This REPORT contains 40 options and strategies to STOP foreclosure.

Stop Foreclosure and Keep Your Home or Just Walk Away

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THE TOWER REPORT

A Guide for Distressed Homeowners on How to STOP or Stall Foreclosure!

by
J Collin Towers

Author of "*Stop Growing Older, Grow Younger*",
and "*How to Survive the Upcoming Hard Times*"

STOP 

Keep Your House, Or Just Walk Away!

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This eBook is dedicated with unconditional love to my daughter,
Kerri Ann Towers and my granddaughter, Sykora Euteva Towers.
Many thanks to Chase Beery, Anne Younger, Darrell Moore and Jordan Fink
for their never-ending help and support.

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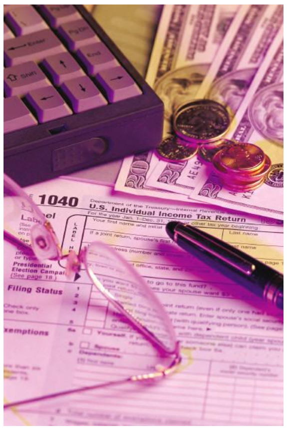
Chapter Two:
No Recovery in Sight

This chapter is a sobering look at the current trends and at the crisis that millions of Americans just like you are facing. This chapter projects into the coming year and beyond, based on the current situation.



In 2012 the US government will need to borrow $2 trillion to cover the projected deficit and to refinance old debt. At the same time, skyrocketing unemployment, the growing impoverishment of the nation means tax revenue will decrease over the next five years. So you can see that there is no recovery in sight, even with the tax rates going on up 1/11/11 and that a looming credit crunch awaits us.

At this point in time it should be clear that the Obama administration has no power to reverse the downward spiral in housing. I've lost track, but I believe the so called experts and government officials have been calling we have reached the bottom in housing for what, 2 years now? Arguments for a recovery in housing that never arrives go something like this: housing has already gone down 20%; it can't possibly go any lower. Then housing goes down another 10%, and the same logically deficient arguments for a housing recovery continue. I think it is time the American public woke up and realized the lies the government has been telling.

The US Housing Market IS in Crisis

Without enough qualified buyers, the housing industry is simply not going to recover. But it isn't just a lack of qualified buyers that is the problem. The problem is that the US real estate market is a complete and total disaster right now and there is every indication that things are going to get even worse.

Three and a half years into the worst home price decline in living memory, there is still no evidence that a bottom has been reached. Waves of small and mid-size banks are going to continue to fail because the US housing market continues to come apart at the seams. The US government announced that in June 2010, sales of new homes plunged to the lowest level on record. The stark reality is that the housing market is not going to recover soon.

FACT: The real estate market is NOT recovering – not now, not in the next five years! There will be no sustained economic recovery until there is a recovery in housing.

In fact, thousands of more houses will be on the housing market very shortly. Let me repeat – the number of mortgages in the US more than 90 days past due has climbed to over 5%. This is the highest level recorded in the 26 years the data has been collected. As the housing market continues to get increasingly worse, it will put even more pressure on small to mid-size banks.

Why do you need to read about all of this? So you will have more information to make an informed decision on what strategy to use for solving your problem. **So keep reading.**

The Outlook Looks Bad

The question is – so what does all of this mean? It means that it is going to be very difficult to sell homes. It means that prices are going to continue to come down. It means that there will be continued high unemployment in the construction and real estate industry. It means that every industry that is dependent directly or indirectly on the US housing market is going to continue to feel a lot of pain for a long time to come.

One recent study forecasts that five million houses and condos will go through foreclosure within the next couple of years. When this happens it will be absolutely catastrophic for the banking industry. In addition, over the next four years $1.5 trillion in commercial real estate loans will come due. At this time, over 50% are in deep trouble. Losses could be as high as $700 billion. This fallout will also affect banks big and small as the reality of losses will be devastating.

Two new studies have been released on the US housing market and the outlook is bad. Both studies conclude that persistent waves of foreclosures will put downward pressure on home prices over the next several years and that mortgage modification efforts will delay, but not prevent, home foreclosures. They are projecting that of the 7.7 million households behind on their mortgage payments, 5 million will lose their houses through foreclosure.

Like in the Great Depression, housing construction jobs have disappeared in the depressed housing markets. If this foreclosure crisis continues unattended, it will transform the stream of Republican statewide victories into a tsunami of voter discontent headed directly toward the incumbents in Washington. It will be an interesting November at the polls. I think we should vote all incumbents. What do you think?

