

The challenges face USA now are Jobs creation, Economics Growth and restructuring of Housing Mortgage and Financial system.

Jobs creation is the most important among all. With enough employment opportunities, foreclosure issues should be partially tackled and economic growth will also come along.

Spending stimulus is the key to get USA out of recession. However, the huge government spending must implement side by side with government policies to make sure the money flow into the productive sectors/industries, and ensure that money not fall into the vicious cycle of mortgage system, or misused for further speculation on financial, currency or property market.

For the recovery remain uncertain, further spending stimulus is unavoidable. A few questions need to be tackled:

- a) Where the new spending budget comes from? Budget Financing Issues
- b) What are the structural changes should be made on Housing Mortgage system? How to help subprime victims to start afresh? How to prevent foreclosure?
- c) What are the productive sectors/industries can create more jobs? How to control the government spending flow to the productive sectors/industries and not being misused?

#### Restructuring of Mortgage Finance System

The Housing Affordable program needs to be restructuring as follow:

- 1. 401k Contribution restructuring plan ?
  - a. Set up New centralized 401k contribution government agency (I.e. similar system as central provident fund in foreign country),
  - b. All US citizens and Permanent Residents are compulsory members and contribute a 10% of their monthly income to the account. Their employers will also contribute 5% into their employees' accounts on monthly basis. All monthly contribution will be tax deductible.
  - c. 20% of members' current private 401k contribution should be transferred and controlled by the new agency. In exchange,
  - d. All the income contributed to the account will enjoy 2% interest, and free health insurance coverage.
  - e. Members can opt to voluntarily contribute extra income into the account. Voluntarily contributed income will not be taxable. However, all members can withdraw only after retirement.

f. Government will add USD 20k of credit into all the US citizens' central 401k accounts. The new 401k contribution can be used to purchase any foreclosed properties/government development units under FannieMae, FreddieMac or their partners owned foreclosed residential properties, which approved by US government.

g. Transacted price must be strictly screened to ensure there are not highly inflated properties price and mortgage fraud.

h. All centralized 401k fund will remain transferred back to the account if members sold their properties purchased with the fund.

## 2. FannieMae and FreddieMac restructuring plan ?

a. Taking FannieMae and FreddieMac 100% under government ownership. Combine FannieMae & FreddieMac as a new government entity ? Public Housing Development Board to design, control budget, tender management for public housing development.

b. All US citizens and PRs are entitled to use their new 401k contribution fund as minimum 10% down payment and own 1 unit of public housing.

c. Mortgage borrower can borrow up to 90% mortgage loan based on the property valuation.

d. Mortgage borrowers can borrow from 401k contribution fund at a standard 30 years fixed rate of 3%.

e. Any price over valuation must be top up with cash by the borrowers.

f. Owners of public housing unit are not allowed to resale their public housing without approval of government.

g. Set up foreclosed commercial/industrial Property Exchange Market\* (Property Exchange Market Concept Briefing at new file) to help Banks and mortgagors to release their foreclosed properties inventory.

## 3. FHFA restructuring plan ?

a. Restructure FHFA as Urban Development Authority to co-operate with state governments in city development planning.

b. States and cities Master development plans of Urban Development Authority should includes various public community development centers, public libraries, community universities, technical skill colleges, public recreation facilities, inter-religious harmony center and so on.

c. Funds for master development plan at various cities or states are partially raised from the foreclosed properties sold by Public Housing Development Board.

- d. Public donations for master planning facilities will be accepted. Generous donors will receive White House, State Governors or Mayors? awards for their contributions to the cities or state developments.
- e. Universities and technical skill colleges will help create new jobs in the communities.
- f. Urban Development Board also in charge of linking the research facilities of Community Universities and technical skills colleges with Business Angels Funds, Venture Capitalists to commercialize ideas or products.
- g. Provide various facilities to encourage entrepreneurships in the communities.

