



# Note Paper

A Quarterly Publication From the Private Mortgage Note Industry

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## Roubini Sees Further Decline of 20% in Real Estate

According to New York University's Nouriel Roubini, Treasury's plan to remove toxic assets from the balance sheets of major banks won't stop the need for nationalization of those banks under severe stress. Roubini, who accurately predicted the current financial crisis agrees with Nobel prize winning economist Paul Krugman stating that Treasury Secretary Timothy Geithner's plan to purchase up to \$1 trillion in toxic assets from ailing institutions will fall far short of what is needed.

With deflationary forces lingering for as long as three years, Roubini also projects



that housing prices will fall as much as 20% further over the next 18 months. "People are going to be surprised to the downside" Roubini said.

While Roubini's warnings may seem extreme, it is im-

portant not to dismiss his insight. His accuracy in predicting the economic collapse has been unerring. Roubini currently estimates a total of \$3.6 trillion dollars have been lost including real estate and securities.

## Builder Confidence Jumps / Building Dips / Foreclosures Up

In a sign that the housing market may be showing signs of improvement, builder confidence made its most dramatic jump in almost seven years, only to be chilled by a subsequent report that U.S. housing starts sunk to their second lowest level on record in March. The March report of just 510,000 was the second lowest since housing starts were first reported in 1959.

While the Housing Market Index, a survey-based measurement of true sales and anticipated sales gathered from the homebuilding industry, increased 50% from a low of 9 to 14 in March, (the biggest increase since May of 2003), it was not enough to overcome the gloomy housing starts data.

In an additional report, foreclosures skyrocketed in

March as banks began lifting moratoriums. Foreclosures for the first quarter of 2009 were the highest on record. According to Realty Trac, total foreclosure filings, which include default papers, auction sale notices, and repossessions totaled 803,489 for the quarter ending March 31st. That was a 24% jump over the previous year and a 9% increase over the previous quarter.

## Obama Launches Mortgage Rescue Plan

The Treasury Department has finally announced the much heralded mortgage rescue plan of the Obama administration with the first six participants signing on. These include:

- JP Morgan Chase
- Wells Fargo
- CitiGroup
- GMAC Mortgage
- Saxon Mortgage Services
- Select Portfolio Svcs.

Distressed homeowners have been eagerly awaiting the program's unveiling since first announced on February

18th. The program has been touted to assist as many as 9 million borrowers by lowering payments to no more than 31% of the homeowners pre-tax income and providing financing even if the homeowner has little or no equity. The government is allocating up to \$75 billion taxpayer dollars to subsidize part of the program's costs as well as additionally providing incentives for servicers and borrowers to participate. According to the Treasury department, it is capping payments to ser-

vicers and will provide \$50 billion while Fannie Mae, Freddie Mac and the Department of Housing and Urban Development will provide the balance.

The modification plan calls the servicers to renegotiate the mortgage so that the borrower's payment is no more than 38% of pre-tax income. Then, the government will provide additional funds to bring the payment down to the 31% level. Servicers will also earn \$1,000 for each participant staying current for 3 years.



## What Are Simultaneous Closings?

Simultaneous closings offer a powerful option in financing strategies for real estate and mortgage professionals and can be especially beneficial when the seller's existing financing contains a "due on sale" clause.

In a typical owner financed mortgage transaction, a seller "carries back" or holds a note when full or partial conventional financing is not

an option. At some future time, the seller may elect to sell the carry-back note and cash out.

In a simultaneous closing, the period of time from closing on the original loan and selling the privately created note is only a matter of minutes. Often referred to as a "table funding", simultaneous closings are particularly attractive in situations

where a new buyer cannot qualify for the entire sales price of a property and the current owner is not motivated to reduce the sale to the buyer's pre-qualified loan limits. Typically, this is a deal that falls through the cracks. For in-the-know realtors armed with simultaneous closing strategies, many such deals (and commissions) can be salvaged.

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## Tea Parties Blast Government Spending

Armed with signs reading "Stop Bankrupting America", Stop Generational Theft, and "Enact the Fair Tax", protesters across the nation took to the streets on April 15th. Estimates of participants were as high as 750,000. In Massachusetts, hundreds cheered as protesters dressed in 18th century costumes dumped crates of

tea into Boston Harbor. Though democrats dismissed the tea parties as "astro-turf" rather than a true grassroots movement, it is clear that more is going on here. With unemployment skyrocketing, taxpayers may finally be at a breaking point.

According to the National Taxpayers Union, 2006

again saw an increase in the tax burden carried by the upper income brackets with those in the upper 1% of earnings now saddled with 39.89% of the total tax burden. The upper 50% of income earners now pay over 97% of all income taxes. The burden may have finally reached the breaking point for true average Americans.

