



From the desk of  
William C. Ring, President

# Real Estate Newsletter

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Wishing you a

*Merry  
Christmas*

and a

*HAPPY NEW YEAR*

## Efforts Widen to Help Homeowners...

You may have seen headlines about the latest public and private efforts to help financially distressed homeowners cope with their mortgage payments. But you might not have caught key details that could affect you or people you know – now or in the recession months ahead. One of the most ambitious mass market loan modification programs was outlined Nov. 11<sup>th</sup> by the Federal Housing Finance Agency along with the 33 banks and mortgage servicers that make up the private sector Hope Now Alliance.

The program, scheduled to start nationwide Dec. 15<sup>th</sup>, is aimed at thousands of subprime mortgage holders and other borrowers who are 3 months or more behind on their payments and slipping fast toward foreclosure. To be eligible for intervention, homeowners need to document that they can handle mortgage payments of as much as 38% of their monthly gross income. They also need to demonstrate that they have experienced some form of financial reversal that made them delinquent on their payments and prove that they did not intentionally go into default just to get better terms.

If they pass through these hoops, borrowers may qualify for reduced interest rates, deferrals or principal payments or extended loan terms – whatever combination it takes to get them an affordable payment with their current income.

Although the 2 new programs target different segments of homeowners – the walking wounded and those heading for the line of fire – both make use of a streamlined, formula-based systematic approach for mass modifications advocated by FDIC Chairwoman Sheila Bair.

Most mortgage industry executives and economists believe the foreclosure crisis is so serious that only wholesale remedial approaches can prevent home losses from piling up. But not everyone agrees with the new programs or the loan modification options they offer to homeowners.

For example, some experts are critical of the government's requirement for three months of delinquency, contending that it could have corrosive effects on borrowers who are straining to keep up with payments but still making them on time.

Other critics say mass market modifications are bound to produce high rates of recidivism – essentially waves of modifications or foreclosures in the coming years as homeowners with hastily modified mortgages find that they cannot afford even those lower rates and better terms. That simply pushes the problem down the road.

Bottom line for borrowers: Definitely pursue a loan modification if qualified and need one. But make sure the revised terms are realistic for your economic situation and not likely to be just a temporary patch.

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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