

Bush Administration's "Teaser-Freezer" Plan May Do Little To Ease Concerns Of Housing Woes Dragging Economy Into Recession

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Washington, DC (AHN) - Analysts say that problems in the nation's fractured housing market is so far-reaching that a proposed Bush administration-backed plan will not help borrowers or bankers from escaping increasing foreclosures and defaults.

Edward Yardeni, an economist who runs Yardeni Research in Great Neck, New York told The Associated Press, that the emerging plan nicknamed, "teaser-freezer" is better than doing nothing," but added that it is "not necessarily going to make a big dent in the foreclosure problem that's facing us" because many borrowers still might not be able to make their payments on mortgages.

With the housing slump now in its third year, analysts say there are no signs of easing in the home building, home buying or home lending markets.

Among the latest figures to confirm that the housing slump is deteriorating further, Standard & Poor's 15-member Supercomposite Homebuilding Index fell 62 percent - that represents the largest drop since 1995.

And according to Chicago-based National Association of Realtors the outlook for new home sales next year is bleak, tagging down 13 percent.

The CEOs of D.R. Horton Inc. and Centex Corp. also expect a rough year ahead with losses at Fannie Mae and Freddie Mac, the two biggest mortgage lenders in the nation, resulting in restriction of home loans.

"This looks like it's going to be the deepest correction of any housing correction since World War II, and the question really is, `What's the duration, how long will it be?'" Centex CEO Timothy Eller was quoted as saying in a Bloomberg News report.

Christopher Thornberg, a principal with Beacon Economics in Los Angeles said in an AP report, "It's not the mortgage that's the problem," adding that homebuyers paid too much for their homes in a soaring market and now they are facing the dire consequences.

A plan to assist borrowers is being hashed out by Treasury Secretary Henry Paulson, federal banking regulators and lenders. Outlines of the proposal are expected to be released as early as Monday morning.

Nonetheless, experts say that it will do little to quell worries that the ongoing problems in housing will drag the slumping economy into a recession.