BUSINESS AND FINANCE

One Man's Opinion

By Gerry Chong

Is it too soon to declare the Obama Administration a one-term failure? Let's pull out a clean sheet of paper and create a scorecard to see how it's doing, tracking both big issues (economy, international relations, nuclear security, health care) and small issues (personal security). In other words, let's look at the overall competence of this President.

So how is our economy doing? In California we have a 12.5 percent base unemployment rate, but the Bureau of Labor Statistics says that when including those who have given up searching for a job, and those that are only working part-time, unemployment reached 19.6 percent in the third quarter of this year. Nearly one in five Californians is out of work!

Nationally, unemployment benefit claims are rising at over 500,000 people per quarter. Most people thought the $787 billion Stimulus package had been intended to be a job stimulating bill, but now a CBS poll reports that only 7 percent of the public believes the Stimulus has created any jobs at all. Most telling about the incompetence of this Administration is that after eight months, only 26 percent of the allocated money has been spent, while the government "dithers" over how to use the balance of the billions of dollars. With its lack of focus, the package is little more than an Administration "slush fund."

Shockingly, 25 percent of all Americans are now receiving food stamps. I am not aware of any economists projecting a robust 2010, and most believe unemployment will go higher into the middle of next year. The Federal Reserve says we will not reach a robust economy until 2015.

Well, how are we doing on Health Care Reform? In a highly contentious battle, the results are still not known. The President has negotiated separate agreements with the AMA, AARP, and pharmaceutical lobby to endorse the bills, but none of the agreements have anything to do with the merits of the proposals before Congress. The well-publicized agreement with Senator Mary Landrieu (D-La) still hasn't been enough to buy the result the Administration wants.

Depending on how creative your accounting, the reform program will cost anywhere from $1.055 trillion to $2.5 trillion, in an economy that is bleeding cash, and whose deficit is exploding. In the CBS poll, only 14 percent of Americans believe Obama when he says Health Care reforms will not add to the national deficit.

How about Afghanistan? On Tuesday, in a single speech, the President will try to convince Americans that we will not be there for long, while convincing Afghan citizens that they can rely on us for long term security. A good trick, but the President is a gifted orator.

Meanwhile, battlefield conditions are deteriorating. General McCrystal goes so far as to say says we're losing the war. It has taken Obama 91 days to determine a strategy, and in the end came to the same conclusion George Bush reached regarding Iraq in 2007.

How about our Allies? The President of France says Obama is "naïve, but too arrogant to learn." Israel says it has lost America as a reliable ally in defending its security.

How about Iran? In defiance of the U.S. led coalition, Iran announced on November 29, that it will build 10 more nuclear reactors, and renege on the UN agreement to enrich its uranium in Russia.

How about China? No one yet has figured out why Obama went to China with no apparent agenda, but the SNL skit got the result right.

How about getting Small Things right, just to show some level of competence? The White House could not even defend itself against gate crashers at a State dinner. Even the dinner's Bill of Fare erred in describing the food to be served. Small but embarrassing signs of incompetence.

This Administration makes "The Gang that Couldn't Shoot Straight" almost biographical. •

New Twist on Reverse Mortgages

By Jason Alderman

Reverse mortgages have become an increasingly popular way for seniors to keep pace with rising expenses. Typically, people borrow against their home equity and continue to live in the home with no monthly mortgage payment until they move out permanently, sell the property or die.

Recognizing that many seniors would prefer to downsize homes after retirement or relocate to another area, however, the government issued new guidelines that now allow reverse mortgages to be used to purchase a new home, provided proceeds from the sale of the old home (combined with other cash reserves, if necessary) cover the sales price, plus closing costs.

The advantage for these folks is that they don't have to tap as much of their savings or be tied to monthly repayments in order to purchase a new home as with a traditional mortgage or home equity loan/line of credit.

Reverse mortgages can be very complicated and expensive, so for many they aren't the best borrowing option. In fact, you are required to consult a U.S. Department of Housing and Urban Development (HUD)-approved counselor before being allowed to apply.

A few common features of reverse mortgages:

You must be at least age 62.

The home (current or future) must be your principal residence.

You must own the home outright or be able to pay it off with proceeds from the loan.

The allowable loan amount is based on your home's appraised value, your age, current interest rates, mortgage insurance and applicable fees. Generally, the older you are and the more valuable your home, the greater the available loan.

You needn't repay the loan until you move out permanently, sell the property or die. Any money left after the sale goes to you or your estate.

The repayment amount never exceeds the home's final sale value, so you (or your heirs) are never liable for more than you originally borrowed.

Reverse mortgages have no minimum income or credit score requirements.

You can take the money as a lump sum, a line of credit, fixed monthly payments or any combination.

It's not considered taxable income so Social Security and Medicare benefits usually aren't impacted.

Observe these cautions, however:

Reverse mortgages can be expensive: An origination fee up to $6,000, initial insurance premium of 2 percent of the home's value, a monthly insurance fee and other miscellaneous charges may apply.

They aren't cost-effective if you plan to move in a few years.

You are responsible for homeowner's fees,

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