October 2010
Volume 2 Issue 8

Please Do Me a Personal Favor and Pass It On! Others Will Thank You.

Inside this issue:

Tennessee Lowest Debt-to-GDP Ratio

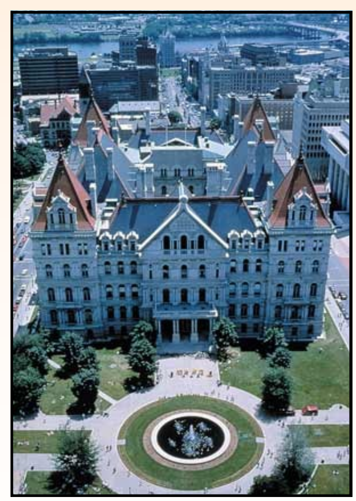
Tennessee had a Debt/GDP Ratio of 1.95—Nation's Lowest

A national news reporting and opinion website has listed Tennessee as the best state in the nation in terms of debt by ranking the volunteer state as having the lowest debt-to-GDP ratio in the nation. The Daily Beast, which is an online news and commentary outlet, released the state-by-state list in the wake of Congress' passage of a $26 billion stimulus bill.

Tennessee had a Debt/GDP Ratio of 1.95 as compared to Rhode Island, which was ranked as having the worst debt in the nation with a Debt/GDP Ratio of 21.54 percent. New Jersey was ranked 9th worst with a Debt/GDP Ratio of 12.00 percent and New York was 17th worst with a Debt/GDP Ratio of 10.45 percent, more than five time that of Tennessee.

The online publication said the debt numbers were calculated by using U.S. Census data and past state debt increases or decreases to estimate current debt levels. Calculations were also based on information from an independent analysis from the Center on Budget and Policy Priorities utilizing baseline budget spending compared to expected revenue.

NJ Debt/GDP Ratio of 12.00



NY Debt/GDP Ratio of 10.45

The Case for Middle Tennessee:

- **No state income tax.**
- **Great property values.**
- **Low property taxes.**
- **Low auto and property insurance rates.**
- **Great medical facilities.**
- **Four distinct seasons with mild winters.**

Bankers Ignored Signs of Foreclosure Trouble.