We are looking forward for your favorable reply and advice.

Thank and Appreciate.

Prepared by:

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Issues? Foreclosure...

Reasons of Residential Foreclosure – assets price underwater, high monthly installment payments, loss of jobs

Reasons of Commercial/Industrial Foreclosure – low liquidity

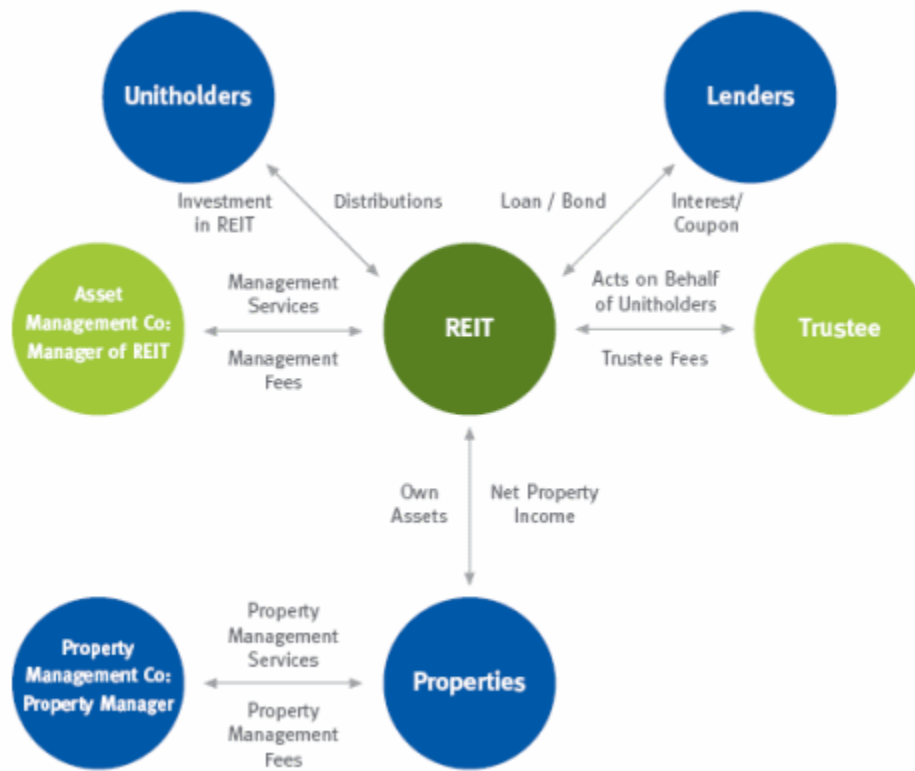
Missing portions: Corporate Governance & Agency Issues, Delisted, Privatization and Government Redevelopment Priority, Mortgage bond market, Mortgage Derivative Market – Future and Option Market. Use FreddieMae, FannieMae, GinnieMae as trustee

