of Figures

FIGURE 1: HIGHLIGHTS (J. MCCUTCHEON, CEO)	2
FIGURE 2: U.S. CENSUS BUREAU REPORT BY LENDER (S. BRANDON, CMO)	4
FIGURE 3: PROFILE OF HOMEBUYERS (S. BRANDON, CMO)	5
FIGURE 4: STARTUP FUNDING (A. HAGANS, CFO)	14
FIGURE 5: TABLE-GENERAL ASSUMPTIONS (J. BERRY, CFO)	15
FIGURE 6: PROFIT AND LOSS STATEMENT (J. BERRY, CFO)	16
FIGURE 7: PLANNED MONTHLY PROFIT (J. BERRY, CFO)	16
FIGURE 8: BALANCE SHEET (J. BERRY, CFO & A. HAGANS, CFO)	17
FIGURE 9: BREAK-EVEN ANALYSIS (J. BERRY, CFO)	18
FIGURE 10: IMPLEMENTATION MILESTONES (J. MCCUTCHEON, CEO)	19

Executive Summary (J. McCutcheon, CEO)

Homestyle Lending is a full-service mortgage lender offering home financing to primarily 25-34 year old first-time homebuyers with average to below average credit. In addition, Homestyle Lending services those relocating to the area (Raleigh, NC) and borrowers who have ARM mortgages with competitors.

Already established as a thriving brick-and-mortar company in Raleigh, NC for the past five years, Homestyle Lending will attempt to reach a broader customer base by offering online mortgage loans. First-time homebuyers are a generally young, computer savvy segment that desire online access to mortgage products that are safe, reliable and competitive. It is Homestyle Lending's goal to meet this growing demand.

Homestyle Lending provides added value to existing and potential customers by offering a skilled credit-counseling department that will be available to e-business customers free of charge. Customers will be able to work with credit counselors in an online chat room, by email or by phone. This allows Homestyle Lending to build lasting relationships with customers and mitigate some of the risk that accompanies working with first-time homebuyers with below average credit.

To further entice Homestyle Lending's online customers, a free identity theft software program will be available for download from the website.

An aggressive print and online advertising campaign will ensure Homestyle Lending's online mortgage website is discovered and remembered by existing and potential customers. The marketing campaign will position Homestyle Lending as the trustworthy mortgage lender that offers the lowest rates for first-time homebuyers with average to below average credit.

To accomplish the above-mentioned goals, Homestyle Lending will need to secure financing in the amount of \$963,800. This amount is needed to cover the direct costs of salaries, website and equipment set-up, along with operational expenses including advertising and promotions for the first two years of operation. By the end of year two, Homestyle Lending's CFOs estimate net profits of \$20,100,000, enabling repayment of the amount borrowed plus 10% interest *and* self-sufficiency.

Highlights (J. McCutcheon, CEO)

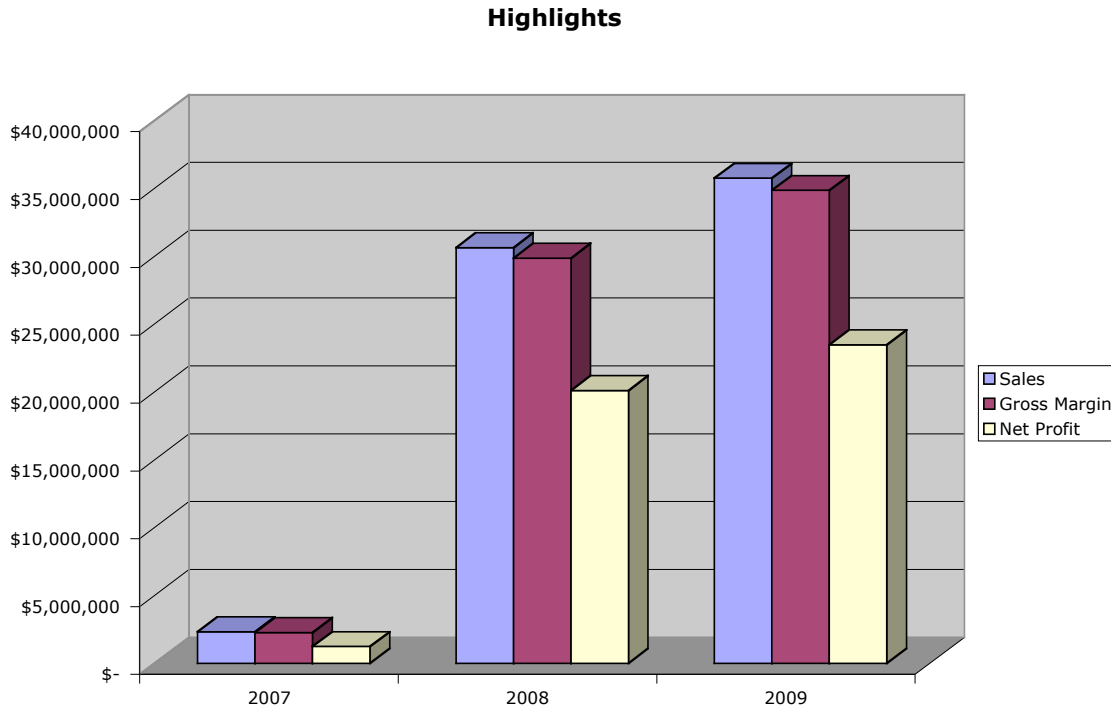


FIGURE 1: HIGHLIGHTS (J. MCCUTCHEON, CEO)

Objectives (J. McCutcheon, CEO)

Homestyle Lending's objectives for the first three years of operation include the following:

- Expand an already successful mortgage company by introducing an e-commerce component.
- Provide reliable, competitive and safe mortgage loans to first-time homebuyers with average to below-average credit.
- Become known as the trustworthy online mortgage lender in the Raleigh, NC area and beyond.
- Recoup and repay the \$963,800 borrowed plus interest to investors.

