

  
**DAN WINSLOW**  

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**STATE REPRESENTATIVE**

Wrentham—Plainville—Millis (Pct. 1)—Medfield (Pcts. 3, 4)—Walpole (Pct. 5)—Norfolk

Position Paper

**PROPOSAL FOR MORTGAGE RELIEF FOR THE MIDDLE CLASS**  
**Winslow Presents a “Stimulus Plan for the Rest of Us” to Inject Millions into State Economy**

If elected to the Massachusetts House of Representatives, Dan Winslow will propose legislation to reduce monthly mortgage costs to homeowners and immediately improve our local economy and jobs. Here’s an overview of the plan:

Nearly 25% of home mortgages are “under water”, where the balance of the mortgage exceeds 80% of the value of the home, because of declining property values.<sup>1</sup> Even with historically low home mortgage interest rates, such homeowners cannot refinance their mortgages to reduce monthly mortgage costs, because their homes do not meet the minimum 80% loan to value (“LTV”) required by lenders. The result is that homeowners with good credit histories, who are employed, and are responsible and never missed a mortgage payment, are considered to be bad risks to pay LESS money by reducing their mortgage costs by refinancing.

For example, a homeowner who currently pays \$1,800 monthly at 7% for a mortgage cannot obtain bank approval to refinance at a lower interest rate to reduce the payment to \$1,600 monthly, if the home value has declined and no longer meets the LTV requirement. If such homeowners were allowed to refinance, the yearly savings per homeowner would add up to thousands of dollars yearly and the total savings in Massachusetts would be in the tens of millions of dollars each year. Decreasing mortgage costs to homeowners will give those homeowners more disposable income, which in turn would allow people to increase consumer spending, supporting stores, restaurants and local businesses and help the private sector economy immediately.

Instead of using all stimulus funds to support businesses that failed to compete, or people who failed to pay their bills, or to underwrite the operating budgets of state governments, Dan Winslow proposes to pledge \$100 million of unspent stimulus funds, or stabilization funds if stimulus funds are unavailable, to create a state program to guarantee the refinancing of home mortgages to reduce monthly costs to homeowners and improve the private sector economy. The features of the program would include:

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<sup>1</sup> See, for example, <http://articles.moneycentral.msn.com/Banking/HomeFinancing/24-percent-of-mortgages-underwater.aspx>.

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Paid for by the Dan Winslow Committee, Susan B. Winslow, Treasurer

- ✓ Eligible homeowners would have good credit histories (credit score of 680 or higher), be employed, with no prior defaults or missed payments on their mortgages
- ✓ Refinancing must reduce the current mortgage rate by at least 1 percentage from the existing mortgage (which results in monthly savings to homeowners in the range of \$200 to \$500, depending on the outstanding mortgage balance)
- ✓ Refinancing guarantee only can be used for a primary residential mortgage, including single family homes and residential condominiums
- ✓ The homeowner would pay a yearly fee equal to 5% of the monthly cost savings realized, to offset any state losses from the program
- ✓ The state guarantee would cover the 80%-100% LTV range and expire when property values exceeded 80% LTV
- ✓ When the guarantee program expires, all funds from the pledge can then be spent on infrastructure, capital spending or refunded to taxpayers. Dan Winslow opposes spending stimulus money on government operating budgets.

By pledging \$100 million of unspent stimulus money as a guarantee for refinancing homes in the 80 to 100% LTV range, this program has the potential to allow \$2.5 billion of existing mortgages in Massachusetts to be refinanced with lower monthly costs to homeowners. The savings to homeowners are significant, the bounce to the state economy is huge, and the pledged monies will be available to the state for other purposes when the guarantees expire as property values stabilize.

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