

# "A Solution That Works"

\* A Summary \*

A plan to solve our housing crisis at the only place it can be solved:

*Keeping homeowners in their homes and stabilizing  
the "death spiral" in the housing market.*

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## **Summarized: A Solution that Works**

### **The Problem**

- At the core of the financial crisis is the housing crisis. The problems in the banking system are the "symptom," not the "problem."
- Increasing supply due to foreclosures and less qualified buyers causes home prices to tumble downward, which causes more foreclosures, which causes prices to tumble downward even further...
- The \$700 billion bailout does not address this - it does nothing to forestall the tide of foreclosures. It also has the potential of administering random indiscriminate benefits to homeowners.

Can't Have...

### **"Triple Witching Housing Syndrome"**

- Homes diving in value;
- Uncertain and significantly increasing monthly payments;
- Principal **INCREASING** with each payment (negative amortization).

### **Four Stakeholders' Needs Addressed**

1. Homeowners in trouble
2. Homeowners NOT in trouble
3. Government and Taxpayers
4. Investors/Owners of the Loans

## Solution

- Fix certain categories of loans at 30-year FULLY AMORTIZING subsidized low interest rates (4.5%-5.0%).
- Eliminate prepayment penalties.
- Offer double tax deduction for "writing off" any accumulated deferred interest (or negative amortization) currently on homes.
- Affirm trustees' of securitizations and servicers' ability to modify loan on behalf of entire securitization.

## Outcome

- Stabilizes home prices and stops fall in home values for ALL homeowners (including those not in trouble).
- Does not FORGIVE a dime of principal (very important for stability of home prices).
- Allows homeowners to STAY in home with fixed affordable payments that amortize principal (light at end of tunnel).
- Gives investors higher odds of recovering their investment in these loans/securities vs. expensive foreclosures and resale in declining spiral of housing market.
- Can be implemented in a very short time.
- Costs the tax-payers a fraction of the cost of the \$700 billion bill (approximately \$50 billion to subsidize the lower fixed rate).