

"A Solution That Works"

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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A Solution that Works

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President Bush signed into law today the hotly-debated financial bailout plan, but in doing so, didn't solve the real problem. **We need to keep homeowners in their homes with affordable monthly mortgage payments and stabilize the "death spiral" in the housing market.** Period.

That being said, I have a plan. If you like, share it. Email it. Blog about it. Send it to your Congressman. The only way this will happen is if you spread the word. So spread it.

The Problem

America is faced with the biggest housing crisis, and due to the ripple effect, potentially the biggest overall "financial crisis" in the nation's history. Although there are still some details to resolve, this paper will set forth an analysis of the problem and propose a solution that is clear, sensible and attacks the problem where it needs to be:

At the ground level.

There are three categories of homeowners who are defaulting on their mortgages:

1) **Involuntarily:** Homeowners who simply cannot afford the payments;

OR

2) **Begrudgingly:** Homeowners on the borderline of making their payments, but too many disincentives exist, in addition to the "stretch" of the payment itself, which pushes this group of homeowners to the default side of the ledger;

OR

3) **Willingly:** Homeowners who can afford the monthly payments but choose to "hand in their keys" rather than continue to lose money each and every month.

If we do not stop the tidal wave of defaults and foreclosures, the housing market will continue to erode as more and more inventory floods the marketplace.

Combining all of this with increasingly difficult underwriting standards and guidelines causes us to be left with a buyer pool that is shrinking and an inventory that is rising.

Growing supply. Shrinking demand.

The resulting "death spiral" creates a vortex that attracts more and more homeowners to default on their loans as they realize they owe more on their home than what it is worth. Struggling to make the payment of a loan on a home that is also *declining* in value is a **DOUBLE WHAMMY** few are willing to fight.

And if your loan is in the "negative amortizing" category (principal growing each month versus declining) then you have a **TRIPLE WHAMMY**:

- 1) high and uncertain monthly payments,
- 2) declining home values,
- 3) a *growing* mortgage balance.

No rational person would not walk away from a housing nightmare such as this one.

More foreclosures cause increasing inventories (supply)... which cause prices to continue to decline... which attracts more homes into foreclosure... which cause prices to decline further... and so on and so on and so on.

A classic: "Death Spiral"

A declining home value by itself would normally not be enough to draw such a strong wave of homeowners into foreclosure.

The vast majority of homeowners in owner-occupied homes have purchased their homes *first* as a place to live and raise their families, and *second* as a potential solid investment.

But when you combine falling values with the certain prospect that the homeowner's mortgage payments will increase substantially (adjustable rates) and either create no equity (interest only) or worse, actually increase a homeowner's mortgage balance with each monthly payment, then the conditions create the

"perfect storm" to sweep the housing and credit markets in America, which is exactly where we find ourselves.

Background

There is only one way out of the housing and housing finance crisis in America:

WE MUST KEEP HOMEOWNERS/BORROWERS IN THEIR HOMES WITH AFFORDABLE MONTHLY PAYMENTS.

The outcome of any massive governmental intervention must result in an immediate, effective and significant curtailing of the increasing tide of homeowners who default on their loans.

There are three major issues with a subset of the current outstanding mortgage loans in the country that must be and can be solved to achieve this result:

- 1) **Adjustable Rate Mortgages:** Unpredictable, and many of them are without annual or lifetime caps. When the lower "teaser rate" period is over (anywhere from 6 months to 5 years), the monthly payment increases so high that the new payments become unaffordable to the homeowner.
- 2) **Negative Amortization:** (Mortgage balances getting larger each month) These are loans that artificially keep the "payment" lower but take the difference of "what the payment actually owed" is and the artificially lower payment and adds the difference to the principal balance. Thereby, the loan balance **GETS BIGGER** instead of getting smaller each month. A huge amount of these loans were written on the West Coast in what is typically described as "Option-ARMS." And their day of reckoning is coming soon.
- 3) **Interest Only Loans:** Loans that allow the homeowner to not pay principal each month thereby reducing the monthly payment by the principal amount that otherwise would be paid in a fully amortizing loan. Although these loans do not increase in principal (like negative amortization loans), their balances do not get smaller. Therefore, the only way a homeowner gains any equity while in one of these loan products is if the property she owns appreciates.

In addition, many of these loans allow "interest only" payments for an initial period of time and THEN begin fully amortizing after that initial period (typically 2-5 years).