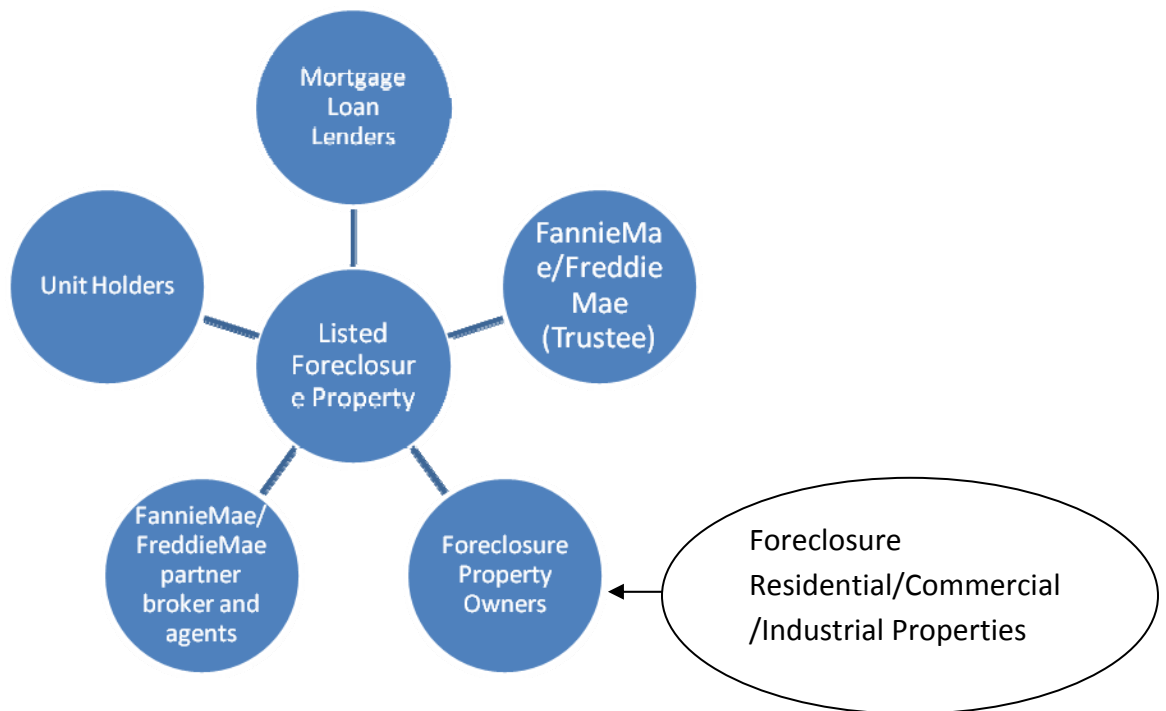
Virtual Property Exchange Market (VPEM) Concept, which consists of 3 platforms, namely Primary Market, Lease management auction market and secondary market.

Its intended purpose is to securitize foreclosure properties (e.g foreclosure commercial, industrial and residential etc.) hereby provide a liquid and transparent secondary market, making home rental affordable and provide a measure to government to directly intervene the housing market demand and supply.

A listed property in Property Exchange Market is similar to a miniature size of REITs. Property Exchange Market is the platform for all such securities.

REITs structure Versus PEM listed property structure





### Property Exchange Market – How it works

3 internet market platforms - namely Primary Market, Lease management auction market and secondary market.

#### 1. Primary Market - Getting Foreclosure Property listed on Property Exchange Market



### Information Verification & advice

- Helping distressed property owners to submit their property information and personal mortgage information to online platform.
- The FannieMae or FreddieMae partners will meet the property sellers at the nearest branch and verify all the necessary information and provide proper advice.
- Full disclosure and verified accurate information will proceed to next step - Valuation