NY Times - Oct. 12, 2010

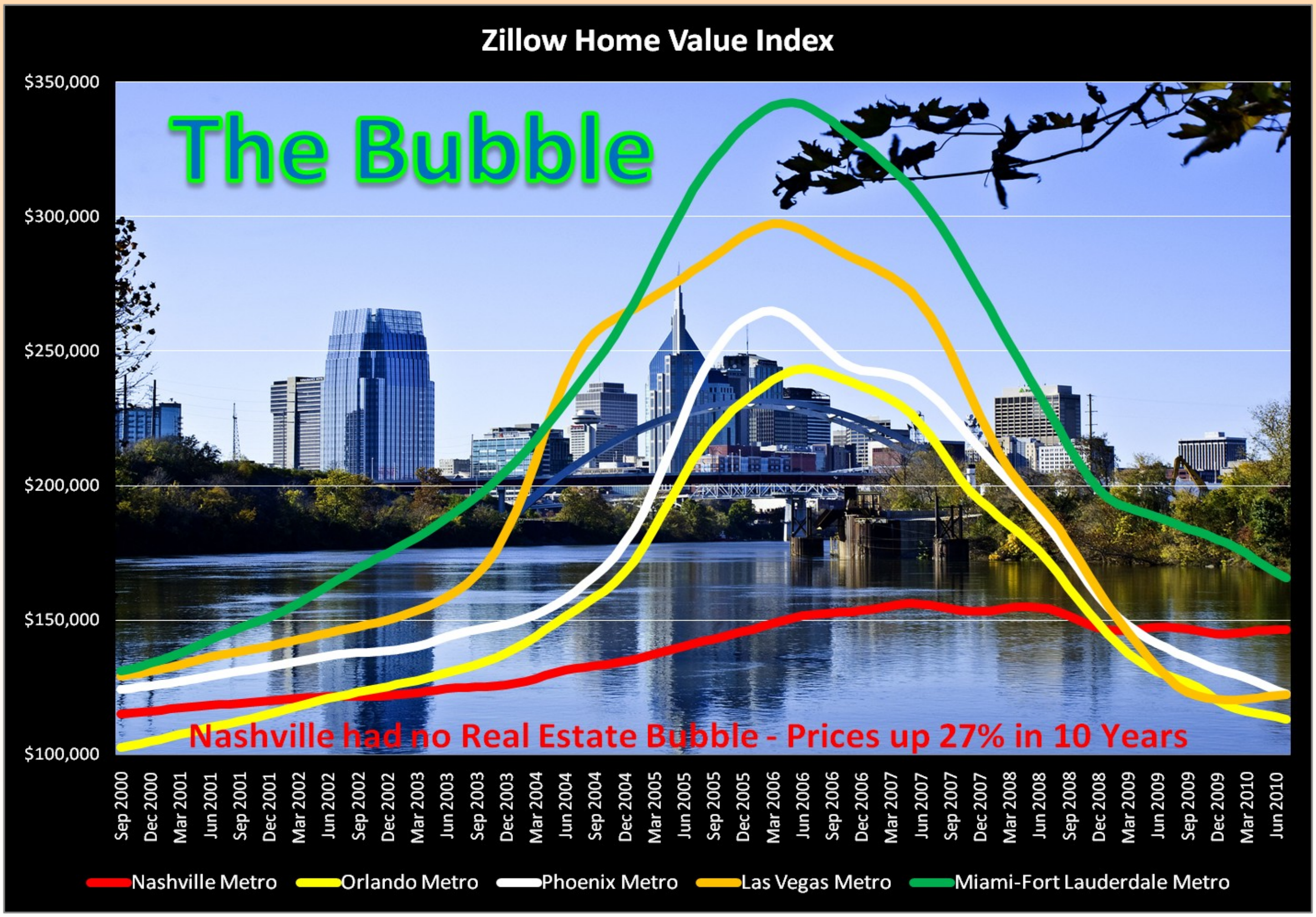
When the housing boom began to cool in 2006, an increasing number of home owners began to fall into foreclosure; that is, lost ownership of their home or were threatened with it because of a failure to keep up with their mortgage payments. That rise in foreclosures blew up the house of cards Wall Street had built around mortgages, leading eventually to the near-collapse of the financial system, the global recession and a drop in property values not seen since the Great Depression. Four years later foreclosures were not only still wracking homeowners and communities, but actually continued to rise, despite several rounds of efforts by the federal government to break the cycle.

