



## A HOUSING RECOVERY PLAN TO REVIVE THE AMERICAN ECONOMY EFFECTIVE AND MEANINGFUL ACTION THAT WORKS FOR MAIN STREET

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### **The Problem:** *Falling home values are at the core of the current economic crisis.*

- Home prices and property values continue to dramatically decline across the country affecting hard-working Americans everywhere
- Americans are hesitant to buy homes now because they fear prices won't stabilize anytime soon
- Existing home inventory is nearing an all-time high and increasing as foreclosures flood the market
- All sectors of the economy are affected because housing is so central to our daily lives
- Thousands (soon to be millions) of jobs across all industries have been lost as a result of the housing crisis
- Consumers have stopped purchasing and small businesses are failing
- Time is of the essence – single-day market changes can quickly wipe out the \$700 billion economic recovery plan

### **The Solution:** *Foreclosure Prevention coupled with short-term, targeted incentives will encourage Americans to buy homes again.*

- Continue and enhance Foreclosure Prevention measures to keep people in their homes, help stabilize home prices and bolster the economy
  - Unfortunately, these measures will take time to implement and are complicated and cumbersome.
- Implementing a viable foreclosure plan is absolutely essential to stabilizing the housing market. Millions of mortgages are already underwater and more adjustable rate mortgages are due to reset over the next thirty six months. Existing mortgage foreclosure programs must be strengthened to:
  - Provide voluntary alternatives to foreclosure for lenders and borrowers
  - Increase the capacity and flexibility of federally insured refinance programs
  - Provide below market mortgages to improve affordability for homeowners and maximize lender recoveries
- Enhance the Home Buyer Tax Credit:
  - **Eligible purchases:** Primary residences between April 9, 2008, and December 31, 2009
  - **Credit amount:** 10% of home price capped at 3.5% of FHA, FannieMae or FreddieMac loan limits (geographically dependent), ranging between approximately \$10,000 and \$22,000
  - **Recapture:** Modified to only be repaid if home is sold within 3 years
  - **Monetization:** Allow credit to be used towards down payment
- Create below market 30-year fixed-rate mortgage for home purchases:
  - 2.99% rate available for contracts closed between now and June 30, 2009
  - 3.99% rate for contracts closed between June 30, 2009 and December 31, 2009
- Both of these incentives worked in 1975, when Congress passed a short-term \$2,000 tax credit for all new homes (\$12,000 adjusted for today's median home prices) coupled with subsidized mortgage rates.
  - The Stimulus jump started the depressed economy and the effects continued long after the measures expired

### **The Effect:** *Reviving demand positively affects the global economy.*

- Stops the fall in home values.
- Encourages people to buy NOW instead of later.
- Restores consumer confidence and gets them spending again.
- Enhances the hard work that has been done to shore up our financial system.
- Creates jobs opportunities across the country in every sector.
- **Energizes the economy!**