So how do we solve this?

It's not as difficult as it may seem at first. There are basically four primary stakeholders involved in this crisis:

The Homeowners with Troubled Mortgage Loans

It starts and ends with the large group of homeowners who are in as serious of a financial and personal challenge that they ever will face in their lifetime. In addition, this is THE ONLY place this crisis can be resolved. To think it can be fixed any other way is not rational and will only delay us from eventually being forced to fix it at the homeowner level, or worse, deepening the crisis by delaying the inevitable solution or by the unforeseen consequences of the other more "synthetic fixes," such as the one that became law earlier today.

Again, the only way out here is to keep people in their homes, stop the rising supply of homes, the declining price of all homes and the 'death spiral' from continuing to wreak havoc on American homeowners.

We would then see a recovery, which will first stabilize prices, and eventually, see prices rise again, albeit at a more normal market pace, versus the large and artificial increases driven by absurdly lax qualification guidelines and easy no barrier financing so widely available over the last several years.

Neighbors of Homeowners with Troubled Mortgage Loans

One of the most difficult challenges in creating a solution that achieves the most good for the entire housing market is the inevitable conflicts and overall fairness between any group of homeowners who receives some form of help and those who do not.

Since all Americans who own and occupy residential homes are affected by the amount of inventory and overall strength of the housing market, there is a less measurable and less immediate direct benefit for this group, but in the end, certainly a no less valuable outcome in the stability and eventual appreciation of their largest asset.

In addition, we believe our plan has achieved the least amount of unfairness among homeowners in that no principal reductions are granted, which is usually the focal point of any strong argument of inequity of a solution that by its nature will cause some legitimate concerns.

The Taxpayer/Government

Clearly, the least amount of cost with the least amount of risk in any government intervention is best for the taxpayer. A solution that grows our already high national debt the least is clearly preferable. Not to mention an answer that does not create another large federal bureaucracy, which puts way too much power over our housing market and our entire economy into too few hands is also one that all parties, taxpayers, homeowners and lenders would agree is better.

The Bondholders/Investors

Basically, the owners of the current loans themselves (whole loans) that are outstanding or owners of pieces of "securitizations" that have been issued to the marketplace and backed by a large "pool of loans".

These securitizations are divided into "tranches," which are basically a waterfall of rights in respect to the cash flows of principal and interest paid by the borrowers of the individual loans within the pool of loans that "back" the securitization. These tranches are typically labeled AAA (the least risky of the tranches) down to AA, A, B, etc....with the most risky called the "residual piece" (and owned by the issuer itself and/or the servicer of these loans).

Basically, the AAA's get paid first, AA's second and so on. The AAA piece is the highest priced piece with the least risk and, therefore receives the lowest interest rate (because it is guaranteed to be paid FIRST before the other pieces). The higher rate stuff is at the bottom of the waterfall and has the highest degree of risk because the bottom pieces absorb the losses of the entire securitization first.

Many banks, (domestic and foreign), Wall Street firms, mortgage banking companies, insurance companies, pension funds, hedge funds, foreign governments, Fannie Mae and Freddie Mac, and others have already taken huge losses on either the whole loans themselves they may own or the securitization pieces that they own.

In fact, these actual losses along with the accounting concept of "mark to market," where the institutions that are holding these debt instruments are forced to "mark the value" of the loans or securities to the current price of the market EVEN IF THE LOAN IS PERFORMING AND EVEN IF THERE REALLY IS NO MARKET!

This alone has forced many big financial companies whose names we don't need to rehash here to either file bankruptcy, merge with other stronger and bigger institutions, be bailed out by the government, receive loans and guarantees from the government, be forced to merge by the government with other stronger private entities or be taken over by the FDIC in a few of the bank situations.

When you are forced to "mark to market" loans or securities that are performing and where there is no market price, suddenly, your assets are reduced to a very low number. Then your own banks stop lending to you because your assets are suddenly NOT worth what they were the day before you 'mark' them down and parts or all of your capital and/or net worth is wiped out in the process.

"Wallah."

This is how so many household names were operating soundly with thousands of employees on a Tuesday as they have for many decades and then on Wednesday morning they are either "gone" or turned very quickly into something else.

The Recently-Passed 700 Billion Dollar Law

The recently-passed \$700 billion law (aka the Troubled Asset Relief Program or TARP) sets up the feds to BUY whole loans and securitizations from the various owners of these securities to "clean the balance sheet" of these institutions and rid them of their "bad debt," theoretically freeing their balance sheets to stay in business.