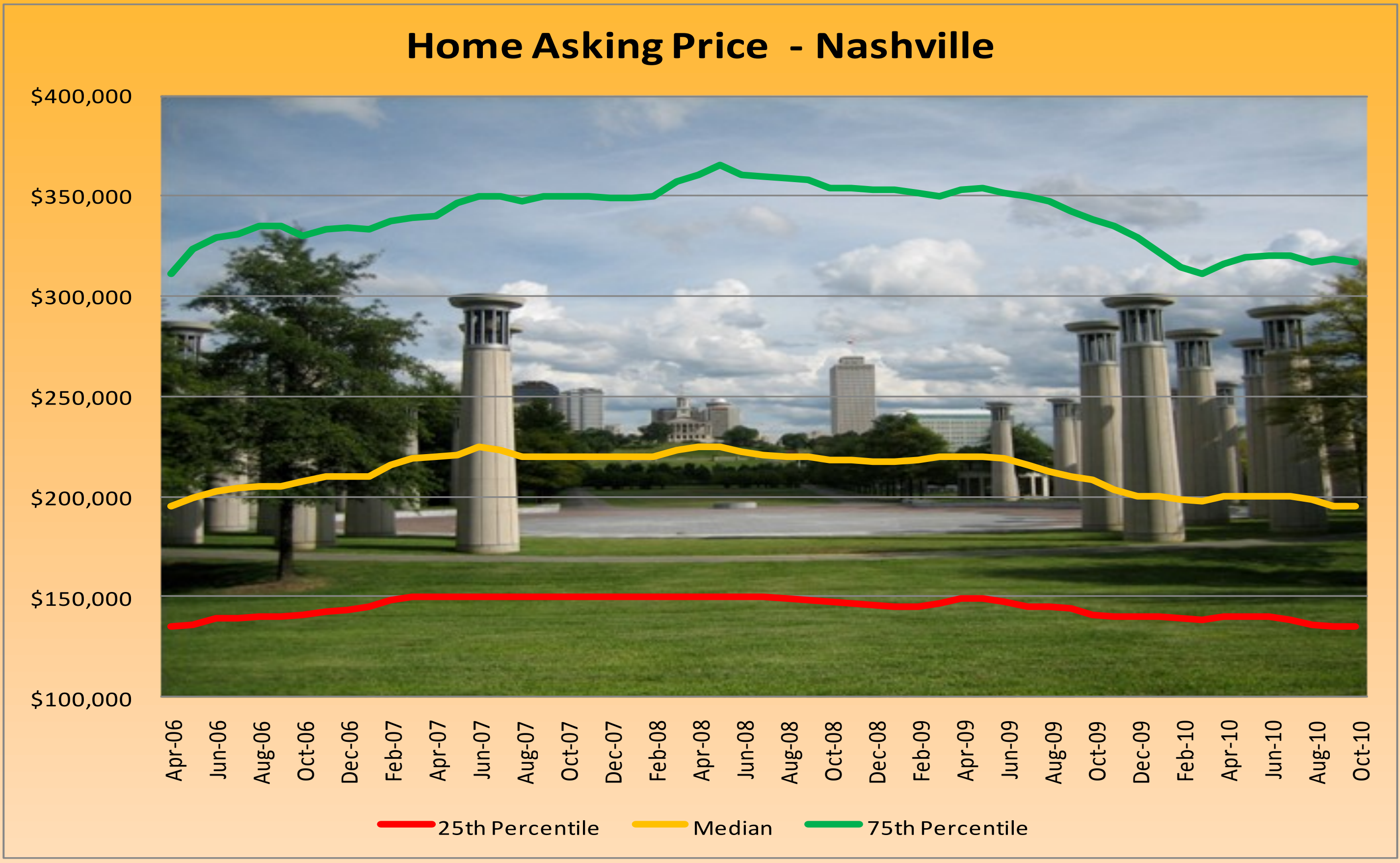
The waves of foreclosures have fed on themselves, since foreclosure sales can drive down the value of homes in the surrounding area, thereby making further foreclosures more likely. And falling property values have sharply eroded the tax base of some areas, forcing spending cutbacks by state and local governments already hurting from the general economic slowdown.

