

21st Century Lend-Lease Plan

If someone can pay rent, that rent can be considered part of a mortgage payment. The government is providing \$8,000 for first time buyers, so why can't the government pay part of the payment and have the borrower repay the government in the future. Here is an example of how it could work.

- **Mr. and Mrs. ZZZZ have a mortgage payment of \$1,170 (\$200,000 loan with 30 year payout at 5.75% interest).**
- **The ZZZZ's lose their job and can only pay \$470, so the government pays the difference of \$700**
- **So the ZZZZ's remain homeowners and work through their problem. It takes the ZZZZ's 10 months to get back on their feet, the government paid out \$7,000 and now the ZZZZ's owe the government.**
- **But the government says okay, you can start paying us back in seven years and the payment will be over 10 years at an interest rate of 3%.**

What the government has done is to provide assistance to the property owner (just like the bailout plans for the Financial Industry and Automotive Industry) and requires them to pay back the obligation starting in seven years. This is not a freebie, but short term assistance. **Franklin Roosevelt called it Lend Lease.**

This program is not perfect, but it can assist a lot of people who want to own homes. Most importantly, it is channeled directly to the property owner, not a large corporation that has other motives besides keeping the property owner solvent. A significant benefit of this program is that payments to financial institutions will resume and cash flow will get back to normal levels, thus credit availability should improve.

There needs to be conditions such as confirming gross income via income tax statements; confirming employment and confirming current payroll. The only group of individuals who would be excluded are those who own more than one property (there should be no break to the investor who treated real estate as a business) and cases where mortgage fraud exists in the form of straw buyers and invalid sales (properties that sold more than three times within five years and the value change was greater than 150%).

- **This total assistance would be capped at \$50,000 and could run for 24 to 36 months**
- **In a given year up to \$25,000 could be provided.**
- **The government would be releasing the funds over 12 months, thus the federal outlay would be limited.**
- **The total cost of \$10 million loans receiving assistance would be \$250 billion per year or \$500 billion in total.**
- **This is much cheaper than the TARP bailout and part of this can be funded with the current \$70 billion in TARP repayments.**

The greatest difficulty in implementing this program is processing and accounting. Loan Servicing companies would need to add staff (if one servicer can process 50 applications a week, 4,000 servicers would need to be hired, plus additional support staff) Wow, as many as 10,000 new jobs would be created. Add to this job creation the fact that several million homes do not go into foreclosure and more jobs are not lost due to desperate situations.

Yes it is possible and yes it can work.

The reason it can work is because real estate goes through cycles. If people are forced to sell at liquidation prices, everyone loses. Give property owners a chance to get back on their feet, get back to work and the whole economy starts to turn around.

As stated earlier, this is not perfect and many will complain about the injustice. But think about the injustice of the corporate bailouts, the injustice that first time home buyers get a break, the injustice that shareholders come before the individuals who created value in the companies by buying products. One can go on and on, or we can try.

We only fail if we do not try.