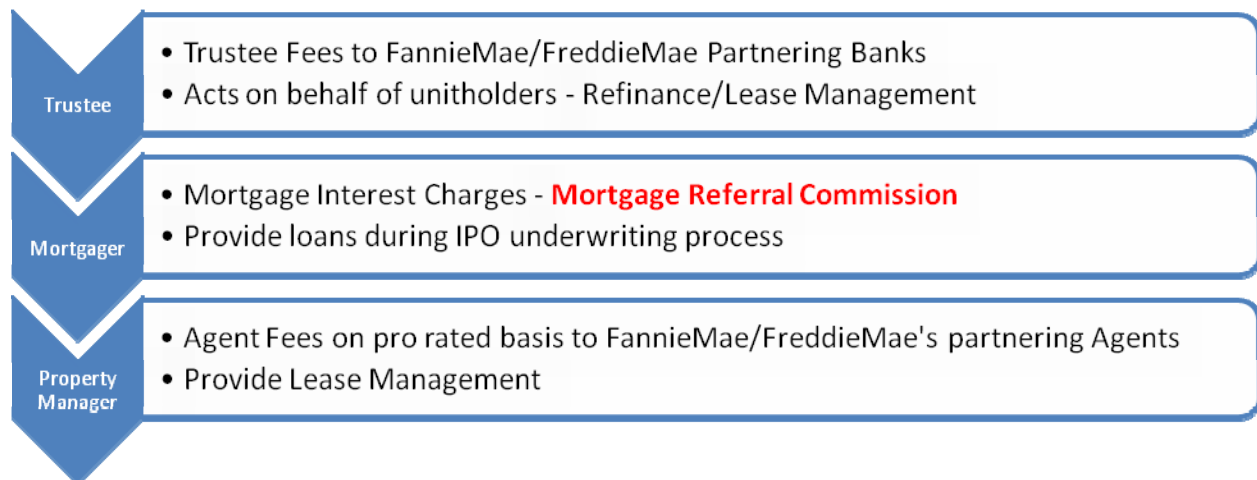
### Valuation

- a) Verified information available at online platform and available to all the participating banks (with operation where the subject property located) to give their valuation bid.
- b) Based on the average of the recently transacted price and median price of the bank valuation whichever is lower, the bank with the nearest valuation bid will be the mortgage loan provider.
- c) The distressed owners will based on their affordability to select a foreclosure property which under FannieMae/FreddieMae or their partners ownership for relocation and beginning a new mortgage.
- d) By agreeing to relocate to lower costs properties and short sell the property at the winning bid price, the distressed borrowers will entitle to the government HARP then proceed to third step - Underwriting

### Underwriting

- a) Underwriting Property information available at online platform, any verified participating underwriter can choose to underwrite the shares (Note: the definition of underwriting here is slightly different of stock market underwriting. The underwriter here is just to earn a commission in case the shares are under-subscribed.)
- b) Any registered investor of the platform submits their credit card information and gets verified.
- c) Registered Investors expressed their interest to bid in the platform to subscribe no. of shares of the underwriting property and pay 32% of the total share they intend to subscribe.
  - i) Over-subscribed - Ballot and assign the share proportionately to all the subscribed investors.
  - ii) Under-subscribed - the underwriter will take the remaining share at a discount price.
- d) Foreclosure property owners receive their property sale proceeds after deducting all charges and platform commission, and the ownership of the property will be transferred to mortgage bank. Property Management Consultant firms, e.g. Collier International, DTZ, or KnightFrank will be selected to be the lease manager of the listed property. The unit holders of the listed property will vote for renewal of lease manager on yearly basis.
- e) Buyers is obligated to pay 32% of the total share upon intend subscription of the share and borrow 70% of the remaining upon successful subscription. 30% as down payment and 2% as the installment default insurance deposit. 2% deposit will be refunded upon discharging of mortgage obligation (i.e. when unit holders sell off the shares in secondary market)
  - i) If unit holders default on the installment for 2 consecutive months, the share of the listed property they own will be auctioned at open market at much lower reserve price. 2 month installments owed plus admin charges will be deducted away from the auction proceed.

## 2. Lease Management Auction Market - Lease out listed property



### Information Verification of auctioned property

#### - Listed property

a) FannieMae/FreddieMae will setup a small trustee entity which under their supervision to ensure the listed foreclosure properties are properly managed and refinanced. Trustee of the listed property will submit the property information to online lease auction platform.

#### -Non Listed property

a) Non-listed property owners also can make use of Internet platform to submit their property information to online lease auction platform.

b) Non-listed property landlord need to submit their Credit cards information, US\$ 20 processing fees and US\$ 180 refundable deposit as a pledge of honest disclosure.

c) The local credit card issuing bank will send a representative (property management firm) to meet the property landlord at the auctioned property and verify all the necessary information and get the keys from the landlord.

i) Dishonest disclosure or mislead information - US\$180 forfeited, subject to appeal to the platform and resubmit the information.

ii) Incomplete or inaccurate information due to careless, resubmit information

iii) Full disclosure and verified accurate information will "Not" get the refund of the deposit yet until the end of the auction ended. Once all information is fully verified then proceed to second step - Open House for viewing

### Open House of Auctioned Property for viewing

a) Scheduled a few specified date and time for open house viewing upon appointments. Partnering brokers or agents of FannieMae/FreddieMae will manage the open house of the listed foreclosure properties for viewing.