Keys to Success (J. McCutcheon, CEO)

- Broaden client base and raise profits by offering an online component to an already successful business.
- Provide free identity theft software for download from a secure website.

- Offer credit counseling free of charge to existing and potential customers with below average credit.
- Become known as the trustworthy mortgage lender with the best interest rates and service for first time homebuyers.

Risks (J. McCutcheon, CEO)

- Will interest rates remain low for the next three years?
- Will customers feel comfortable entering their personal information into an online mortgage application?
- Will competing mortgage companies launch an online component that targets first-time homebuyers with less than average credit?

Market Analysis Summary (S. Brandon, CMO)

Situation Analysis (S. Brandon, CMO)

Overall Objectives and Mission Statement (S. Brandon, CMO)

Homestyle Lending is a full-service mortgage lender providing a variety of home financing products to borrowers. Homestyle Lending's strategies and systems are linked and coordinated to give marketing a competitive advantage in the local mortgage marketplace. The E-Commerce web site marketing objectives are to communicate as a trustworthy mortgage provider for first time homebuyers and to achieve high levels of customer satisfaction through building lasting customer relationships thereby leveraging referral business. Good professional personal service combined with technological productivity and competitive market rates have been the market differentiators.

Homestyle Lending seeks to build a growing, profitable financial service business through the proper application of online market segmentation and distribution. The consumer mortgage industry is extremely competitive with many companies offering similar products to potential customers. Proper customer selection and qualification will become the focus of market communications. Branding Homestyle Lending as the great service, low cost provider of mortgage products will enable successful market penetration.

Marketing consumer mortgage products through E-Commerce is constrained in three major areas:

1. Risk identification and quantification,
2. Technology enhanced communications and
3. Customer education and acquisition.

History of the Company (S. Brandon, CMO)

Homestyle Lending, based out of Raleigh, N.C, is an established brick-and-mortar company with experience in mortgage market lending for the past five years. Although smaller than the competition, Homestyle Lending has experienced professionals to run the business and make sound, wise credit decisions. Homestyle Lending's counseling department creates added value with programs available through the e-business web site for potential first time home buyers, those relocating into the area, and borrowers who currently have ARM mortgages with competitors. With competitively priced products, Homestyle Lending can compete with professional, enhanced e-business model, delivering better, personal service and customer relationships. This unique competence to take care of customers first, while offering competitively priced mortgages, gives a local competitive edge by actually meeting customers' needs.

Market Segmentation (S. Brandon, CMO)

Competition (S. Brandon, CMO)

The competitors for Homestyle Lending include larger mortgage companies, commercial banks, and savings and loans. The break down between the loans for residential 1 to 4 family home units major lending entities taken from the US Census Bureau for Banking, Finance and Insurance is in the chart below:

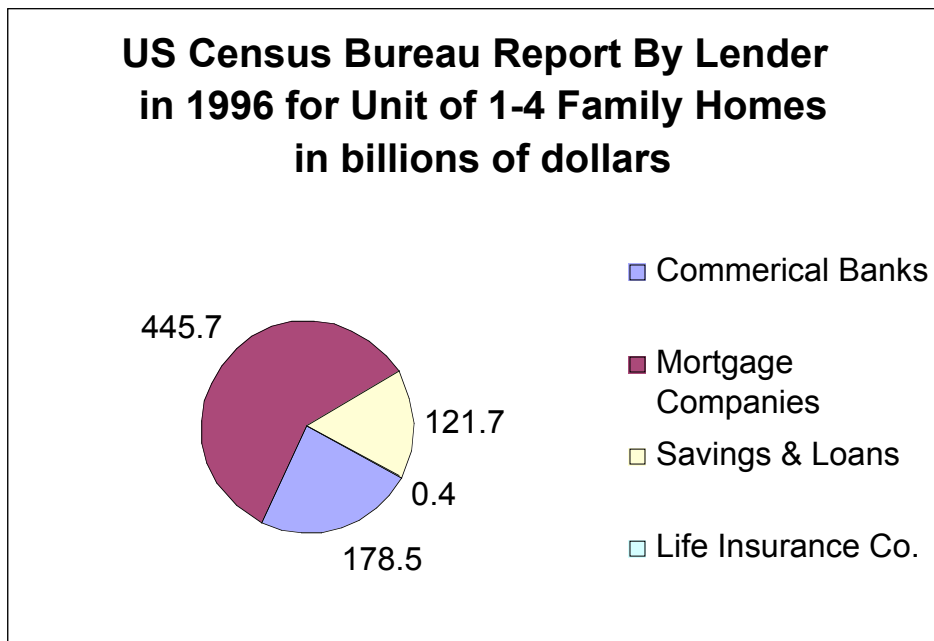


FIGURE 2: U.S. CENSUS BUREAU REPORT BY LENDER (S. BRANDON, CMO)

Mortgage companies were the largest with 60% of the market share, as compared to commercial banks with 24% and savings and loans with almost 16%. *RealtyTimes* columnist David Reid concludes, “These numbers have changed over the years. The big winners have been mortgage companies which now dominate the marketplace” (2001, ¶2). The difference between commercial banks and savings and loans, as compared to mortgage companies, is the ability to sell savings and checking accounts. However, mortgage companies have the advantage of specializing in lending only due to the ability to shop for rates by lending money from other sources (Reid, 2001). Therefore, Homestyle Lending can compete in the mortgage market with access to money at a lower cost.

