Special Edition – Editorial

Health Insurance Debacle

Over the last several days, many Americans have been talking, about the changes in our health insurance, and indicating that;

- The mandated health insurance coverage is a huge mistake.
- It's a political controversy, and;
- It's not the mandate of the people.

Regardless of which side of the fence you're on, I think it would be safe to say that all of us believe that health insurance reform is necessary. I think where the differences are is that many of us, not all of us, but many of us believe that anytime the government mandates anything, it ends up costing the American public money.

Should health insurance be offered to the masses? Yes!

- Should it to be forced down their throats? No!
- Should individuals be forced to purchase insurance and face penalties if they refuse? I believe that's a question you can debate for years.

I believe the real issue is that; if you look at what's taken place over the last several years, anything that the government has controls ends up costing money. Let's review some examples; the public was outraged when the government bailed out;

- General Motors.
- AIG Insurance Company.
- Investment Banking Firms.
- Wall Street.
- **And they screamed when the banks and the insurance companies paid bonuses to these companies when these companies were in financial straits.**
- The government condemned the management for excessive bonuses, and;
- They threatened, and demanded, that the bonus be returned.

However, there is one thing that the government forgot to tell you; in the governments infinite wisdom, they paid out $19MM in bonuses to the various people that were in charge of regulating the banks, insurance companies and housing industry. That's what I said - $19MM for a job well done. Why didn't the government go back to these people that they paid bonuses to that;

- Didn't do a good job of doing their jobs;
- Didn't perform the way they were supposed to perform, and;
- Ask them for their bonus back?

Well, it's the government. Let's look at another scenario;

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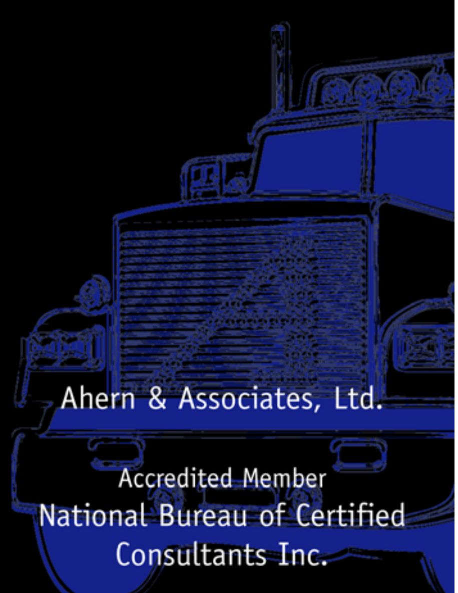

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- In the government's infinite wisdom, they decided that social security had a huge surplus.
- **The government decided that, instead of going out and borrowing money, they would borrow from the social security administration, but;**
- They issued IOU's.
- **Those IOU's totaled $2.6 trillion – that's what I said; $2.6 trillion.**
- However, it was backed by the full commitment of the US government.

For the year 2010, we have a $29 billion short fall in social security and the government's explanation; people are living longer and the baby boomers are starting to retire. My comment; Where's our money?

If you or I were to borrow from a sponsored pension plan, you and I would go to jail.

Then, there's the housing industry and we've heard what a wonderful job the government is doing in forcing the lenders to step up to the plate. **However, the lenders are not stepping up to the plate;**

- Foreclosures are still on the rise.
- People are still walking away from their homes, and;.
- The housing industry is not getting better as they say it's getting worse.

There is now a new stigma, or a new fear, that's creeping into the housing industry; called shadow inventory. Even the name sounds ominous "shadow inventory". In the Phoenix market, there are tens of thousands of homes that make up metropolitan Phoenix shadow inventory, which poses as a threat to the recovery of the housing market and the overall state economy. **However, Phoenix is not alone.**

Depending upon the geographic area, at any moment, the housing market has an inventory of homes for sale. However the "shadow inventory" is the number of additional, bargain priced homes that could be added to the market any time this year, a number of homes beyond any regular turnover and home ownership. **These new listings, most tied to foreclosures, could flood – that's what I said; could flood, the market and further drag down values.**

The shadow inventory includes an unknown number of pending foreclosures, homes bought at foreclosure auctions by investors who might try for a quick sale; thousands of homes foreclosed on by lenders that have not yet put them up for re-sale and homes that will go into foreclosure after their owners abandon them and walk away from their mortgages.

Economists and housing analysts are worried that, if this inventory enters the market in the coming year, it could cause another drop in home prices.

What also concerns market watchers; no one can accurately predict how big the "shadow inventory" is or when any of these houses will hit the market.

Shadow inventory is the most feared and misunderstood term in the real estate market. In certain parts of the country, such as; Arizona, California, Nevada, shadow inventory is very real and very scary reality when you think about all the homes that could flood the market.

Many states that have shadow inventory, include the following:

1. Homes that homeowners lose.
2. Homes that homeowners abandon.
3. Homes that investors may try to flip, and each of these elements could have a tremendous impact on the overall housing industry.

In some parts of the country, anywhere from 30% - 50% of home owners, now owe more than their homes are worth. The point I'm trying to make; the government has stated;

- They have forced lenders to work with homeowners so they wouldn't foreclose, however;

- **The reality of the situation is lenders are foreclosing and they're not working with the general public** and loan modifications aren't working like the government anticipated.

The reason; investors bought up a lot of foreclosure homes last year, but these homes are (soon) going to be back on the market again. Then, there's another factor, and that's how many home owners will simply give up. There's a growing number of homeowners who can afford the mortgages, but now have loans far higher than the value of their homes and they're frustrated and are considering walking away.

As many of us have reacted to the new health insurance legislation, we have a hard time recognizing the value that's going to be created, versus the debt. Over 10 years, the new health insurance mandate is expected to create, almost an additional, trillion dollars of debt. **We're already in debt to the $2 trillion+ and we can't pay our bills.**

I think, what this financial crisis is demonstrating is that;

- More and more of our rights are being taken away.

- More and more of our ability to make our own decisions are being taken away, and;

- More and more government control is taking place.

That, in a nutshell, I believe is what is upsetting many individuals. We all recognize that anyone that lives in the United States is very fortunate. However, we also recognize that people living in the United States are fortunate because they have freedom of choice. **As the economy continues to struggle, many of these freedoms are being taken away** and that, in a nutshell, I believe sums up many of my readers concerns.

This landmark decision will be debated for years to come. I think the sentiment is well placed, but I believe that the actions are not.

QUOTE OF THE WEEK:

"Live courage, breathe courage, and give courage." **(Author Unknown)**