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Issue of the week: Can a mortgage deal revive housing?

A 'quasi-punishment' for banks

Five big banks just got off with a "wrist slap" for their misdeeds in the foreclosure crisis, said ***The New York Times*** in an editorial. Bank of America, Wells Fargo, JPMorgan Chase, Citigroup, and Ally Financial reached a settlement last week with state and federal officials to pay $26 billion to offset some of the damage they caused by "robo-signing" foreclosure notices, wrongly denying loan modifications, and charging mortgage holders excessive late fees. About $20 billion of that money will go to writing down homeowners' loans and refinancing mortgages at lower rates, and some 750,000 people who lost their homes to foreclosure between 2008 and 2011 will be given $2,000 each. But this amounts to a "sweet deal" for the banks, since it shields them from most future civil lawsuits arising from their mortgage misconduct.

The settlement "really is a win for all sides," said **Felix Salmon** in ***Reuters.com.*** Some struggling homeowners will get the refinancing they need, the authorities get to claim a big victory, and the banks get a deal that is "not nearly as expensive as it might look at first glance." By reducing mortgage principals, they will make more in the long run than they would if left stuck with dead-end loans that couldn't be repaid. But even if it's just a "quasi-punishment," said ***The Washington Post,*** this deal lifts a legal cloud hanging over the banks. Now they can get on with clearing the backlog of pending foreclosures, so the housing market can begin to recover.

"I believe the technical term for all this is 'big whoop,'" said **Michael Hiltzik** in the ***Los Angeles Times.*** U.S. homeowners are underwater by about $700 billion, so $20 billion in mortgage relief isn't going to go far. And there's no way to enforce the reforms the banks just agreed to, said **Matt Taibbi** in ***RollingStone.com.*** Not only does this deal not end mortgage abuses like robo-signing, "it officially makes getting caught for it inexpensive." It's as if the authorities "decided to accept a superficially face-saving peace offer rather than fight it out."

This is just election-year shenanigans, said ***The Wall Street Journal.*** "Rarely have so many politicians cashed in so blatantly on so little wrongdoing." Yes, the banks had some "sloppy paperwork practices." But there is no evidence that conscientious borrowers were unfairly ejected from their homes. "Think of this as one more giant political stimulus package—congressional approval not required." It may give politicians bragging rights, but it does nothing to revive the housing market.

Making money: What the experts say

Buffett: Why I like stocks

I believe stocks are "the runaway winner" over bonds and gold, and "will be *by far* the safest" investment in the long run, said Warren Buffett in *Fortune.* Bonds tied to currencies, in fact, are such dangerous assets that they "should come with a warning label." They're tied to interest rates that are so low right now that they can't even cover losses from inflation and taxes. Investors should also avoid gold, which will "never produce anything." It's far better to invest in companies or farmland, both of which actually create new wealth. All the world's gold, melded together, would form a 68-square-foot cube, worth about $9.6 trillion. Would you rather have that cube, or its dollar equivalent: *all* the cropland in the U.S., plus 16 Exxon-Mobils (the most profitable company in the world), with $1 trillion or so left over? You can probably guess my preference.

Using leftover school savings

If you're lucky enough to have money left over in a tax-free 529 college savings account—because your child got a scholarship or went to an inexpensive school—don't cash out, said Georgette Jasen in *The Wall Street Journal.* If you withdraw the unused funds, you'll have to pay taxes on the earnings, plus a 10 percent penalty. You're much better off transferring the balance to a family member—another child or a niece, perhaps—or saving it for future graduate-school expenses. Money in a 529 plan can also be used to pay for some vocational programs, as well as back-to-college classes for parents. Whatever you choose, there's no rush. Most plans allow the funds to grow tax-free indefinitely.

The other S&P 500

What gets better returns than the S&P 500? asked Jack Hough in *SmartMoney.com.* The S&P 500 Equal Weight index. Both track the same companies, but in different proportions. The traditional S&P 500 weights companies by the size of their overall stock value; its 10 largest companies make up nearly 20 percent of the index. The Equal Weight index, as its name suggests, accords each of the 500 stocks an equal weight, giving you more exposure to smaller stocks. From 2006 through 2011, it returned an average of 1.75 percent a year, compared with an average loss of 0.25 percent for the regular 500. But it's also more volatile, because "small companies are generally considered riskier than large ones."

Charity of the week

Room to Read (roomtoread.org) aims to build literacy across Asia and Africa by establishing libraries, building schools, and expanding educational opportunities for girls. Founded by a former Microsoft executive, Room to Read has distributed more than 10 million books and opened some 1,500 schools since 2000 in countries such as Cambodia, India, and South Africa. It has also established 13,000 libraries, and is now opening six new ones a day. More than 13,700 girls have received support to pursue an education, including school fees and uniforms. And because children's books can be difficult to find in some languages, Room to Read has published more than 700 original books in languages like Khmer, Nepalese, Zulu, and Chhattisgarhi, which is spoken in parts of central India.

Each charity we feature has earned a four-star overall rating from Charity Navigator, which ranks not-for-profit organizations on the strength of their finances, their control of administrative and fund-raising expenses, and the transparency of their operations. Four stars is the group's highest ranking.

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