

2nd Bailout Package On The Way

By RateTake.com

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Bernanke told the House Budget Committee the country's economic weakness could last. Earlier this year, most individuals and couples received tax rebate checks of \$600-\$1,200 through the \$168 billion stimulus package as reported by <http://www.RateTake.com>

"With the economy likely to be weak for several quarters, and with some risk of a protracted slowdown, consideration of a fiscal package by the Congress at this juncture seems appropriate," Bernanke said.

However, by helping housing there will be more returns for an average American, rather than pumping money into banks that may lend or may not lend. If they continue to lend, banks guidelines will be tight. At this moment there are none proposals to jump start housing sector.

With more activity in banks and letting banks use some of the bailout package money, banks can lower interest rates such as on 30 year fixed where rates fluctuate between 5.750% to 6.50%.

The three-month Treasury bill Monday yielded 1.08 percent, up from 0.82 percent late Friday. That's better than the 0.20 percent of last Wednesday, and the first time it surpassed 1 percent in more than a week.

Key point in stimulus plans or any new plans is to refinance mortgages into fixed rates, where banks need to accept losses and either refinance the loan into fixed or lower the loan amount and take the loss, so foreclosure can be avoided. But both borrower and lender need to contribute. On average borrower would save \$350-\$450 a month.

Banking and housing crises are connected and Congress needs to realize that creating package where government can guarantee some losses when refinancing mortgages into a fixed rate. Boston Federal Reserve President Eric Rosengren emphasized the need to boost home values and market sentiment.

"Individuals shopping for homes need to be confident that appropriate financing is available. Individuals need to be more confident in housing transactions proceeding normally," Rosengren said. "And individuals need to feel that there is potential for housing prices to rise."

Pumping billions into banking unfreezes certain credit, but it will not help housing market if banks will make credit borrowing tighter. However, we are getting there slowly as every new package from Congress has to bring something new to taxpayers.

Home prices will not improve and economists predict 8%-10% decline in prices next year. With higher mortgage rates and tighter lending guidelines it will leave homeowners stranded. High credit scores and larger down payments are needed for getting approved for a mortgage, but not many borrowers can't afford

that leading to drop in housing prices.

Investors are feeling optimistic about \$250 billion package as well as hope are on the horizon for another stimulus package which may bring another wave of rebate checks. Another optimistic data showed the economy's health improved for the first time in five months in September as supplier deliveries and new orders strengthened.

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