

# The Journal

Government & Community Affairs  
Monterey County Association of REALTORS

April 11, 2008

*Investing In Your Future....*

*Your Realtor Action Fund Dollars Work For You!*

*In today's Washington DC Capitol Weekly .....By Bill Swindell....From my friend on Capitol Hill....*

## **McCain Housing Plan Provides Boost To Proposals To Allow FHA Refinancing**

Democratic sponsors of a plan to allow the Federal Housing Administration to refinance up to 2 million at-risk subprime borrowers picked up an unexpected ally Thursday as they battle the Bush administration over their proposal: presidential candidate and Sen. **John McCain**, R-Ariz.

In an economic speech to small-business owners in Brooklyn, N.Y., McCain unveiled a plan to allow the FHA to refinance new loan guarantees for borrowers who face an interest-rate reset on their mortgage that will make them unaffordable.

Under his plan, a loan servicer would first have to write down the mortgage to near its current fair-market value and retire the debt. The borrower then could be eligible for an FHA-insured loan at a 30-year fixed rate. It would apply to only subprime borrowers who took out loans after 2005 and live in the home.

The McCain plan is not as expansive as proposals by Senate Banking Chairman **Christopher Dodd** or House Financial Services Chairman **Barney Frank** that aim to help up to 2 million at-risk borrowers and could cost up to \$20 billion. But it represents a break from the Bush administration with apparently broader eligibility, applying it to borrowers who are delinquent, in arrears, facing a reset or otherwise show they cannot afford their current loan.

"We will combine the power of government and the private sector to find immediate solutions for deserving American homeowners," McCain said.

In contrast, the administration announced Wednesday it would expand its FHA Secure program to serve an additional 100,000 homeowners. Such help would apply to borrowers with adjustable-rate mortgages who were late on three consecutive monthly payments within the last year; previously they were required to make their monthly payments until their teaser rates reset. Overall, 500,000 homeowners are expected to receive workouts with the changes.

"He is trying to split the difference between us and the Bush administration. He is not necessarily splitting the uprights here," grumbled one House Democratic aide.

McCain's plan does give the Democrats' plan more momentum, especially after the Senate voted 84-12 Thursday to pass its housing-stimulus package. Though not briefed on details, Dodd said he was pleased McCain was coming around to his way of thinking and noted that other Republicans, such as Sen. **Judd Gregg** of New Hampshire, have been receptive.

"No one knows where the bottom is in this problem. Until they have some sense of where the bottom is, they're going to be unwilling to unleash capital," Dodd said of the need for FHA to enter the marketplace.

Dodd and Frank have picked up confidence in recent weeks that their plans stand a good chance of passage, feeling that both Federal Reserve Chairman Bernanke and Treasury Secretary Paulson will ultimately accept their final agreement.

Frank intends to mark up his bill April 23, according to an aide.

The two Democrats have a slight difference in eligibility standards: Frank would require a borrower to have at least a 40 percent debt-to-income ratio, while Dodd does not.

Ellen Harnick of the Center for Responsible Lending said a 40-percent ratio was too burdensome because servicers already have other criteria to filter out those in need of restructuring, and such a level would leave little remaining income for other household expenses.

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The MCAR BORPAC Trustees were 100% correct in their endorsement and support of the candidates in the Carmel

Mayoral and City Council races. Carmel's voters handed Mayor Sue McCloud a record fifth term this week. Also, Ken Talmage and Karen Sharp were elected to full terms.

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### **The Pacific Legal Foundation's *At Issue***

The Federal Government works to take away your water rights - despite the 2006 PLF United States Supreme Court victory. *See link to full story below*

<http://www.mcar.com/PDF/WaterRights.pdf>

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### **Letter from Corral de Tierra Oaks Homeowners Association - *See link below***

<http://www.mcar.com/PDF/Landscaped.pdf>

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### **Articles of Interest**

#### **Mortgage Rates Hold Steady Chicago Sun-Times (04/11/08)**

The average interest on a **30-year, fixed** mortgage held **below the 6-percent** threshold for the fourth consecutive week as 30-year rates remained at **5.88 percent** this week, according to **Freddie Mac**. "Once again, mortgage rates held relatively steady this week amid release of subdued economic data," said Freddie Mac chief economist **Frank Nothaft**, who cited a government report on the number of jobs that were eliminated by businesses last month. There was little movement involving the other mortgage rates, as **15-year, fixed** loans held steady at **5.42 percent**, **five-year adjustable-rate** mortgages fell 0.03 percent to **5.56 percent** and **one-year ARMs** declined 0.01 percent to **5.18 percent**.

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#### **Lender-Owned Homes May Be Bargains, But They're Hard to Buy Investor's Business Daily (04/11/08) P. A8; Doler, Kathleen**

While many **investors and home buyers** view **real estate owned** (REO) properties as bargains, experts note that it is **difficult and time-consuming** to purchase a foreclosed home. **Jim Richman** of the Glendale, Calif.-based real estate and debt restructuring firm **Richman & Associates** says approval from secondary-market owners and private mortgage insurers are needed before lenders can unload foreclosed homes--a process that could take as many as **48 days**, with a month or two required for escrow. Richman believes the lengthy process is causing REO inventory to pile up, and he predicts the federal government will need to take action to reduce inventory. "All of these lenders are acquiring more and more property in their REO section, and they're taking reserves for that. But then they'll use up all their reserves and have no money to lend." Experts point out that prospective buyers must carefully craft an offer that is reasonable and complies with paperwork requirements, adding that they must also contend with the need for hefty escrow reserves to cover property damage and deal with delays caused by utility and homeowner's association liens.

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