

# Housing Restoration & Economic Recovery Plan of 2009

Today's governmental programs are focused on the symptoms not the disease as it relates to housing and the economy. The massive bailout funding thus far has been futile and only weakens the economy, both short and long term. These failed programs have not inspired the confidence of the American people!

My Plan is designed to immediately bring qualified buyers back into the marketplace and effectively remove 5 million houses from the market over the next 12 months at a core cost of approximately \$70 billion! If the Plan is properly marketed and effectively executed in a timely fashion, it WILL WORK!

- Enlist the power of the Private Sector to "partner" with the government to solve the housing crisis (this is not a bailout, but a partnership, and something the entire country will welcome)
- For a limited period of time (12 month estimate) *any* qualified buyer of residential real estate will receive a below market, fixed-rate mortgage; including qualified "investors"
- The first one million to respond to the Plan by purchasing a piece of residential real estate get rewarded with the lowest interest rate of 3.5%; the next one million buyers will receive 3.75%; the next million buyers receive 4.0%; the next 4.25% and the final group of buyers receive 4.50%
- The government would "buy down" the interest rate (discount points) for each buyer. Based on the average sales price (\$170,000), average down payment (10 percent) and today's current interest rates (5.00 percent), it is estimated that it will cost \$20,000 per sale in order to buy the rate down to 3.5% (1<sup>st</sup> million buyers cost \$20 billion); \$17,000 per sale to buy down the rate to 3.75% (2<sup>nd</sup> million buyers cost \$17 billion); \$14,000 per sale to buy down the rate to 4.00% (3<sup>rd</sup> million buyers cost \$14 billion); \$11,000 per sale to buy the rate down to 4.25% (4<sup>th</sup> million buyers cost \$11 billion); and \$8,000 per sale to buy the rate down to 4.50% (5<sup>th</sup> million buyers cost \$8 billion)
- The core cost of the interest rate buy down Plan totals \$70 billion and facilitates the purchase of 5 million houses! It is a fraction of the cost of bank bailouts & modification of existing mortgages!
- A huge & swift marketing campaign is essential to get the *first* buyers back out into the market. These buyers will get the best rates & prices! Other buyers will follow!
- Experienced Realtors and mortgage lenders are in place and trained to handle the surge in buyer activity; eliminating cost to government and taxpayers!
- Time is of the essence! If the Plan is delayed, the economy will deteriorate further and much lower interest rates would be required in the future in order to entice buyers back into the market. If we wait too long the Plan won't work at all due to increased unemployment, fear and mounting credit damage!
- Investors will enter the market to receive positive "cash flow" from renting the property; they will in turn spend this cash on the property, pumping money back into the economy!
- Investors will not "flip" the house, as they would own a house with a coveted low-rate mortgage that generates cash. In most cases, investor purchased houses will not go back on the market for quite some time!
- A buyer of a house spends tens of thousands of dollars within the first 12 months of ownership on carpet, paint, decorating, repairs, landscaping, appliances, etc! This pumps money into the economy!
- The resulting sales activity will lessen inventory, firm up prices, dramatically slow foreclosures, put millions back to work and restore consumer confidence!
- Homeowners with existing mortgages will stop asking for bailout dollars to lessen their current mortgage balances once they realize the value of their house has stopped declining and is beginning to rise again!

**Analogy:** Picture the incredible Hoover Dam. Water is spewing through the Wall in multiple locations. The U.S. Government is scrambling to patch the leaks with an onslaught of expensive, wasteful bailout "programs". These "programs" won't hold; they are only temporary fixes! The water level continues to rise and puts more pressure against the Wall! If the pressure is not relieved at once, the Wall will soon collapse! The water against the Wall is the tsunami of foreclosures and rising tide of housing inventory. The Wall is the U.S. Economy!

The pressure against the Wall can only be relieved by stopping the foreclosures; and the foreclosures can be greatly reduced by lowering the current supply of houses; and the current supply of houses can be greatly reduced by providing substantially lower interest rates to qualified buyers! Now is the time for the U.S. Government to take action; because tomorrow may be too late!

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