So don't buy this bunk that the media is putting out about going out and buying and spending again to get the economy moving. Now is the time to **save** as much money as you can, and live as simply as you can. Our unsustainable economic system is headed for waves of future crashes.

Another frightening thing is that the economic effects from the Gulf of México oil leak have barely been felt yet. The ongoing disaster in the Gulf threatens to push that entire region into a devastating depression, probably an evacuation of millions of Americans, and causing economic shockwaves that will be felt from coast to coast. Considering the fact that the housing market is already on the verge of a major crisis, the last thing we needed was a disaster of this magnitude.

So, NO, there is no recovery in sight, and things are not going to get better for the housing industry. Anyone who thinks so is seriously deluded. Got to stop drinking the Kool-Aid.

Let's Look at January 2010

In January, foreclosure filings rose 15% from a year earlier and exceeded 300,000 for the 11th consecutive month. One in every 400 US homes was sent a default notice, scheduled for a foreclosure auction or repossessed by a bank. Banks repossessed more than 87,000 homes in January. That is a whopping 31% increase over January 2009.

While an all-time record 2.8 million households were foreclosed last year, RealtyTrac expects that number to surge to over 3.5 million this year – a 40% increase. This is not exactly reassuring news, especially coming on top of December's record 17% plunge in home values.

Only one conclusion makes any sense at all: Despite all of Washington's rosy claims, the touted "recovery" is not happening. I do not mean to report doom and gloom, but the facts are the facts and you should know the truth so you can make the right choices to get yourself ready to solve your problem.

Many experts are expecting greater than 20% unemployment five years from now. So if you have a job now, treat it like gold. Be the first one to show up in the morning and the last one to go home. Make yourself indispensable in every way. Work on quality, not quantity. Looking for a job? Check out the foreclosure/bankruptcy industries. Talk about job security.

The Mortgage Reset Storm

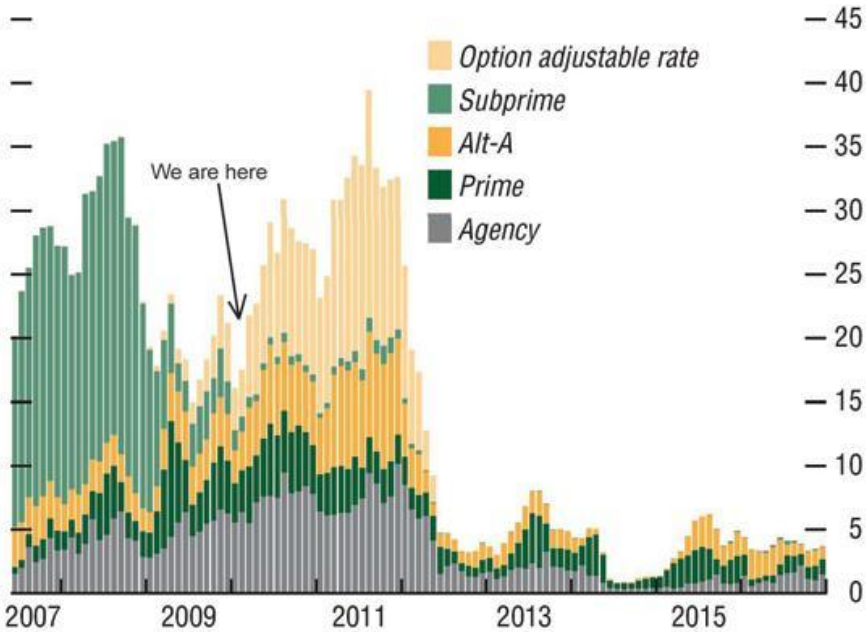
A mortgage reset is usually part of a balloon mortgage. Generally when people first obtain their mortgage, they have the option to pay much lower interest rates or make interest only payments for the first few years of owning the home. However, at a specific point, either the entire amount of the mortgage becomes due or the mortgage is readjusted and reset with a higher interest rate. This usually dramatically increases the monthly payments. Mortgage resets certainly are contributing to higher foreclosure rates because of many homeowners inability to make larger monthly payments. In simple terms, a mortgage reset is when a mortgage comes due.

In September 2008, the storm of mortgage resets hit $35 billion. That was the exact time the financial crisis hit. When homeowners could not afford to refinance and defaults began, the stock market and the banking industry crashed. For more information on the mortgage crisis visit: http://en.wikipedia.org/wiki/Subprime_mortgage_crisis

In the summer of 2009, mortgage resets were low, averaging around $15 billion a month. We can call this the eye of the storm. This year the second half of the financial hurricane will hit and by 2011 we will see the largest number of ARM's expiring climbing to nearly $40 billion a month. This financial hurricane of adjustments for ARM's will not end until late 2012.