Although the passing of this monumental bill may eventually restore some confidence and stability in the banking system and credit markets (though you couldn't tell from the stock market, which fell over 450 points from the time the House passed the bill at 1:00pm until the close of the market at 4:00pm), it will do absolutely nothing to stop the carnage and "death spiral" in the housing market.

The theory of this new law is that the government will potentially "modify" some of these loans and therefore, the housing market will recover and maybe even the government will not lose so much on the securities they bought as prices of these securities recover.

There is a huge price any institution will pay to the feds in the form of actual equity issued to the government for any "losses" the government takes on in the ultimate disposition of these loans and securities.

The law gives the Secretary of the Treasury huge sweeping powers to fill in the blanks on many of the very complex details involved here and creates another bureaucracy that is both expensive and unnecessary.

There are conflicts all over the place that are unaddressed surrounding the servicers, owners of the loans and securities, the sellers of the loans, etc... Some of the basic questions such as the following have not been answered:

- 1) How will the fed agree to a price to buy these loans and securities? A "reverse auction" has been mentioned. That does not work considering that each loan and each security is very different from each other. How will "the seller offering the lowest price" be the seller of their assets to the fed when there are no two assets that are even close to being alike?
- 2) The lower the price an institution sells to the fed then theoretically the less amount of EQUITY that the selling institution has to "give up" to the fed to reimburse the fed for buying their bad or unsaleable assets. That means that there will be a huge conflict in the fed's goal of strengthening these institutions (by removing the bad stuff off their balance sheets) and the incentive for the institution to actually sell the loans and securities for the LOWEST price when most of them probably believe it would be better to take the hit now then give away huge chunks of equity to the government.
- 3) How does cleaning up the balance sheets (highly questionable if it can work) going to help the homeowners and borrowers who are in trouble? Cleaning up these balance sheets and buying weaker assets does not increase lending to American homeowners by one penny. Although guidelines have toughened everywhere, there are still numerous banks, credit unions, mortgage bankers and mortgage brokers where borrowers can get approved for an FHA, VA, Fannie Mae or Freddie Mac type loan. The fact that some of these banks now have some room on their balance sheets does not mean they are going to expand into loans that are not offered in the market now by numerous companies. Certainly, offering loans with expanded or different underwriting guidelines is not the goal is it? Isn't that what got us into trouble in the first place? At maximum, freeing these balance sheets will only allow some additional room on some lenders' balance sheets to offer the SAME FHA, Fannie Mae and Freddie Mac loans that are already widely available.
- 4) Only the weakest entities will utilize the plan. The severity of the pricing and the restrictions on compensation will mean that only those who HAVE to use it will.

- 5) This means the plan will be adversely selected. In a sense, the weak will be assisted directly, the strong, only indirectly.
- 6) If the government begins aggressive workouts of the loans it purchases, then only a random lucky few will find themselves the recipient of a bailout.
 - a) If Joe borrowed \$300,000 to buy a \$300,000 home and if Joe lived extravagantly, and if Joe was financed by Weak Bank that sold to the US Government, and if the home is now worth \$200,000 - Joe may well get his balance written down by \$100,000 - or some other major benefit to "work out" his loan.
 - b) If Sue, Joe's neighbor, saved hard and put \$100,000 down to buy her \$300,000 house, and if Sue lived within her means and Sue was financed by Strong Bank - Sue likely won't get helped at all.
 - c) If Sam, Joe and Sue's neighbor, borrowed \$300,000, and lived just like Joe, but Sam was financed by Strong Bank (and wasn't sold to the government), Sam might not be offered any help either.
- 7) This kind of massive inequity will create chaos:
 - a) Tremendous resentment will result when those who did the right thing see their spender neighbors get bailed out.
 - b) The logical outcome will be for those who maintained their payments to either go delinquent to get help that is being doled out or to walk away from their homes altogether.

How long will it take for the \$700 billion law take to make any impact? This solution will take months to even get rolling. The complex nature of loan by loan modifications or refinances and the complex nature of buying these loans and securities which are all unique and need their own individual due diligence is an enormous task and one that the federal government is ill equipped to execute. In fact, many companies that have been in this complex business for years and years are not equipped to do this work.

