



From the desk of  
William C. Ring, President

# Real Estate Newsletter

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**I have wondered at  
times what the Ten  
Commandments  
would have looked like  
if Moses had run them  
through Congress.**

**Ronald Reagan  
(1911-2004)**

## *The Calvary Rides Again...*

Capitol Hill rarely does things half-baked and their approach to the housing situation is no exception; ergo "The Housing and Recovery Act of 2008". It was the private sector that bent sound business judgment and pressed the lending limits to the breaking point. Then they cried for Federal intervention. Because of the implications to the economy as a whole, government is obliged to come to the rescue. But remember, anytime the government gets involved, it will bring more bureaucratic oversight, more regulations and higher costs, for which all consumers will pay.

*The Great Giveaway* – two of the principal riders in this calvary are the quasi-government agencies Fannie Mae and Freddie Mac, who account for about 90% of the mortgage investment pools (they also have contributed to the mortgage debacle). Because they are the significant channels for funding, pooling (or packaging), and insuring mortgages (which are guaranteed by the U.S. taxpayers), they and their stockholders will be the largest beneficiary of the rescue program. The bill authorizes the government to invest billions of dollars into these two mortgage giants and insure up to \$300 billion in refinanced mortgages.

*Who Pays the Bill?* – We, the taxpayers do. In order to float this program, Congress will raise the national debt ceiling to \$10.6 trillion from \$9.8 trillion. This program also includes a plethora of tax breaks, incentives and refinancing options – many of which have unproven effectiveness. In addition to the \$400 billion (through FHA) in new loans for struggling homeowners, lenders will be asked to voluntarily take losses and write downs on the remaining balance of troubled loans. This is intended to address the existing loan crisis.

*New Homebuyers* – next the bill turns to future homeowners with a tax credit of up to \$7,500 that must be paid back over 15 years. In the 1970's housing slump, a similar credit did not require repayment. The White House withdrew a veto threat and the House of Representatives passed the bill on a 272-152 vote. And the Senate obliged. President Bush signed the bill on July 30<sup>th</sup>.

*The Bottom is Near* – Mark Zandi, Chief Economist at Moody's Economy.com says that while this legislation is not a miracle cure, a defeat "would have been catastrophic". He expects housing to bottom out by May 2009 and begin a gradual recovery.

Please contact me anytime regarding your real estate needs or questions; commercial or residential. And, remember that the highest compliment I, or anyone, can receive is the referral of my name to your family, friends and business associates. Thank you for your trust.

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