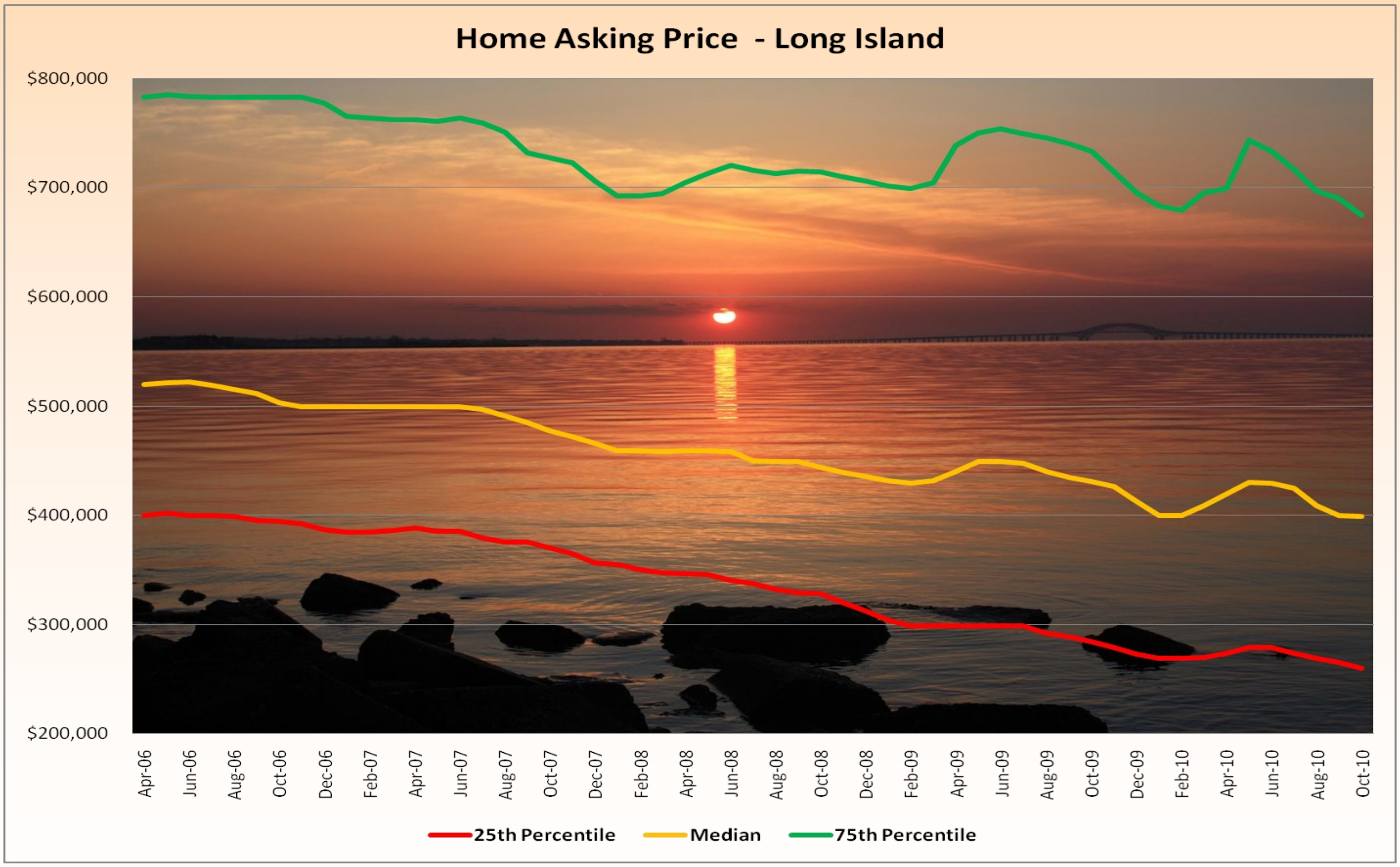
In the first quarter of 2010, there were 930,000 foreclosure filings — an increase of 7 percent from the previous quarter and 16 percent from the first three months of 2009, according to recent data from RealtyTrac, an online marketer of foreclosed properties. Some six million borrowers were more than 60 days delinquent.

But the surge in filings suddenly hit an obstacles in in September 2010, as a number of large lenders froze evictions after they or their lawyers were accused of cutting corners in their pursuit of rapid home repossessions.