Demographic Trends and Target Audience (S. Brandon, CMO)

Homestyle Lending’s strategy identifies qualified first-time home buyers now able to purchase their American dream at a cheaper price and with more choices. A US Census Bureau study from the National Association of Realtors shows that the largest age category for first time home buyers is from 25 to 34 years of age or 54% of this population base. This was based on a survey of consumers who bought a home between August 2003 and July 2004 and is presented in the chart below (U.S. Census Bureau, 2004).

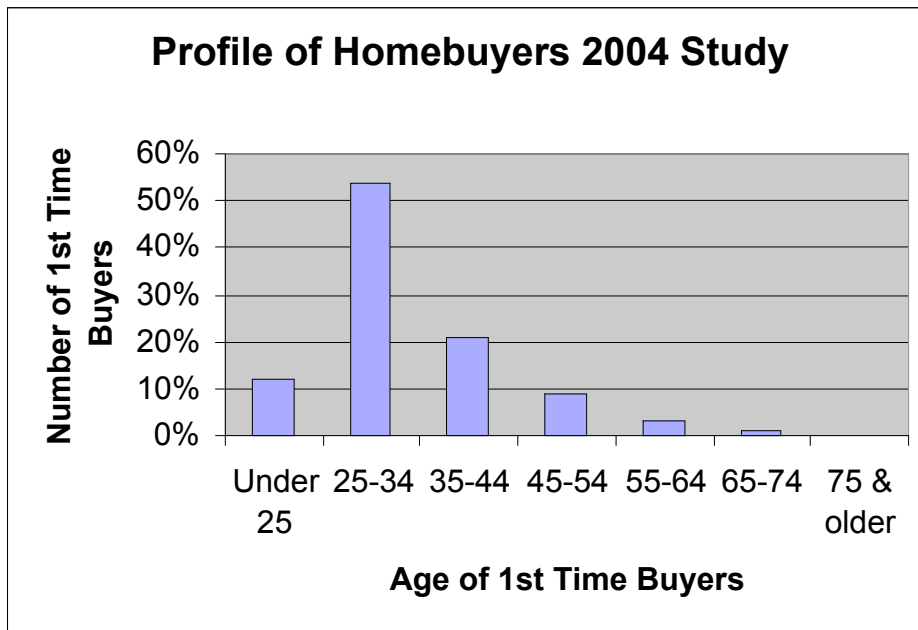


FIGURE 3: PROFILE OF HOMEBUYERS (S. BRANDON, CMO)

According to the NC Census, Wake County’s 2006 population estimate is 789,522 and 54% are between the ages of 25 to 34 totaling 424,721 people (U.S. Bureau of the Census, n.d). The Bureau of Labor Statistics documented that 49% of people between the ages of 25 to 34 own homes (New Star Mortgages, n.d.). This would be a population estimate of 208,113. Using the chart above, if 54% are first-time home buyers that would equate to 112,381 first time home buyers in Wake County for 2006.

In determining the customer base for Homestyle Lending, a study between the populations of Wake County, NC, compared to first time homebuyers, along with the percent of market share for mortgage lenders was conducted. As stated earlier, the market share of mortgage companies is 60% as determined by a 1996 US Census Bureau Report of Lenders (See Chart in above). If Homestyle Lending, a smaller mortgage company, obtains at least 15% of the mortgage lender's market share for Wake County, the target market would be approximately 10,100 customers between the ages of 25 and 34.

Market Needs Analysis (S. Brandon, CMO)

Environmental Analysis (S. Brandon, CMO)

Homestyle Lending's service industry strategy addresses a plan for customer relationship development by looking at environmental threats. Environmental threats for the mortgage industry include turbulence or bad publicity, the competition, and changing customer needs. An overall picture of marketing in mortgage lending is important in understanding how to maximize profitability by incorporating E-Commerce in to the business plan to gain and maintain customer loyalty.

Mortgage lenders are being faced with many issues today, but the most publicized is the turmoil with sub prime lenders. As interest rates on sub prime ARM loans adjust higher in the coming year, many consumers may be stunned by monthly payments that double or even triple, causing financial stress. Also, real estate values declined in other markets because of over-saturation. As borrowers become distressed, they may not be able to use the equity by selling their home to pay off delinquent mortgage debt causing foreclosures to rise substantially. (Brenneman, 2007). For the past year Kurt Brenneman states, "According to the Mortgage Bankers Association, the delinquency rate for sub prime mortgages was a horrendous 14.82 per cent" (2007, ¶5). This turmoil will affect all mortgage lenders including the competition. Because this industry is cyclical there is a need to quickly devise new strategies and products in E-Commerce that enhance customer relationship development to combat this problem.

Trends and Statistics (S. Brandon, CMO)

The impact of E-Commerce in the lending industry for mortgage lenders is growing at a tremendous speed. Mortgage loans transacted online have grown from \$4.2 billion in 1998 to \$45 billion in 2001 and were expected to grow to \$180 billion in 2005 (Kleindl, 2003). This number is going to continue to increase as more and more consumers do business online in the future. Consumers' personal information must be collected and transmitted online in order to provide real-time processing of loans through email and secure web pages.

Ensuring applicants' data integrity to meet regulatory requirements not only limits liabilities, but serves as a starting point in communicating Homestyle Lending's integrity, reputation, and genuine concern to serve customers. According to the TriCipher Consumer Online Banking Study, conducted by Javelin Strategy and Research, 150 million consumers prefer not to bank online for fear of identity theft (TriCipher Press Release, 2007). This survey also states that "When asked if they would download identity protection software from their financial institution, 62%, or 102 million, consumers said that they would be likely to do so" (TriCipher Press Release, 2007, ¶5). Consumer education is a value added service that will enhance trust and loyalty for Homestyle Lending. Deena Amato-McCoy notes, "Consumers are willing to take extra steps to protect their identities, but they do not want to pay extra for these services" (2007, ¶5). Customers need to feel comfortable with Homestyle Lending's online processes in order to increase usage.

