"The Mortgage Equity-Equalization Program" ; End Foreclosures. Empower Individual Homeowners

Turn "Toxic" Assets Into Valued Assets.

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West Islip, NY – A bold new program to end the mortgage foreclosure crisis was announced today. The "Mortgage Equity-Equalization Program" will end the foreclosure crisis by giving individual homeowners "cash vouchers" that are equal to the lost value of their real estate.

Declining real estate values has been the primary cause of the financial meltdown. If we could return home values to what they were three years ago, the foreclosure crisis would end.

"That's exactly what the 'Mortgage Equity-Equalization Program' does", says program author Stephen Flanagan. "This plan offers financially-strapped homeowners the help they need to keep their homes. Let's stop the bailout madness and take action now to turn 'troubled assets' into 'valued assets.'"

Here's the Solution:

> 1) Use a portion of the $350 billion left from the original TARP package passed in October. No additional money is required.
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> 2) Give homeowners with sub-prime mortgages a "cash voucher" that is equal to the percentage decrease in home values over the last three years (around 20%). For example: Let's say you bought a $200,000 home three years ago. Home values nationally have declined 20% making the current value of your home $160,000. The government would take money from the $350 billion bailout and present you with a voucher worth $40,000. This will "equalize" the equity in your home. You will now have $160,000 in equity on your house and $40,000 in equity from the government. This puts the homeowner's equity position back where it was before the housing crisis happened. *
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> 3) Homeowners would then go to their Mortgage holder with the voucher and use the "cash" value to reduce the principal balance on their mortgage. The Bank will be permitted to use this "cash" under the conditions that they modify the terms of the loan to reflect a $40,000 drop in principal amount AND modify the terms to reflect the current mortgage market. At an average of $11 per $1000 in mortgage savings, that $40,000 credit will reduce the monthly cost of that loan by $440.00.
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> 4) After modification, banks would cash in these vouchers with the Federal Government, thus "infusing" much needed cash into the banking system. Note

that the SAME $40,000 has now been used to improve the bank's cash position and improve the Homeowner's personal financial circumstances.

5) Homeowners now will hold a mortgage debt that reflects current home values, thus removing most instances of mortgages with balances that exceed home value (a prime cause of default and foreclosure). This program will "stabilize" the housing market by vastly reducing foreclosures. It also removes the need for the government to "guarantee" toxic assets because toxic assets will become viable assets.

6) The homeowner will now have an extra $400 per month to spend on other things. This translates into a $4800 per year "stimulus" to the economy by this one homeowner.

7) Multiply this by millions of households and you've taken care of "Main Street" AND "Wall Street". Note that some estimates show that more than two million homes are in danger of foreclosure. This program should be able to prevent most of these foreclosures. Combine this will government-backed FHA or other loan programs, and the housing crisis will be over.

8) The program will also help homeowners who want to sell their homes, but the sale price does not cover the mortgage balance. That homeowner can now sell that house for the market price of $160,000 and still be able to pay off his $200,000 mortgage using the $40,000 equity equalization credit.
Though the Feds will try and attach all kinds of strings to this, it remains a simple and viable solution to TWO MAJOR problems: foreclosures and a sagging economy.

Imagine the Federal Government killing two birds with one stone. It would be master stroke.

Whether the homeowner wants to keep the house or sell the house, this program will reduce the number of forecloses and will infuse cash into the mortgage banking industry AND the general economy.

This program empowers INDIVIDUALS BY LETTING them DECIDE if they want to renegotiate and stay in their homes or sell their home. Homeowners will be free to make the deal that's best for them. The program will be SAFE for taxpayers because only a bank can cash in a voucher and then only if the Bank has made the terms of the renegotiated loan viable for both homeowner and financial institution. Of course, homeowners will still have to "re-qualify" for their loan modification. But the lower monthly costs on a modified loan will help them qualify easier.

There are many details regarding this proposal that will need to be worked out, but the basic concept is surely one that deserves the attention of Washington.

There are other aspects of the proposal that are designed to insure that such a massive breakdown in the U.S. financial system never happens again.

The first requirement would be the repeal of "toxic" portions of the Community Reinvestment Act (CRA). This piece of legislation is directly responsible for the mortgage crisis because it requires banking institutions to make bad loans.

The second requirement would be the "break-up" of Fannie Mae and Freddie Mac. Like the "trust busters" did to railroads and phone companies in the past, we must "break-up" Fannie and Freddie. A half dozen or so regional versions of these companies would insure that if one goes bad, it does not bring down the whole economy.

"At a time when trillions of dollars are flowing from Washington to correct the economy," Flanagan states, "I have seen nothing to help millions of hard-working homeowners. Let's get the Mortgage Equity-Equalization Program on the Congressional Agenda and let's start helping Americans hold on to the American dream".

Stephen Flanagan is President of SPC Marketing Company and Stevens Publishing Company, both headquartered on Long Island, New York. Flanagan has many years of experience as a businessman and has been politically active for decades. He is also a co-founder and executive director of the Conservative Society for Action.

Footnotes:

* This program is designed to address the needs of sub-prime mortgages only. The current housing crisis is tied directly to the requirement that banks makes these loans and the fact that these loans are primarily responsible for rising foreclosures and the strain on the banking system.

The voucher value would be determined by the mortgage balance. If you have a $200,000 mortgage, your voucher credit would total $40,000. If you bought a house for $200,000 and put 20% down, your mortgage balance would be $160,000. This would result in a $36,000 credit (20% of $160,000). The equity voucher percentage would be based on actual home value declines (20% was used for illustrative purposes). Additionally, the voucher value would not exceed the combined value of the mortgage balance and the original purchase price of the house.

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