FACT: Estimates suggest that from March 2010 to September 2010, an additional $900 billion in home loans will be reset. See the chart below.

Figure 1.7. Monthly Mortgage Rate Resets
(First reset in billions of U.S. dollars)



Source: Credit Suisse.

The first half of the mortgage storm was due mostly to subprime defaults. The second half of the storm will hit more solid homeowners. Most of these loans were originated at the top of the bubble, with the highest prices, and therefore likely have the largest losses.

We are about to see the largest bulk of the ARM loans readjust from a fixed teaser rate to a variable rate. Homeowners will go from a 4.25-4.5% interest rate, to an 8-10% interest rate. Can these homeowners weather the storm? **Are you one of them**? Will your ARM be resetting soon? When this happens foreclosures will skyrocket. Banks will not have payments coming in and many more are going to fail. Many economic experts doubt that the banks have the stability to withstand another bout of significant tailed loan losses and are expressing concern for the future of the economy and its potentials for a recovery.

NOTE: Statistics show that mortgage failures occur most often two to three years after closings.

In America, there are over 40 million people who own more than two homes and 9% of Americans own three. In this current crisis are they going to be able to carry and refinance two or more mortgages? Since home values have gone down, many homeowners are finding out that they owe more than their homes are worth. Will the banks work with them?

Many homeowners across the US are realizing the time for using their home as an ATM is over. Across the country this is crushing retailers and affecting retail real estate. Many shopping centers are in financial trouble. This is all leading to the crash of office, warehouse, and other commercial properties that will also add to the slowing down of the recovery.

The Federal Housing Administration is Broke

The Fed, the Federal Housing Administration (FHA) and the government-sponsored housing agencies have not managed mortgage risk very well. The FHA insures approximately $680 billion of single family home mortgages. The FHA reserve against losses has dropped to $3.6 billion (0.53%) as of September 2009. This was due to losses because of defaulting mortgages. FHA problem loans have risen to 24% of all loans originated in 2007, and taxpayers face $1 trillion in losses on Fannie and Freddie alone in the years to come.

In the past year, the FHA has consumed $9.3 billion of reserves. If this trend continues for the next 12 months, this would put the agency close to $6 billion in the red.

Under the most negative scenarios, home prices would fall another 30%, unemployment would reach 12.5%, and mortgage interest rates would drop 2% to near to 3%. The worst case scenario has the FHA needing an infusion of $1.6 billion in 2011.

The FHA insures loans to buyers who lack the down payment and/or credit scores to qualify for mortgages without the FHA insurance. These home buyers pay higher interest rates with the difference from an uninsured mortgage rate going into the FHA coffers to pay for defaulted loans. The FHA has reportedly tightened credit requirements somewhat in 2009, but still accepts 3.5% down.

FHA insured mortgages seriously delinquent or in foreclosure:

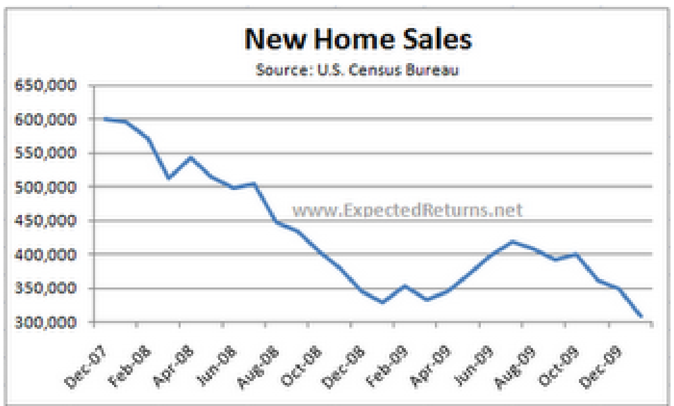
- 20% of FHA insured mortgages issued in 2007.
- 12% of FHA insured mortgages issued in 2008.
- 16% of FHA insured mortgages issued in 2009.

These FHA mortgages are seriously delinquent as they are at least 90 days without making a payment. So far, FHA insured mortgages issued in 2010 are not looking much better.

If the housing market is not near a price bottom, this could be the next big bailout. More than 50% of all FHA insured mortgages issued since 1990 had less than 5% equity at the time of origination. For 2007-2009, the ratio has been between 55% and 60% each year. That means that more than half of all FHA mortgages issued in 2007 and 2008, as well as early 2009, are underwater. A further drop in housing prices would be devastating.