This new law is the biggest "rescue plan" in world history developed by a handful of well-intended folks in Washington reacting understandably to the immense pressures of the increasingly shaky and nearly out of control credit markets.

But this new \$700 billion law will not solve the root of the problem:

The Housing Crisis.

Not even close.

And it must be solved.

Now.

There is a better way. A cheaper way. A quicker way. A more effective way. The RIGHT way.

The Solution

There is a solution that...

- 1) Keeps homeowners in their homes with predictable FIXED amortizing monthly payments.
- 2) Costs the taxpayers FRACTIONS of the 700 Billion dollar "rescue plan" with less complication and bureaucracy.
- 3) Gives the investors and owners of the loans and securitizations significantly higher odds of recovering their investment in these loans and securities versus the expensive foreclosure and resale of properties in a declining "death spiral" of a housing market.
- 4) Will stabilize prices, stop the free-fall in home values (the heart of the entire catastrophe).
- 5) Can be implemented in a very short time frame.

The federal government should enact a bill that applies to the following loans and homeowners:

- 1) Adjustable Rate Mortgages (ARM) that do NOT have a 2% or lower annual cap (or the intervals of adjustment greater than one year without a 2% or lower interval adjustment period) and a 6% or lower lifetime cap (this covers much of the bad sub-prime ARMS out there)
- 2) Any "Option ARM". (OARM) These loans were taken out by prime borrowers with larger loan amounts primarily on the West Coast. These homeowners are destined for trouble. They have mortgages with significant negative amortization, which inevitably will produce the same kind of adverse payment shock inherent in subprime ARMs.

These loans *create* negative equity because they have built-in negative amortization. Homeowners with these exploding mortgage balances face both negative equity *and* huge payment shock. In essence, these loans convert prime borrowers into the most adversely affected subprime borrowers. Not to mention plummeting home values.

- 3) Any "Interest Only" (IO) loan, adjustable or fixed, that is scheduled to turn into a "fully amortizing" loan in the next 4 years.

The servicers of any loan who meet the above criteria will be required under this proposal to:

- 1) Reset the borrower's rate and term immediately (in the next 90 days regardless of when their next adjustment is due) to a 6.375%, 30 year fixed rate fully amortizing loan.
- 2) For a period of 3 years from the "reset date" the federal government subsidizes the homeowner's 6.375% principal and interest payment so that the homeowner is actually paying at a 4.875% rate, on a 30-year fixed, fully amortizing program.

The bondholder/investor gets paid at 6.375% but the borrower pays as if she is paying at 4.875%. In other words, 1.5% of government subsidy for these loans for the first 3 years or 4.5% max per loan. (Many mortgages will have less than this cost as some borrowers and homeowners will sell their homes and move or potentially even refinance to other available products during these first 3 years).

- 3) In the 4th year the subsidy is reduced to 1.00% bringing the homeowners' paying rate up to 5.375%. In the 5th year the subsidy is reduced to 1/2% bringing the borrowers' paying rate to 5.875% and in the 6th year there is no more subsidy and the homeowner is now in his 6th year of a fully amortizable 30 year fixed rate paying 6.375%. And it stay fixed from the 6th year through the 30th year or until the borrower sells the home or refinances.
- 4) The owner of the whole loan or the trustee of the securitization should get a one-time shot or incentive to "write off" any "negative equity" (actually, deferred interest) that has been built up since the beginning of the loan until the time of the reset. The investor is entitled to receive 2X the normal write off should they forgive the borrower's deferred interest (a very

strong incentive at 2X the write off). Obviously, the borrowers should not be taxed on what amounts to a forgiveness of deferred interest.

- 5) The borrower must have lived in the property since obtaining the original loan and must currently live in the property. Basically, owner occupied only.
- 6) Void any and all pre-payment penalties on these loans.

There is no need to tamper with the **principal amount** if the homeowner is given **affordable long-term fixed-rate financing**, and therefore can afford monthly payments. (Homebuilders have been providing subsidies for decades when, during the course of building out subdivisions over many years, there are times when house values have decreased. They do this to maintain nominal values. Indeed today homebuilders are giving subsidies of approximately 19% of selling prices in order to sell homes **without reducing nominal values**).

