

 The CS Advisory Group

# the plan: action alert



## Caution: Cramdown Countdown....

**Cramdown:** Get ready, this may be unpleasant

A Cramdown is a where a federal bankruptcy judge could alter the terms of a contract without the consent of all parties.

For instance, they could lower the principal balance owed and or the interest rate on a mortgage.

Proponents say that it will make housing more affordable.

### **Well of course it will.**

But it will create huge losses for the mortgage industry which will have to be recouped via higher rates and fees on new mortgages.

Plus it will make mortgage-backed-securities much less attractive than Treasuries to foreign investors which will also cause interest rates to increase.

Plus it will reduce property values and net worth for millions of homeowners who pay their mortgage like they agreed to do.

Plus it sets a really horrible precedent for the enforcement of contracts.

Since we know that more than half of all loan modifications ended up in foreclosure anyway - there is no evidence to suggest that a cramdown would solve the borrower's problems and keep them in their home.

House Democrats plan to unveil their new bill this Thursday which includes the Cram

### **About Tracy Cavanaugh**

Tracy has over a decade of experience in the mortgage banking industry. She established the Advisory division of AFFG with offices in both east and west coasts.

Tracy has earned the designations of both Certified Mortgage Planning Specialist (CMPS) and Certified Mortgage Planner (CMP) and holds a New Jersey Mortgage Banking License for both first and second mortgages and is a licensed California lender. She is a member in good standing with the Financial Planning Association and Certified Mortgage Planning Specialist Institute.

Down provision and it is likely to pass the house.

In the Senate, various bills containing cramdown language multiple times in the last two years have been defeated. But with the makeup of the Senate much different than last year it stands a better than average chance of passing.

If you are going to "wait and see" about a refinance remember that the interest rate market will not like this. Please Feel Free to call me with any questions, Thanks!

Warm Regards,

**Tracy Cavanaugh** CMP, CMPS

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