

Pres. Bush's Mortgage Proposals Fail to Help Foreclosures

By Martin Crutsinger
AP Economics Writer

WASHINGTON (AP)—

President George W. Bush recently announced a set of modest proposals to deal with an alarming rise in mortgage defaults that have contributed to turbulent financial markets over recent weeks.

Housing analysts said it was highly likely the limited steps Bush outlined August 31 will be expanded in coming weeks by a Democratic-controlled Congress intent on responding to growing voter anxiety as up to 2 million homeowners worry about losing their homes.



Officials in the troubled housing industry said the important thing was that the administration had finally offered a proposal, a step they said should help calm global financial market that have been on a rollercoaster ride in recent weeks as investors worried about a serious credit crunch.

"This is not a cure-all, but it is good to see something coming out of the White House," said David Seiders, chief economist for the National Association of Home Builders. "It is good for markets, both domestically and internationally, to see that the White House is facing the problem head on and at least starting to do something about it."

Pres. Bush's comments came the same day that Federal Reserve Chairman Ben Bernanke pledged to do everything necessary to protect the economy from the market turmoil. His comments to a Fed conference in Wyoming were seen as a strong signal that the central bank was moving closer to cutting a key interest rate, possibly as soon as its next meeting September 18.

"Bernanke basically said that if problems in the financial market are hurting the economy, then the Fed will have to respond," said Mark Zandi, chief economist at Moody's Economy.com. "All the conditions are in place for the Fed to begin cutting interest rates."

The comments from Mr. Bernanke and Pres. Bush bolstered spirits on Wall Street, where the Dow Jones industrial average finished another erratic week with a gain of 119.01 points on Aug. 31, to close at 13,357.74.

Both Mr. Bernanke and Pres. Bush emphasized that their actions were not aimed at bailing out investors who had made bad decisions.

"It's not the government's job to bail out speculators or those who made the decision to buy a home they knew they could never afford," Pres. Bush said in the Rose Garden. "Yet there are many American homeowners who could get through this difficult time with a little flexibility from their lenders or a little help from their government."

With Treasury Secretary Henry Paulson at his side, Pres. Bush insisted the economy was strong and could weather market turbulence. But he did not repeat his forecast of Aug. 8, that the economy was headed for a "soft-landing" The next day, financial markets went into a significant swoon, sparked by the announcement by France's largest bank that it was halting redemptions in three large investment funds.

That disclosure sent shock waves through the global financial system because it indicated problems from rising defaults on subprime mortgages in the United States—mortgages packaged and sold to investors worldwide—were more far-reaching than realized.

Pres. Bush's proposals unveiled Friday are designed to help combat those defaults. They would make it easier for borrowers now holding adjustable rate mortgages that are resetting to higher monthly payments to refinance those loans using the resources of the Federal Housing Administration. The FHA is an agency that helps low and moderate-income

Americans afford homes.

The 80,000 additional people who would qualify for FHA loan guarantees under the proposed changes Pres. Bush announced would still be a tiny portion of an estimated 2 million homeowners whose adjustable rate mortgages (ARM) are scheduled to reset at higher rates by the end of 2008. Of those 2 million loans that will reset, FHA estimates that 500,000 could go into foreclosure. The new programs plus current FHA programs could help about half of those 500,000 loans be refinanced officials said.

Pres. Bush's proposals follow a number of measures already introduced in Congress to deal with the mortgage-lending crisis. Many Democrats said while they welcomed Pres. Bush's ideas, they felt they did not go far enough and should be modified to help more people.

"For too long this president has sat on his hands as families were losing their homes," said Sen. Christopher Dodd, a Democratic presidential candidate and chairman of the Senate Banking Committee.

(If you are a homeowner struggling with increasing interest rates or are about to reach foreclosure, or if you want to buy a home at a fixed, low interest rate with America's Best Mortgage, the non-profit Neighborhood Assistance Association of America may be able to help you, no matter what your credit score. For more information go to www.naca.com or call the Charlotte office at 704-536-7676 today.)

Tops in foreclosures

Foreclosure statistics for the nation's 100 largest cities for the 3rd quarter of 2006:

Rank	Metro area	Total* 3rd quarter 2006	1 foreclosure per this number of households	Percent change from 2nd quarter
	United States	318,355	363	17%
1	Detroit/Livonia/Dearborn	10,316	80	41.9
2	Fort Lauderdale, Fla.	8,431	88	86.53
3	Denver/Aurora, Colo.	9,825	90	30.41
4	Miami, Fla.	9,380	91	97.18
5	Dallas, Texas	13,422	99	9.94
6	Indianapolis, Ind.	6,383	100	-2.5
7	Fort Worth/Arlington, Texas	6,854	101	13.8
8	Atlanta/Sandy Springs/Marietta, Ga.	13,562	107	4.51
9	Las Vegas/Paradise, Nev.	5,215	115	58.85
10	Memphis, Tenn.	3,929	144	2.08
29	Warren/Farmington Hills/Troy	4,211	231	36.5

*Number of homes in foreclosure
Source: RealtyTrac Inc.
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