Competition and Buying Analysis (S. Brandon, CMO)

Differentiation (S. Brandon, CMO)

Profitability can be enhanced through increased number of potential customers utilizing the online site to apply. Homestyle Lending will apply web advertising, search keyword purchases, direct mail and permission based email promotions to targeted markets. Attracting users is the first step. Developing and maintaining a user friendly web site has to be designed to keep customers once they start the process. Homestyle Lending's online site will be constantly monitored for usability, tracking time on site, page flow, and data accuracy for customer friendliness.

Additionally, profitability can be enhanced through choosing those customers that meet the profile of a target customer. Proper training of customer relationship personnel will enable a professional sales oriented follow up to applications, especially those potential customers identified as being part of the target market through the selection of better financial risk variables and identifiers. Personal attention should increase closing ratios for that market segment. The vital relationship between risk management and profitability will be maintained by an internal risk management team. As Abheer Arte states, "Due diligence with respect to financial institutions requires organizations put forth an effort to confirm all material facts in regards to a transaction are accurate" (Arte, 2006, ¶7). Information access and modification must ensure confidential data transaction. Statistical analysis along with due diligence procedures will not only select lower risk, more profitable customers, but also perform fraud detection and data protection thereby limiting operational liabilities.

Real-time processing of loans through secure email and web pages seems pretty straight forward and inexpensive. Integrating proper market management helps identify target customers, improve closing ratios and enhance customer communications and service. This quality of service adds to the lifetime value attributable to Homestyle Lending, attaining customer trust and loyalty, thereby building and maintaining a profitable market share.

Capitalizing on Technology (S. Brandon, CMO)

Using state of the art encryption technology is an area where Homestyle Lending stands out. It is important to understand that “VeriSign encryption technology, which is widely implemented for the banking industry, typically includes three elements to ensure secure online transaction: Secure Locket Layer (SSL), Digital Certificate, and Access Control” (Arte, 2006, p.4). All of these elements work together to retain confidentiality and integrity during the transferring of private information. It is imperative customers can feel comfortable knowing the encryption process using state of the art technology and a proper regulatory framework is in place at Homestyle Lending.

Customers need to feel comfortable with Homestyle Lending’s online processes. A free identity software program available from Open Source would be another option that would not involve a direct cost to Homestyle Lending, but would give customers reasonable assurance of protection to be coordinated with the IT department and the VeriSign Identity Protection software.

It is important to offer this target market more than just competitive mortgage rates and programs on the website. Homestyle Lending’s website marketing strategy enhances customer relationships by creating a web-based office. Timing is essential in getting to the prospective home buyer first. An attractive, informative, easy to use online presence will attract the more technical savvy young target market. Brad Kleindl, author of *Strategic Electronic Marketing* notes, “More important than rewards is the overall customer experience with the e-business and its site” (2007, p. 203). Homestyle Lending’s web applications will identify and qualify customers collecting relevant information. Communicating specific mortgage financing and home buying information will enable the customer to have a better understanding of their specific requirements, helping them make the right home purchase. They will appreciate being able to apply online and gather needed information about the mortgage process. They can interact with quality professionals personally or through email and a company blog at their own convenience. The professional personal service of Homestyle Lending will always be there for them, helping them keep their home for as long as they want to keep it. Knowing that they have a company to look out for their needs creates a closer customer relationship and a higher lifetime value.

With an experienced team of professionals leveraging these website tools to benefit home buyers, Homestyle Lending cannot only gain new customers, but retain them by being there for them at their convenience. Homestyle Lending’s willingness to put the customer first while using innovative technologies will sustain a competitive advantage and gain customer loyalty.

Website Strategy (J. Glass, CIO)

Web Plan Summary (J. Glass, CIO)

The primary HomeStyle Lending strategy is to build a user friendly destination website. The marketing of the site will be built around the ease of application and home buyer information that the site will offer. Although our competitors have websites, most of their sites are complicated and offer little real information. We will build our site around simplicity and quality information.

Business Model (J. Glass, CIO)

Our business model is based on the sales of our mortgage packages over the website. Because the site is also intended to increase lending awareness and first time buyer awareness, we are building for high traffic. Our model requires giving users an excellent experience and to develop trust to increase mortgage applications.

Website Development Requirements (J. Glass, CIO)

Front End (J. Glass, CIO)

Because HomeStyle's target customers are first time buyers in the 25-34 year range, we have the luxury of using the latest technologies to impress the visitors with excellent design and animation.

We will carry on the colorful and extremely well branded design of our company literature and logo - the decisions on basic aesthetics will not get in the way. The site will have a professional and intelligent design, taking the ad campaign into an interactive medium on the Web.

Backend (J. Glass, CIO)

The HomeStyle Lending site will be built on a three-tier structure. Driven by SQLTM servers and an IISTM Web server backed with bandwidth, the site will be coded mostly in ColdFusionTM and ASPTM. We will be taking our mortgage application databases live to be able to email lending, payment, and website updates to customers. We will offer customers the option to opt-out of this list.

The information architecture will be based on three fundamental arenas - the free valuable information arena, the product detail arena, and the mortgage application.

The mortgage application area will require a VerisignTM certificate.

The entire set-up will be somewhat costly. We will need three servers for Web hosting reasons. Two of the Web host servers will be serving traffic through ColdFusion™ and ASP™ in cluster, and the third will be a dedicated SQL™ server.

