

Home Foreclosures & Mortgages

“It’s time to reinstitute tried and proven solutions”

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Principal Issues

- Restore stability, confidence & credibility
- Adjustable Rate Mortgages
- Prepayment Penalties

Goals: To Restore

- Stability in home ownership
- Confidence in Florida's economy
- Credibility in the mortgage process

Mortgage Defined

The transfer of rights to a piece of property *usually* as security for the payment of a loan or debt that becomes void when the debt is paid.

Adjustable Rate Mortgages

- “Qualifying” Assumable – a new mortgagor must fully qualify for an existing mortgage before the original mortgagor is released from liability
- “Non-Qualifying” Assumable – the original mortgagor is not released from liability for a loan; however, a new purchaser is added to the loan - - improving the loan’s security by having two obligated parties

Prepayment Penalties

- Issue: Prepayment Penalties Are Punitive
- Solution: Limit penalties, and provide guidelines to encourage free-market actions

For example: (1) Limit penalties on loans to a percentage of the mortgage amount, multiplied by a percentage of the period remaining on a loan. Other options include using either the original loan amount or the current loan balance. ($\$100,000 \times 2\% = \$2,000 \times 28/30(93\%) = \$1,860$)

(2) Eliminate prepayment penalties after a period of time.

Recommendations

- Reinstitute assumable mortgages
- Establish fair, non-punitive prepayment practices
- Expand public & private-sector leadership
- Take legislative actions
- Seek free-market solutions