Housing Markets That Will Never Recover

- Providence, RI. Home prices down 27% and unemployment is 13.2%
- Las Vegas, NV. Housing prices are down 51% and unemployment is 13.8%
- Rockford, IL. Housing prices are down 16% and unemployment is 17.9%
- Boise City, ID. Housing prices are down 34% and unemployment is 9.9%
- Toledo, OH. Housing prices are down 30% and unemployment is 13%
- Reno, NV. Housing prices are down 44% and unemployment is 13.3%
- Grand Rapids, MI. Housing prices are down 30% and unemployment is 14.3%
- Fort Meyers, FL. Housing prices are down 65% and unemployment is 14.2%
- Orlando, FL. Housing prices down 49% and unemployment is 15%
- Sacramento, CA. Housing prices down 47% and unemployment is 17.5%
- Palm Coast, FL. Housing prices down 63% and unemployment is 16%
- Lansing, MI. Housing prices are off 38% and unemployment is 11.8%
- Riverside, CA. Housing prices are down 52% and unemployment is at 18%



Home prices have fallen over 50% in Florida with apartment buildings going for as little as $22,000. Many Europeans are flocking to Florida to buy discounted real estate.

More evidence that housing is rolling over: New home sales fell 5.1% in June 2010, and mortgage applications were a disappointment.

The reasons behind the rise in delinquencies and home foreclosures differ, but there are mainly two basic driving factors. First, is the family economic distress that is related with untimely job loss or internal matters, and second is the slowing stride of home values. Low home price appreciation is the most common reason behind the highest rates of mortgage home foreclosures, and strategic defaults in the country.

Banks are in many cases even ignoring missed payments on homes and not preceding with foreclosure. This is very important information for you to know – you will find out why later. Keep reading.

If banks had to value assets at their current worth, the entire banking system would become insolvent overnight, so they choose to purposefully ignore the reality on the ground. This is a good point to be aware of that we will also go more into detail later in this report.

The Federal Reserve (which in reality is a group of 12 banks that charge interest) has bought over $1.25 trillion in mortgage backed securities to keep rates artificially low and this is coming to an end. The Obama administration's flagship $75 billion foreclosure prevention program has barely dented the problem. It would cost about $745 billion, slightly more than the size of the original 2008 bank bailout, to restore all underwater borrowers to the point where they would be breaking even. About 25% of the 1.24 million homeowners who started the administration's program over the past 12 months received permanent loan modifications. Over 23% of those enrolled dropped out during the three months trial phase.

Even with the governments Home Affordable Modification Program (HAMP), notice of defaults is still rising because of the high unemployment rate. If you cannot pay your mortgage, does it matter that your payment is $1,000 instead of $2,000? Many families and individuals are simply unable to pay their debt. There isn't any gimmick to fix that. The only remedy to this is something called a "job". Many economists expect the resumption of a sagging economy that will boost the unemployment rate to 16% or higher by the first quarter of 2011. This will spur a banking meltdown and once again clobber the housing market, slowing down the broader economic recovery.

Record Unemployment, Record Foreclosures, Record Bankruptcies

In the first quarter of this year, foreclosure filings were 16% higher than the same quarter in 2009, according to RealtyTrac. And March was the highest month since RealtyTrac began issuing reports.

We were told that the hundreds of billions of stimulus dollars that went to the banks were to stimulate the economy and help hold off in part, the out of control numbers of foreclosures on homes. In Obama's first year as president, we have seen record unemployment at 10%, record foreclosures and bankruptcies as well. However, the economy has just gotten worse as more and more stimulus money has been spent. And now they are talking about another stimulus program. This is going to continue indefinitely until the dollar becomes worthless.

The number of homeowners losing their homes to foreclosure across the country rose to more than one in every thousand homes being foreclosed. Foreclosures were at record highs in 2009, 21% higher than 2008 and 120% higher than 2007. Why didn't the several hundred billion stimulus money help stop the foreclosures? The stimulus recovery is not sustainable. It is not working. The next stimulus will not help either.

The upcoming option ARM resets of 2010 and beyond could turn out to be very devastating. According to Fitch Ratings, 94% of option ARM borrowers elected to only make the minimum payments. This will lead to a housing glut, more decreased home values, higher unemployment and the death of the cash-strapped consumer. What do you think will happen to housing when the resets happen? When monthly payments on a $400,000 mortgage jumps from $1,287 to $2,594? Is this similar to your situation?

Higher unemployment will deteriorate any chance of keeping many homeowners from defaulting. These homeowners will find it acceptable and advantageous to strategically default on their house payments, as it just might be more cost effective for them to just walk away. Learn more about Walking Away in chapter 8.

QUESTION?

What is the difference between The Wall Street Banksters and the smart homeowners that decide to just walk away?

The only difference is that the taxpayers won't be there to bail out the homeowners.