Traffic Forecast (J. Glass, CIO)

The traffic forecast is based on the population of the target market in the region, which is around 10,100 people, and downloadable software for various mortgage calculators and applications.

Strategy and Implementation

Competitive Edge (J. Glass, CIO)

Our greatest strength and competitive edge is the reputation and success of HomeStyle Lending. Through our website we will maintain our competitive edge. Our success will rely on providing our clients with accurate information, a homey, easy to navigate web site, and safekeeping of private information. We will also rely on our established brick-and-mortar reputation and client base.

Website Marketing Strategy (S. Brandon, CMO)

Approaches to Implement Objectives (S. Brandon, CMO)

Homestyle Lending is a full-service mortgage lender providing a variety of home financing products to borrowers. The e-commerce web site marketing objectives communicate Homestyle Lending's value as a trustworthy mortgage provider for first time homebuyers. A high level of customer satisfaction builds lasting customer relationships, creates goodwill, and welcomes word of mouth referral business.

Homestyle Lending offers first time home buyers services by using the hypermedia environment. Communication tactics consist of email marketing, web site development, and a customer relationship management program to attract young people. A proper mix of communication and promotional strategies, free and paid services, balance the E-Commerce business plan through utilizing the web site and email provisions in attracting and retaining first time homebuyers.

Marketing Action Plan (S. Brandon, CMO)

Homestyle Lending service benefits offered to first time home buyers entail using the hypermedia environment. These cost effective communication tactics consist of email marketing, web site development including professionally designed pages, and a customer relationship management program. By receiving permission from the customer, a responsive opt-in email list allows Homestyle Lending to build promotional mailings for company, home buying, and mortgage related communications. Sending a timely, colorful, informative newsletter maintains customer awareness. Quality email content can be readily forwarded to others in the market to buy a new house. Brad Kleindl states, "E-mail contact can act as a word-of-mouth marketing system that spreads rapidly from individual to individual" (2006, p. 84). Web site development for Homestyle Lending is a media that is creative, colorful, and easy to use to attract attention and to keep users on the site, not clicking away. Thinking outside-the-box, the web site does not convey traditional banking themes. Nancy Feig reveals that "According to Gartner, by 2012, 75 percent of banks will use Web 2.0 technologies in retail delivery, and social networking technologies will drive lucrative customer relationships" (2007, ¶ 4). Homestyle Lending's site contains fresh, up-to-date local content appealing to the younger market segment. Therefore, enabling blogging and instant messaging on the site allows the younger target group to use the new communication tools familiar to them. A question and answer blog, a frequently asked questions (FAQ) page, and an easy to use contact form are helpful in getting feedback from customers and hearing their opinions and ideas.

Marketing Promotional Plan (S. Brandon, CMO)

Homestyle Lending's web site promotion plan uses a combination of free and paid promotional ideas. The informational website provides a very low cost channel for promotional effort. Links placed on the site by local realtors, builders, insurance agents, or attorneys allows them to advertise on the web site in exchange for placing Homestyle Lending's link on their sites. This form of communication builds community respect and allows networking among fellow business people. Also, obtaining listings in free directories are helpful as well. John Rice states, "These web directories are good source of traffic - both through search engines and the visitors who search those directories for information" (Rice, 2007, ¶3).

Another free channel is publishing e-articles or press releases keeping the internet savvy users up-to-date on current issues in the financial world. "Many website publishers, newsletter editors or Ezine publishers are looking for quality articles" (Rice, 2007 ¶4). These articles on the Internet, as well as through traditional public relations channels, are essentially free advertising and allow more public exposure for Homestyle Lending.

The paid promotional tactics used by Homestyle Lending include regular print advertising to run in local newspapers, home buying guides, and financial magazines in the Raleigh, North Carolina area. Every ad includes the Homestyle Lending web and email address, in addition to the mailing address, phone and fax number. A simple, straight forward mortgage planning software can be either downloaded or emailed to prospective customers. The contact information retrieved in exchange for the "free" software is used to initiate the sales process

through the customer relationship management program (CRM). CRM allows detailed tracking and follow-up with customers and prospective customers alike, no matter whom at Homestyle Lending talks to them. Data gathered in this process enables adjustments in the marketing program as warranted.

Another promotional tactic to target traffic to the web site is to use search engines, industry focused directories, and trade group web sites. Ensuring that keywords are used throughout the content on the web write, correctly submitting the site information to the top search engines, and buying specific keyword click through placements assures market specific traffic to the site. Top major search engine optimization increases qualified targeted traffic that in turn generates inquiries for loan applications.

Finally, the last area of e-business web site promotion uses alternative marketing methods. Maria Bruno-Britz notes, “John Armstrong, banking partner and senior consultant with IBM says there are implications with regard to where banks need to put their focus-more on people than technology” (2006, ¶10). Because our primary market is first time home buyers, specialty items such as pencils, ink pens, and brochures are distributed to all the local realtors and home builder associations to be given as handouts when customers arrive to talk to them. As youth teams or charity events warrant donations or sponsorships, the web address used on signs and programs keeps Homestyle Lending’s information in front of the community. Familiarity is the key to encouraging use of the web site so first time home buyers can become lifetime customers.

Legal and Ethical Concerns (S. Brandon, CMO)

E-Commerce allows individuals and businesses to conduct business globally within the comfort of their home or business. Opportunities with E-Commerce through using hypermedia tools give the competitive edge in communications. However, with this competitive advantage, E-Commerce has associated risks being the new kid on the block. Some of the many legal and ethical issues facing Commerce users are copyright, trademark, privacy, and consumer protection.