The least expensive, least risky and fastest way to keep homeowners in their homes, without potentially modifying or refinancing millions of mortgages at enormous cost to financial institutions and our own government and taxpayers, is to give homeowners **affordable fixed rate financing for a long time period. The risk of adverse payment shock is 100% eliminated**. Simply doing this will significantly reduce foreclosures, stop the "death spiral," stabilize home prices and at the same time not be an outrageous cost to U.S. taxpayers.

Especially compared to \$700 Billion.

In addition to the loan-specific pieces of our proposal, we agree with the many other voices that are calling for a change to the "mark to market" accounting rules that have been equivalent to throwing lighter fluid on a fire. Although there have been various proposals made as to how to change these rules for the better, here is one way to approach that piece of the puzzle:

Revise "mark to market" accounting rules to allow holders of performing and current residential loans and securities where the market that would normally indicate a dependable price is either too thin or simply does not exist to book these assets at the purchase price or face value.

Benefits To The Homeowners

Let's take a look at the significant benefit to the borrowers who will be helped by this plan. Whether the borrower falls into any of the three categories outlined above: ARM, OARM or IO, the overall theme is:

- 1) Fix his payment at a subsidized lower rate for a period of 5 years and fix it for good at a solid rate in years 6-30.
- 2) Stop any negative amortization (and hopefully, write off any existing negative amortization/deferred interest).
- 3) Begin regular principal and interest payments immediately thereby making sure the borrower is actually "digging out" with each payment versus "treading water" or even "sinking deeper."

Example One

A married couple bought a home in June 2006 for \$222,222.00 and obtained a 90% loan-to-value (LTV) loan creating a \$200,000.00 mortgage loan on a "2/28 ARM" with the first two years fixed at 6.5% principal and interest, which gave them a monthly principal and interest payment of \$1264.00 for the first 24 months.

In August of 2008, the 2/28 mortgage plan adjusted their rate up to around 9% with a corresponding adjusted payment which now increased to \$1595.00, which is a 26% increase AND the payment now adjusts every 6 months going forward to a margin of 6% OVER the LIBOR index, which we all know is a very unstable index that can have dramatic rises in short periods of time. The LIFETIME cap on these loans are as high as 7%-10% over the start rate, meaning a sub-prime ARM could rise as high as 16.5% in this example!

This proposal would move this homeowner to a 4.875% 30 year fixed rate fully amortizing loan with a payment of \$1034.00 which **saves** this homeowner:

\$561.00 savings per month and savings of \$6,732.00 in the first year.

\$661.00 savings per month and savings of \$7932.00 (or more) in Year 2

\$761.00 savings per month and savings of \$9132.00 (or more) in Year 3

Total savings \$23,796.00 over 3 years.

Years 4 and 5 will save the homeowner an approximate total additional savings of **\$13,500.00.**

The principal will have been paid down to approximately \$182,600.00, or **\$17,400.00**, since the original \$200,000.00 loan was funded.

This plan puts this homeowner ahead by:

\$54,696.00 over the first five years

It FIXES their rate and payment for 30 years (with an additional subsidy during the first 5 years).

These homeowners begin to pay off their loan faster and by removing any pre-payment penalties have the option of applying any of the payment savings to payoff principal faster.

The borrowers will now be making payments in a STABILIZED housing market and although they still may be under water for a period of time, there is a light at the end of the tunnel in that their payments are affordable, their loan is being paid down and their payments cannot go up.

In addition, their property may rise in value somewhere down the road which would even be a bigger win.

Example II

Another family took out and closed on an "Option ARM" in June of 2006. Same as above. \$222,222.00 purchase price and a \$200,000.00 loan amount.

The homeowner made 24 payments and his principal GREW to \$216,000.00 because of the negative amortization (deferred interest) and his "option" of making the "lower payment" and deferring the "difference" of what the real payment would be and adding that "diff" to the principal.

In addition, his house has **LOST** value.

Each payment he makes **GROWS** his principal.

His house is continuing to go **DOWN** in value.

And soon his payments will **GO UP** based on the terms of his current Option ARM loan.

Our plan incents the owner of the loan to write off the deferred interest of \$16,000.00 dollars in exchange for a double tax deduction.

The homeowners lock in their payments at the same rate and terms as described in "Example I" above.

Again, huge **SAVINGS** in the monthly payments for at least 5 years.

FIXED PAYMENTS AND ZERO CHANCE of payments going up over the very good rate and payment of 6.375%.

NO MORE negative equity (deferred interest).

Their loan begins to immediately amortize so balance is now **DECREASING** each and every monthly payment they make going forward.