### Lease Auction

a) Any registered potential lessee of the property can arrange with partnering agents/brokers to view the properties. Interested parties will submit their credit card information or used their paypal account/bank account to pay a US\$20 as a processing fees and 1 month refundable rental deposit as a pledge of honest bid.

b) Based on the average of the recently transacted rental price with similar features and median price of the rental whichever higher, the bidder with the nearest bid will be the success bidder of the lease of the property.

i) The success bidder honest the bid -

- \* Informed by trustee bank to submit Photocopy I/C of occupants/Company registration information or relevant information etc.

- \* Make full payment of 3 Month deposits and 1 Month advance rental, stamp duties fees, taxes or whatever charges involved.

- \* Collect keys from the trustee

- \* Sign official tenancy agreement

ii) The bidders' rental deposit will be forfeited if they choose not to honest their bid, subject to appeal.

c) Trustee or the auctioned property landlord will receive three quarter month of rental in advance. One quarter month of the rental will be paid, on prorated basis along the tenancy agreement, to property management firm.

d) 3 month rental deposit will be held by auction lease platform in case any dispute arbitrage.

i) Landlord obligation - Nil, the trustee bank and property management firm will help to oversee the lease

ii) Tenant obligation - ensure the property is properly maintained, paid rental on time. If tenant doesn't pay rental for 1 full month, the rental deposit will be forfeited and tenant has to move out by the end of month. Property lease management firm will oversee the tenant to return the property and the keys in proper manner.

Trustee and lease manager of property in operation

a) FannieMae/FreddieMae will be the trustee and their partnering brokers or agents will be the lease manager of the property, a small amount of trustee and lease commission lease manager fees will be charged on pro-rated basis along the tenancy agreement arranged by them.

b) Basic duties of the trustee and lease manager

i) Provide basic lease management assistance to the online platform.

ii) Ensure the property is properly maintained and insured

iii) Ensure the property is used legally and for its intended purposes.

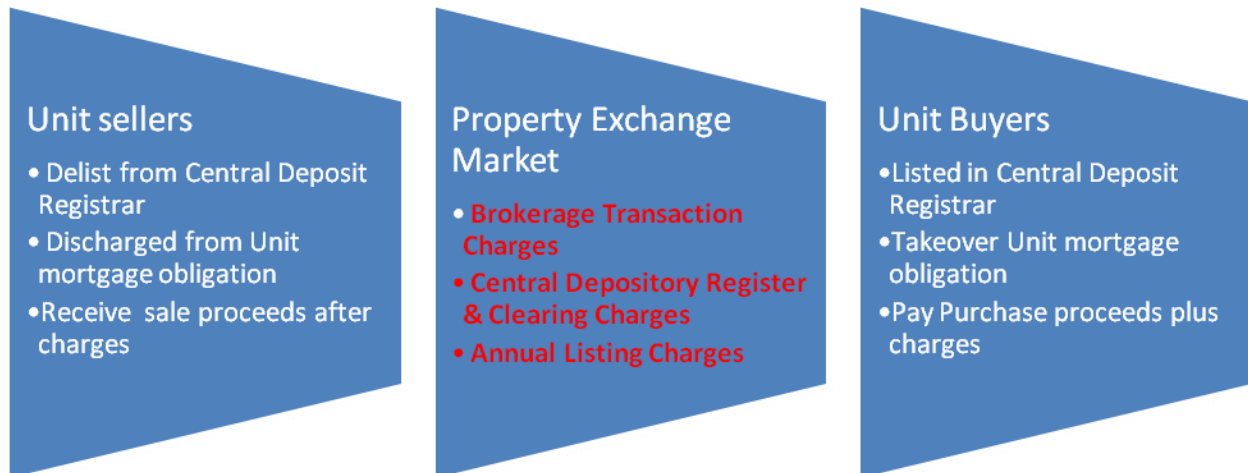
iv) Ensure the transfer of keys from one lessee to new lessee.