Anyone wishing to establish a web site has to register for a domain name. The use of another user’s domain name is unethical. Legal and regulatory rules and disclosures exist, which are sometimes ignored if two or more parties have the same name or trademark and it is difficult to protect corporate identities on the Internet. Therefore, Homestyle Lending has adhered to the rules and taken steps necessary to obtain a registered domain for the web site. The web site displays terms and conditions within the site, including privacy policies and procedures.

Identity theft is a major problem in the E-commerce banking environment; however, Homestyle Lending procedures coordinated with state of the art encryption technology, along with a proper regulatory framework, ensure a safe environment. James Warholic concludes, “It will become more difficult to figure out who you can trust online; with all the unethical, illegal, and Internet marketing and online advertising frauds and Ebusiness email scams” (n.d., ¶ 4). Providing customers reasonable assurance of protection is imperative for Homestyle Lending.

The information system infrastructure including a firewall, encryption, and authentication enables a virtual private network and the ability to detect internal and external attacks. Periodical tests are planned to insure systems are working properly and securely (Geiger & Wegman, n.d).

Homestyle Lending’s legal strategies include making sure all legal and regulatory issues and disclosures are in compliance in the E-Commerce business plan. Employing an attorney or consultant to make sure all materials comply with state and federal laws and regulations allows for developing a successful marketing strategy. With an E-Commerce business plan, internet marketing has many of the same legal issues as with brick-and-mortar companies. Anna Caldwell reveals, “If a firm has been able to gain the confidence of the consumer through demonstrated fair practices, the same level of confidence should be imputed to the e-transaction” (2005, ¶ 4). As always, Homestyle Lending’s goal is to take the policies and procedures developed and then monitor implementation. User access restrictions must be adhered to by following procedures. Homestyle Lending’s legal strategies are designed to protect company integrity, reputation, and consumer safety.

Understanding laws that govern E-Commerce and identifying ethical issues that may occur allow Homestyle Lending to compete with the best. Identifying and monitoring procedures for security, encryption, and authentication provide assurance security measures are properly defined for the safety of customer privacy on the web. Identifying risks, setting procedures, and monitoring implementation is important in a competitive E-Commerce environment to aid in building lasting customer relationships.

Financial Analysis (J. Berry, CFO & A. Hagans, CFO)

In order to show possible projected revenue we have a completed a report showing tables, charts, and planned statistical data. The financial part of this plan will show you the large returns on investment that are expected from the success of Home Style Lending.

Startup Funding (A. Hagans, CFO)

This budget was put together to obtain funding in the amount of \$963,740 for Homestyle Lending. With approved financing, we will be able to open an office in northern Raleigh, N.C. and begin servicing customers looking for their first mortgage in early Q1 2008. Given the current real estate lending market, we are assuming that the total amount financed (long term), will be paid back prior to the loan maturity date given. Approximately _ of the monies requested are available as cash assets beginning January 1, 2008.

Start-up Funding

<u>Start-up Funding</u>	
Start-up Expenses to Fund	\$896,260
Start-up Assets to Fund	\$274,560
<hr/>	

Total Funding Required	\$1,170,820
<u>Assets</u>	
Non-cash Assets from Start-up	\$24,000
Cash Requirements from Start-up	\$256,000
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$256,000
<hr/>	
Total Assets	\$280,000
<u>Liabilities and Capital</u>	
Liabilities	
Current Borrowing	\$301,798
Long-term Liabilities	\$489,022
Accounts Payable	\$0
Other Current Liabilities	\$100,000
<hr/>	
Total Liabilities	\$890,820
<u>Capital</u>	
Planned Investment	
Building	\$37,000
Equipment	\$54,320
Routing Services	\$3,000
Additional Investment Requirement	\$26,500
<hr/>	
Total Planned Investment	\$120,820
<hr/>	
Loss at Start-up (Start-up Expenses)	(45,400)
<hr/>	
Total Capital	(2,500)
<hr/>	
Total Capital and Liabilities	\$1,011,640
<hr/>	
Total Funding	\$963,740

FIGURE 4: STARTUP FUNDING (A. HAGANS, CFO)

Important Assumptions in the Financial Plan (J. Berry, CFO)

- We assume a strong economy, without a recession.
- We assume that no laws will change to interfere with the mortgage loan market as we see it now
- We base interest rates, tax rates, and personnel burden on conservative assumptions.

Table: General Assumptions

General Assumptions

	2007	2008	2009
Short Term Interest Rate%	7.5%	7.5%	8.5%
Long Term Interest Rate%	7.5%	7.5%	8.5%
Tax Rate%	30%	30%	30%
Expenses in Cash	7.5%	7.5%	8.5%
Personnel Burden%	20%	20%	20%

FIGURE 5: TABLE-GENERAL ASSUMPTIONS (J. BERRY, CFO)

Projected Profit and Loss (J. Berry, CFO)

Our projected profit and loss is shown in the following chart and table, with sales increasing from 2.32 million the first year to more than 35 million in the third year, and substantial profits even in the start-up phase of the business.

