

Main St. and \$200-B sovereign wealth fund investments in homeownership

BERKELEY, CA—In response to the strong opposition from Main St. and the heavy Congressional criticism of the \$700 billion bailout last Sept. 30, Greenlining Institute has proposed to the Secretary of the Treasury and the federal banking regulators an alternative or supplement to any future bailout. The proposal entitled the “\$200 Billion Sovereign Wealth Fund Investment in Homeownership” could be headed by the two most respected Americans knowledgeable about housing and investments, Sheila Bair the Chair of the FDIC (listed by Forbes magazine as the most powerful woman in the United States) and Warren Buffet, the world’s most respected investor.

Sovereign wealth funds have \$3.5 trillion in funds. Initially, up to \$200 billion would be sought to provide 6 percent thirty year fixed rate mortgages for families at the median income or below. The government would guarantee at least 75 percent of the loan pool. This involves very little risk since the foreclosure rate for low/moderate income families who secured thirty year fixed rate mortgages with accurate appraisals and verified income, is under 1 percent.

This sovereign wealth investment pool could also be a competitive alternative to Fannie Mae and Freddie Mac. If properly supported by the regulators and Congress, it is likely that this fund

will be oversubscribed since its rate of return could be 50 percent greater than the present ten year Treasury note rate of 3.7 percent. If successful, additional authority could be granted to allow sovereign wealth funds to invest up to \$1 trillion in partially government-guaranteed mortgages to the 75 percent of Americans who live from paycheck-to-paycheck.

Greenlining has confirmed meetings on November 17 and 18 in DC with Federal Reserve Chairman Bernanke, FDIC Chair Bair and Comptroller Dugan to discuss the homeownership crisis and alternatives but hopes that this issue will be addressed immediately. ■

Consumer spending weakens as stimulus fades

by MARTIN CRUTSINGER
AP Writer

WASHINGTON—Consumers spending in August turned in the weakest performance in six months, underscoring the threat the economy faces as the government’s stimulus program fades into the past.

The Commerce Department reported September 29 that consumer spending was unchanged in August, even worse than the small 0.2 percent gain economists had expected. It was the weakest showing since spending was also flat in February.

Personal incomes were up a better-than-expected 0.5 percent, a rebound after a 0.6 percent drop in July. After-tax incomes, which felt the impact of the stimulus program to a greater extent, dropped by 0.9 percent, however.

“Consumers are still earning some money but they have no interest in spending it,” said Joel Naroff, chief economist at Naroff Economic Advisors in Holland, Pa.

The new report showing weakness in consumer spending came as the House prepared to vote on a \$700 billion bailout of the financial system. The compromise packaged, hashed out in marathon meetings by lawmakers over the weekend, would be the largest financial system rescue since the Great Depression. It is aimed at buying up soured mortgage-related assets from banks in the hope that would pry open credit markets, get lending flowing again and jump-start the economy.

The government pumped out the bulk of \$92 billion in

stimulus payments from late April through mid-July. Another \$1 billion in payments were made in August but this was far below the monthly peak of \$48.1 billion in payments made in May.

Analysts are concerned the economy could falter now that the government’s stimulus payments have ended. Democrats have pushed for a second stimulus program. The Bush administration, worried about the impact of the stimulus on the budget deficit, has resisted that effort.

The overall economy grew at an annual rate of 2.8 percent in the April-June quarter, bolstered by the stimulus payments.

But economists noted that consumer spending, which accounts for two-thirds of total economic activity, has slowed markedly in the current July-September quarter. Some analysts believe consumer spending will decline for the entire quarter, the first time that has occurred since 1991.

Many analysts believe the overall economy, as measured by the gross domestic product, will slow significantly in the current quarter. Some say the weaker-than-expected performance for consumer spending in August could mean that the overall economy will show no growth at all in the July-September quarter and then turn negative in the final three months of this year and the first quarter of 2009, meeting the common definition of a recession.

Brian Bethune, chief US financial economist at Global

► PAGE A4

Court upholds legality of SanFran health care plan

by JASON DEAREN
AP Writer

SAN FRANCISCO—San Francisco’s landmark universal health care program can continue to operate, after an appeals court ruled Sept. 30 that it does not violate federal law.

The unanimous ruling by a three-judge panel of the 9th US Circuit Court of Appeals overturned a lower court decision that the program, dubbed Healthy San Francisco, had placed an undue financial burden on struggling businesses.

Healthy San Francisco is the first plan in the country to offer universal coverage, and requires companies with at least 20 workers to provide health care or give part of each employee’s hourly

salary to the city as a fee to help offset the program’s estimated \$200 million cost.