**Lease Management & Trustee Operation governance, Agency Issues**

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3. Secondary Market - Exchange (Buy and Sell) of the shares of the listed property





#### Selling Shares of Listed properties

- a) Log into the Property Exchange Secondary Market internet platform
- b) Check Central Depository for the number of shares owned of a certain listed property. (Note: No short sale allowed at initial stage)
- c) Key in the amount and price of the shares for sale
- d) The system will queue the sale order in term of lowest selling price.

#### Buying Shares of Listed properties

- a) Log into the Property Exchange Secondary Market internet platform
- b) Check the trading limit granted on top of the trading deposit.
- c) Key in the amount and price of the shares to buy.
- d) The system will queue the buy order in term of highest bidding price.

#### Matching of order and Clearing of Transaction

- a) Once the buy order price match with any quantity of sale order, at least partial buy order will be fulfilled.
- b) The buyers must make full payment of transactions plus clearing fees, brokerage fees and 2% of the mortgage default insurance (based on the number of shares purchased) within 3 trading days.
- c) The sale proceed deducts clearing fees, brokerage fees will be deposited into sellers registered account.
- d) The sellers will be de-registered from Central Depository and discharged from the monthly mortgage installments.
- e) The buyers will be registered into Central Depository and takeover the responsibility of monthly mortgage installments and enjoy whatever investment return as long he hold the shares.

Delisting from Property Exchange Market, Privatization of listed properties and Government redevelopment priority

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Derivative Property Exchange Market, Future and Option Market.

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Property Exchange Market (PEM) will be the online platform of listed properties.

It has two key roles:

- a) As a market regulator, PEM objective is to act in the public interest (primarily by maintaining fair, orderly and transparent markets, and by operating safe and efficient clearing facilities); and
- b) As a profit pursuit company, PEM objective is to act in the best interest of the company and its shareholders (primarily by pursuing for-profit initiatives as a business).

Information Disclosure, Regulations and discipline Actions, Investors Compensation and Investment Analysis

a) The property trustee/Lease Manager is obligated to fully disclose any market sensitive information to Public under the supervision of Property Exchange Market Ltd.

b) Property Exchange Market Ltd is a statutory entity established to ensure the stability and fair trading of the market platform. Rules and Regulations will be imposed and reviewed constantly to ensure the stability and fairness of the platform. Members are subjected to the discipline actions if any rules are breached.

c) An investment compensation sinking fund will be set up to compensate victims of investment fraud, up to a certain extent. Terms and Conditions applied.

d) Property Exchange Investment analysis market watchers need to fulfilled a certain requirements before they are allowed to disseminate or sell their analysis reports.

Advantages of Implementing Property Exchange Markets

a) Regulators, participants, e.g. Lessee, Investors, mortgagers & bankers have more market information and industry indicator to make more informed decision due to the system transparency.

- b) Property Exchange Market allow all the shareholders of the listed properties to trade their shares in the secondary market; which means the property investment will be a high liquidity investment.
- c) Property Exchange Ltd can also generate cash flow from listing fees and brokerage fees, which can use for any property related issues, regulations and research to ensure the stability and development of the property market.
- d) Isolating the property ownership and property management will prevent major foreign speculators/investors to manipulate the domestics' property markets. It also helps to make home rental affordable.
- e) Providing a new measure for government to directly intervene the housing market demand and supply by tightening or loosening extra housing supply in different states.

We are looking forward for your favorable reply and advice.

Thank and Appreciate.

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