Table: Profit and Loss (Planned)

	2007	2008	2009
Sales	\$2,325,000	\$30,625,000	\$35,750,000
Direct Cost of Sales	\$57,000	\$765,000	\$892,500
Other Production Expenses	\$0	\$0	\$0
Total Cost of Sales	\$57,000	\$765,000	\$892,500
Gross Margin	\$2,268,000	\$29,860,000	\$34,857,500
Gross Margin %	97.5%	97.5%	97.5%
Operating Expenses:			
Advertising/Promotion	\$52,000	\$105,000	\$220,000
Travel	\$2,500	\$5,000	\$8,000
Miscellaneous	\$7,500	\$8,000	\$9,000
Payroll Expense	\$340,000	\$850,000	\$910,000
Depreciation	\$2,500	\$5,000	\$5,000
Website	\$50,000	\$100,000	\$100,000
Utilities	\$7,500	\$15,000	\$17,500
Insurance	\$1,200	\$2,500	\$3,000
Rent	\$34,000	\$40,000	\$40,500
Contract/Consultants	<u>\$5,000</u>	<u>\$15,000</u>	<u>\$22,000</u>

Total Operating Expenses	\$502,000	\$1,145,500	\$1,335,000
Profit Before Interest and Taxes	\$1,766,000	\$28,714,500	\$33,522,500
Interest Expense Short-Term	\$0	\$0	\$0
Interest Expense Long-Term	\$0	\$0	\$0
Taxes Incurred	\$529,800	\$8,614,350	\$10,057,750
<u>Extraordinary Items</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Profit	\$1,236,200	\$20,100,150	\$23,464,750
Net Profit/Sales	53.16%	65.63%	65.63%

FIGURE 6: PROFIT AND LOSS STATEMENT (J. BERRY, CFO)

Planned Monthly Profit (J. Berry, CFO)

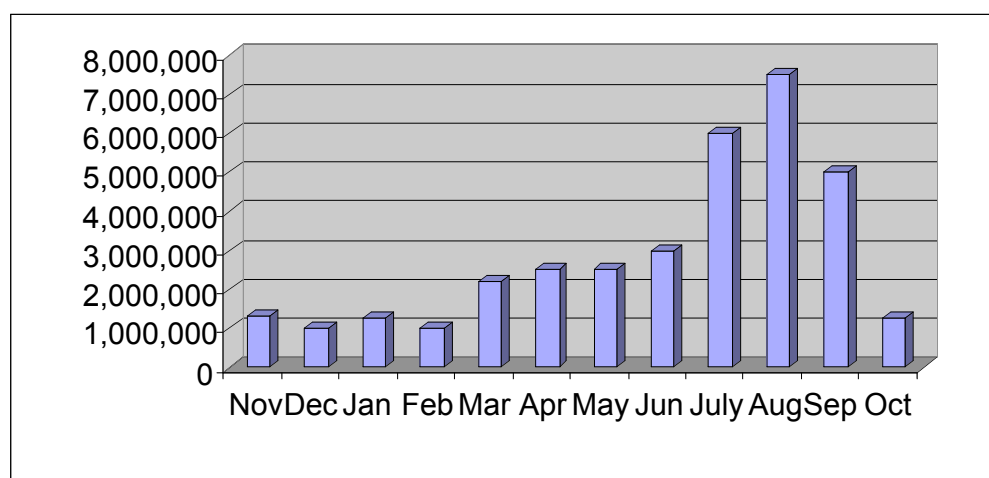


FIGURE 7: PLANNED MONTHLY PROFIT (J. BERRY, CFO)

Projected Balance Sheet (J. Berry, CFO & A. Hagans, CFO)

The Following table shows managed but sufficient growth of net worth, and sufficiently healthy financial position.

Table: Balance Sheet (Planned)

Assets	2007	2008	2009
<u>Short-term Assets</u>			
Cash	\$348,750	\$4,593,750	\$5,362,500
Other Short-term Assets	\$0	\$0	\$0

Total Short-term Assets	\$348,750	\$4,593,750	\$5,362,500
<u>Long-term Assets</u>			
Long-term Assets	\$0	\$0	\$0
Accumulated Depreciation	\$2,500	\$5,000	\$5,000
<u>Total Long-term Assets</u>	<u>(\$2,500)</u>	<u>(\$5,000)</u>	<u>(\$5,000)</u>
Total Assets	\$346,250	\$4,588,750	\$5,362,500
<u>Liabilities and Capital</u>			
	2007	2008	2009
Accounts Payable	\$35,000	\$125,000	\$185,000
Current Borrowing	\$0	\$0	\$0
Other Short-term Liabilities	\$0	\$0	\$0
Subtotal Short-term Liabilities	\$35,000	\$125,000	\$185,000
<u>Long-term Liabilities</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Liabilities	\$35,000	\$125,000	\$185,000
Paid in Capital	\$100,000	\$100,000	\$100,000
Retained Earnings	\$125,000	\$4,350,000	\$6,450,000
<u>Earnings</u>	<u>\$1,236,200</u>	<u>\$20,100,150</u>	<u>\$23,464,750</u>
Total Capital	\$1,461,200	\$24,550,150	\$30,014,750
<u>Total Liabilities and Capital</u>	<u>\$1,496,200</u>	<u>\$24,675,150</u>	<u>\$30,014,750</u>
Net Worth	\$1,461,200	\$24,550,150	\$30,014,750

FIGURE 8: BALANCE SHEET (J. BERRY, CFO & A. HAGANS, CFO)

Break Even Analysis (J. Berry, CFO)

The following chart and table summarize our Break-even Analysis. With fixed costs of \$3,958.34 per month at the bare minimum, we need to bill \$4,150 to cover our cost.

