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President's plan brings hope to ailing real estate industry

BY JIM WOODARD
Creators Syndicate

Real estate industry leaders are excited about the potential of President Barack Obama's Homeowner Affordability and Stability Plan. The primary objective of the plan is to help millions of homeowners at risk of losing their homes via foreclosure.

Open House

The problem being addressed by Obama's plan was summarized in a report from the U.S. Treasury Department. Many responsible families who make their monthly payments have seen their property values fall, and are consequently now unable to refinance at lower mortgage rates, the report said.

Also, millions of workers who have lost their jobs or had their hours cut back are also struggling to stay current on their mortgage payments. Neighborhoods too are struggling, as each foreclosed home reduces nearby property values by as much as nine percent.

The Homeowner Affordability and Stability Plan will help up to nine million families restructure or refinance their mortgages to avoid foreclosure. The plan not only helps responsible homeowners on the verge of defaulting, but also prevents neighborhoods and communities from being pulled over the edge.

Homeowners can apply for these benefits as of March 4. Check with your lender regarding possible last-minute changes or additions to the plan.

The key components of the plan are: 1. Refinancing for up to four to five million responsible homeowners to make their mortgages more affordable. 2. A $75 billion initiative to reach up to four million at-risk homeowners. 3. Supporting low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac, the two major government-sponsored buyers of existing mortgages.

As an example of the plan's support by industry leaders, here's a response from Charles McMillan, president of the National Association of Realtors:

"The Home Affordability Plan would help struggling homeowners by providing incentives to lenders, servicers, mortgage holders and borrowers to help modify mortgage loans. The Treasury Department will issue uniform guidelines that financial institutions receiving assistance must agree to follow.

"When people lose homes to foreclosure, our communities, the housing market and our economy suffer. This plan, combined with provisions like the $8,000 first-time home buyer tax credit will help minimize foreclosures, shrink housing inventory, stabilize home values and move the country closer to an economic recovery."

A report from Freddie Mac said, "We are pleased to support the Homeowner Affordability and Stability Plan, and look forward to working with the administration. We are eager to play our role in this important effort to keep millions of families in their homes and help stabilize the nation's housing markets."

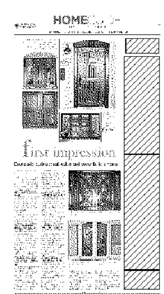
For more detailed information about the plan, visit: financialstability.gov/.

Are there any positive indicators in today's market?

An increasing number of noted economists are focusing on positive aspects in the current real estate market.

"Despite the darkening national economic outlook and weak condition in the housing market, some positive signs give hope that housing is about to hit bottom," said a report from Moody's Economy. "Lower home prices along with tax credits for eligible home buyers, and further mortgage rate declines, could mean now is the right time to buy."

Moody's recently released results of a special study, "Housing in Crisis: When Will Metro Markets Recover?" It projected that home prices will stabilize by the end of 2009. By the end of the current downturn, house prices will have declined by double digits peak-to-trough in nearly 62 percent of



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the nation's 381 metro areas. In about 10 percent of metro areas, price declines will exceed 30 percent.

Another optimistic note: Federal Reserve Chairman Ben Bernanke recently told Congress, "There is a reasonable prospect that next year will be a recovery year, provided credit flows normally and financial market work."