They are now in a **STABILIZED** housing market.

Get the picture here?

Homeowners could live with a period of time where they are "under water" but NOT if their home continues to go down in value, their balance does not amortize or worse yet, goes up and there is near certainty of their PAYMENT rising as well.

Our plan takes care of all of this and then allows the borrowers (and the resulting stabilized housing market) to work their way out of the "upside down" situation this family finds itself.

Psychologically, it is now a "temporary" circumstance from the homeowner's outlook with a strong light at the end of the tunnel.

Cost To The Tax Payers

There is about **\$12.1 trillion** of total residential mortgage debt outstanding according to OFHEO.

\$900 billion of this total is in sub-prime ARM loan balances (**7.4%**).

\$500 billion worth of "Option Arms" are out there and about to explode (**4.1%**).

\$600 billion represents "interest only" loan balances, both fixed and ARMs which are not sub-prime or option ARMs (**5.0%**).

\$2 Trillion Total of the most risky loans in our housing market (**16.7%**).

Approximately 70% are owner occupied (this proposal would only apply to owner occupied loans).

For this and other various reasons, let's assume that 50% or \$1 Trillion worth of these loans take the government up on this offer should it become law.

Under our plan, the maximum amount any single loan could be subsidized totals 6% (see 5 year plan above).

With some early payoffs, amortization of the loan amounts, etc...we conservatively will use a 5% average subsidy, spread out over a total of FIVE years for the program.

5% of 1 trillion equals **50 billion**.

\$50 billion over 5 years (weighted more in the first 3 years) versus **\$700 billion** in the first year.

Plus some amount of reduced taxation revenue due to the proposed double tax deduction for the write-off of any deferred interest mentioned above. But the cost of this tax incentive would be dwarfed by the resulting massive write-offs from a plunging and devastating housing market.

5 MILLION homeowners stay in their homes with VERY LOW FIXED RATE AMORTIZING PAYMENTS.

Not a dime of principal is forgiven, unfairly hurting the neighbors and neighborhoods who undoubtedly will live very near and around the five million homeowners who will receive the benefits of our plan.

Because home values are a function of the amount of inventory and recent sales prices of similar type and sized homes in the same geographic area, a strong case could be made that any and all neighbors of a homeowner who receives our proposed "bridge of help" benefits significantly in the resulting stability of the value of homes in the entire vicinity. It is important to note that this outcome is

achieved WITHOUT forgiving a dime of "principal," which would be sure to ignite a firestorm of justifiable cries of inequity. Especially, when any potential "principal forgiveness" would be administered in a random discriminatory nature based on the luck of whose loan ended up with which bank that happened to be an institution that was forced to sell it to the government.

Immediate stabilization of the housing market.

Bondholders and owners of the whole loans are THRILLED.

Yes, they reduce their "theoretic" rate of return in many cases, but how much ahead are they versus foreclosing, losing 30-50% of the loan balance and continuing to spread the "death spiral" of the housing market which will only hurt all of the other homes values they also will have in their unsold inventory of Real Estate Owned (REO).

And what's wrong with a 6.375% rate of return and eventually getting most or all of your principal back?

Conclusion

The recently-passed \$700 Billion plan does NOT get our country's housing market even close to being on the road to recovery. Although it may restore some confidence in the banking system, this new law is incredibly expensive, creates another unnecessary federal bureaucracy and does NOT in any way, shape or form address the root problem:

KEEPING HOMEOWNERS IN THEIR HOMES AND STABILIZING THE "DEATH SPIRAL" IN THE HOUSING MARKET.

Our plan does the job and costs \$50 Billion (at most) spread out over 5 years. That's 1/14th the cost -- or 7% -- of the \$700 billion.

Our proposal here or a similar one must be launched in the very near future to avoid a housing and economic calamity the likes of which we have never witnessed.

To paraphrase a Henry David Thoreau quote, we can find a thousand ways to hack at the branches of this enormous problem or we could strike at the root.

It will take a herculean effort to do so, but not one that is unprecedented in our great nation's history.

After all folks, let's not forget that this is the United States of America.

Dan Gilbert
Chairman
Rock Holdings, Inc.

PS: I would like to thank two colleagues and good friends of mine who contributed to this plan: the Former Chairman and CEO of Pulte Homes, Jim Grosfeld, and the Chief Economist of Quicken Loans, Bob "Bobbeh" Walters.