Table: Break-even Analysis

Break-even Analysis:

Monthly Units Break-even	23
Monthly Sales Break-even	\$4,150

Assumptions:

Average Per-Unit Revenue	\$206.52
Average Per-Unit Variable Cost	\$34.42
Estimated Monthly Fixed Cost	\$3,958.34

Break-even Analysis

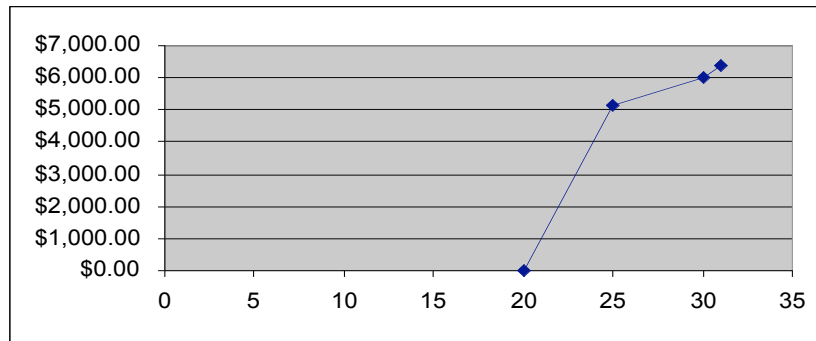


FIGURE 9: BREAK-EVEN ANALYSIS (J. BERRY, CFO)

Monthly Break-even Point

Break-even point = where line intersects with \$0

Controls (J. McCutcheon, CEO)

The purpose of this business plan is to detail the strategies and marketing plans that will position Homestyle Lending's e-commerce business as the trustworthy mortgage lender for first time homebuyers. This plan also outlines what Homestyle Lending needs to accomplish to achieve a website launch in March of 2008.

Possible marketing obstacles to this plan include:

- Branding Homestyle Lending as the first choice mortgage company for first-time homebuyers seeking an online mortgage loan.
- Overcoming security fears that potential customers face while entering personal information through the Homestyle Lending website.
- Making known the free credit counseling, free identity theft software and top-notch service Homestyle Lending will provide to online customers.

Homestyle Lending will use the aggressive marketing plan detailed in this report to overcome the above possible obstacles. By following this plan, meeting the projected sales goals outlined within this report should be obtainable by the second year in operation.

Implementation Milestones (J. McCutcheon, CEO)

The implementation milestones chart below outlines the deadlines Homestyle Lending must meet to successfully launch a new website by March of 2008. The table also includes the budget for each milestone as provided by the CFOs. The manager to which each milestone is assigned has responsibility for meeting the deadlines and staying within the budget amounts seen below. Homestyle Lending will evaluate the status of each of the following milestones on a weekly basis until the launch of the website is complete.

Milestones

	Start Date	End Date	Budget	Manager
Setup Servers				
Purchase and Set-up Coldfusion, ASP & SQL	1/1/08	1/7/08	\$7,300.00	CFO, CIO
Build Web Site				
Design site layout	1/1/08	1/15/08	\$0.00	CIO, CEO, CMO
Write Web content	1/1/08	2/1/08	\$0.00	CMO, CEO
Set up Domain Name	1/1/08	1/5/08	\$30.00	CIO
Process Online Payments				
Set-up Merchant Account for ACH Processing	1/1/08	2/1/08	\$200.00	CFO
Review and De-Bug Website				
Check all Links and Re-Route as needed	2/1/08	3/1/08	\$0.00	CIO
Review all coding for accuracy	2/1/08	3/1/08	\$0.00	CIO
Search Engine and Directory Registration				
Register with Google	2/1/08	2/7/08	\$0.00	CIO, CMO
Register with Yahoo (Comm. Paid Directory)	2/1/08	2/7/08	\$300.00	CIO, CMO
Register with The Open Directory Project	2/1/08	2/7/08	\$0.00	CIO, CMO
Register with other Misc. Directories	2/1/08	2/7/08	\$0.00	CIO, CMO
Search Engine Optimization				
Request reciprocal links w/ compl. Websites	2/25/08	3/1/08	\$0.00	CIO, CMO
Include In-bound links to popular directories	2/25/08	3/1/08	\$0.00	CIO
Format metatags, alt. Text, titles & headers w/ repeated keywords	2/25/08	3/1/08	\$0.00	CIO
Register with Google Analytics	2/25/08	3/1/08	\$0.00	CIO
Write & Submit editorials to compl. Websites	2/25/08	3/1/08	\$0.00	CIO, CMO
Promote Website				
Print Advertisements	1/1/08	4/1/08	\$16,250.00	CMO
Online Advertisements (pay-per-click)	3/1/08	6/1/08	\$11,900.00	CIO, CMO
TOTALS			\$ 35,980.00	

FIGURE 10: IMPLEMENTATION MILESTONES (J. MCCUTCHEON, CEO)

Contingency Plan (J. McCutcheon, CEO)

While this plan predicts market success, Homestyle Lending is prepared for the possibility of falling short, or exceeding the projections outlined in this report.

Homestyle Lending has considered and planned for the following possible scenarios:

Revenues exceed projections – In this case Homestyle Lending will increase the marketing budget accordingly and strive for an even larger market share.

Revenues fall short of projections – If this happens Homestyle Lending will continue to spend the same amount marketing the online component of the business. Reducing the marketing budget will not be an option as Homestyle Lending plans to gain and hold the attention of potential and existing customers. Instead, the executive officers, Jenny McCutcheon, CEO, Sherri Brandon, CMO, Joseph Glass, CIO, John Berry, CFO and Antoine Hagans, CFO have agreed to reduce their salaries by up to 15%. If more funds are needed after this, a request for additional capital funding from shareholders will occur.

The sub-prime market dries up – Homestyle Lending realizes that this is currently the case in many areas nationally, however research from our CMO has revealed that there are locations, such as Wake County, NC where Homestyle Lending's target market is still vibrant. If the areas we target fail to produce the projected sales we anticipate, our program is flexible enough that we can always switch gears and target first time homebuyers with good credit.

While this section covers several possible scenarios, Homestyle Lending will continue to review and make changes to this plan as needed to ensure lasting success.

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