The monthly fee is capped at \$180 per worker for businesses with more than 100 employees.

In its ruling, the panel stressed that it was not ruling on the wisdom of the plan, but only the legality of the mandatory employer fees under the federal Employee Retirement Income Security Act, or ERISA.

“We are asked only to decide whether ERISA pre-empts the employer spending requirements. We hold that it does not,” Judge William A. Fletcher wrote in the court’s opinion.

The San Francisco Board of Supervisors approved the program in 2006. A trade association for the city’s restaurants sued, arguing that the fee requirement

violated a federal law that gives employers a choice in how to provide health coverage.

Kevin Westlye, executive director of the Golden Gate Restaurant Association, said the group planned to appeal.

“If this stands, many counties and states will pass their own employer expenditure rulings, going against why Congress passed ERISA in the first place,” Westlye said.

The US Supreme Court ruled in February that the Healthy San Francisco program could proceed while the appeals court considered its legality.

More than 29,000 people are enrolled, according to the latest city statistics. Previous estimates put the city’s uninsured population at about 82,000.

City Attorney Dennis Herrera,

whose office argued the case for the city, said the court’s ruling proves that local governments can navigate complex federal laws to provide improved health care to residents.

“This is a road map for state and local governments so they can step into the void and fill the vacuum that the federal government has left because of its inability to act in this area,” Herrera said.

Labor advocates also hailed the ruling as an important first step in paving the way for health care reform, a key national issue in an election year.

Westlye said he agreed with the need for a universal health care plan, but that it could be funded by a quarter-cent sales tax increase instead of employer fees. ■

Villaraigosa unveils cornerstone...

PAGE A1 ◀

plan lays the building blocks of housing our middle class can afford and takes the first steps toward building ‘housing that works’ for all Angelenos.”

“Housing That Works” represents the first time that all housing and planning departments are coming together in a coordinated effort, with one strategy to invest in affordable housing. This coordinated effort will bring a new level of transparency and stability to the City’s housing investment strategy, which will allow it to leverage \$1 billion in public funds into a \$5 billion investment in affordable housing throughout local neighborhoods.

The Mayor’s Office will coordinate resources from different departments and develop public/private partnerships to reach the \$5 billion goal. The \$700 million investment from Enterprise Community Partners announced on Monday, September 29, is a testament to this new strategy.

“Mayor Villaraigosa has presented a far-sighted vision addressing the need for affordable housing in the City of Los Angeles. Enterprise is pleased to step forward as an early and major partner in this effort to create fit, affordable and sustainable homes for all residents of the City,” said Doris Koo, president and CEO of Enterprise Community Partners. “Our pledge of \$700 million reflects our commitment to focus Enterprise’s energy and resources into making the City of Los Angeles a vibrant and thriving community,” Koo continued.

Using the funding from this capital campaign, Villaraigosa’s plan pledges to build and preserve 20,000 affordable homes in areas that make the most sense—double the number of units constructed since the beginning of the Mayor’s time in office. This includes implementing a mixed-income housing ordinance that requires the City’s largest developers to offer units at prices LA’s

workforce can afford.

In addition, this initiative will create 20 sustainable transit communities focusing new developments in the areas where it makes the most sense—along public transit corridors and close to job centers.

Another key component of the project involves shifting the City’s strategy from managing homelessness to moving people out of it. The plan funds 2,200 permanent supportive housing units—where homeless men and women are connected to social services—and expands Section 8 voucher programs for the chronically homeless. It also puts the pieces in place to complete the redevelopment of Jordan Downs and transform LA’s public housing sites into vibrant, mixed-income communities.

The final part of Mayor Villaraigosa’s plan will protect LA’s homes and neighborhoods by addressing the foreclosure crisis through the Neighborhood Stabilization Initiative; preserving the affordability of 14,000 rental units; and educating Angelenos about their rights as landlords and tenants.

Housing in Los Angeles remains unaffordable and out of reach for too many middle class families. In 2007, more than 5,200 LA families lost their homes to foreclosure—and that number is expected to rise to 10,000 by the end of 2008. At the same time, parents are spending more than half of their incomes on housing; only 11 per cent of the area’s households can afford a median-priced home; and approximately 40,000 people sleep on the streets of the City at night.

“Housing That Works” takes the first steps in the City’s effort to address these challenges, reverse the negative trends of recent years, and bridge the ever-growing gap between the housing LA produces and the housing it needs. (Rene Villaroman)



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