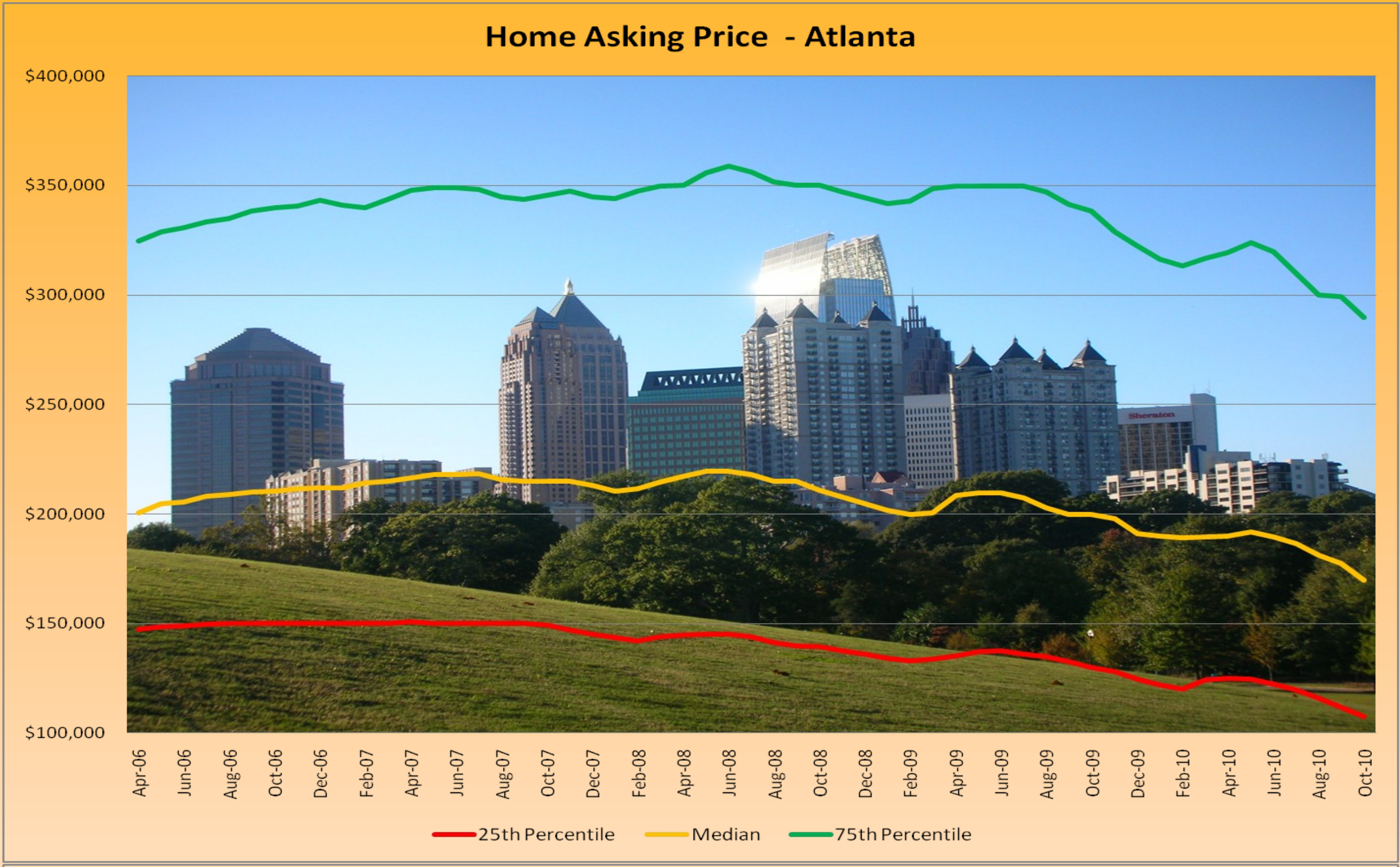
Three major mortgage lenders — Bank of America, GMAC Mortgage and JPMorgan Chase — have said they are suspending foreclosures in the 23 states where they first need a judge's approval. They are also waving off Fannie Mae from selling any of the foreclosed homes whose loans they sold to Fannie. The companies say they are reviewing their operations after disclosures that employees signed documents without determining the accuracy of the material, as is required by law.

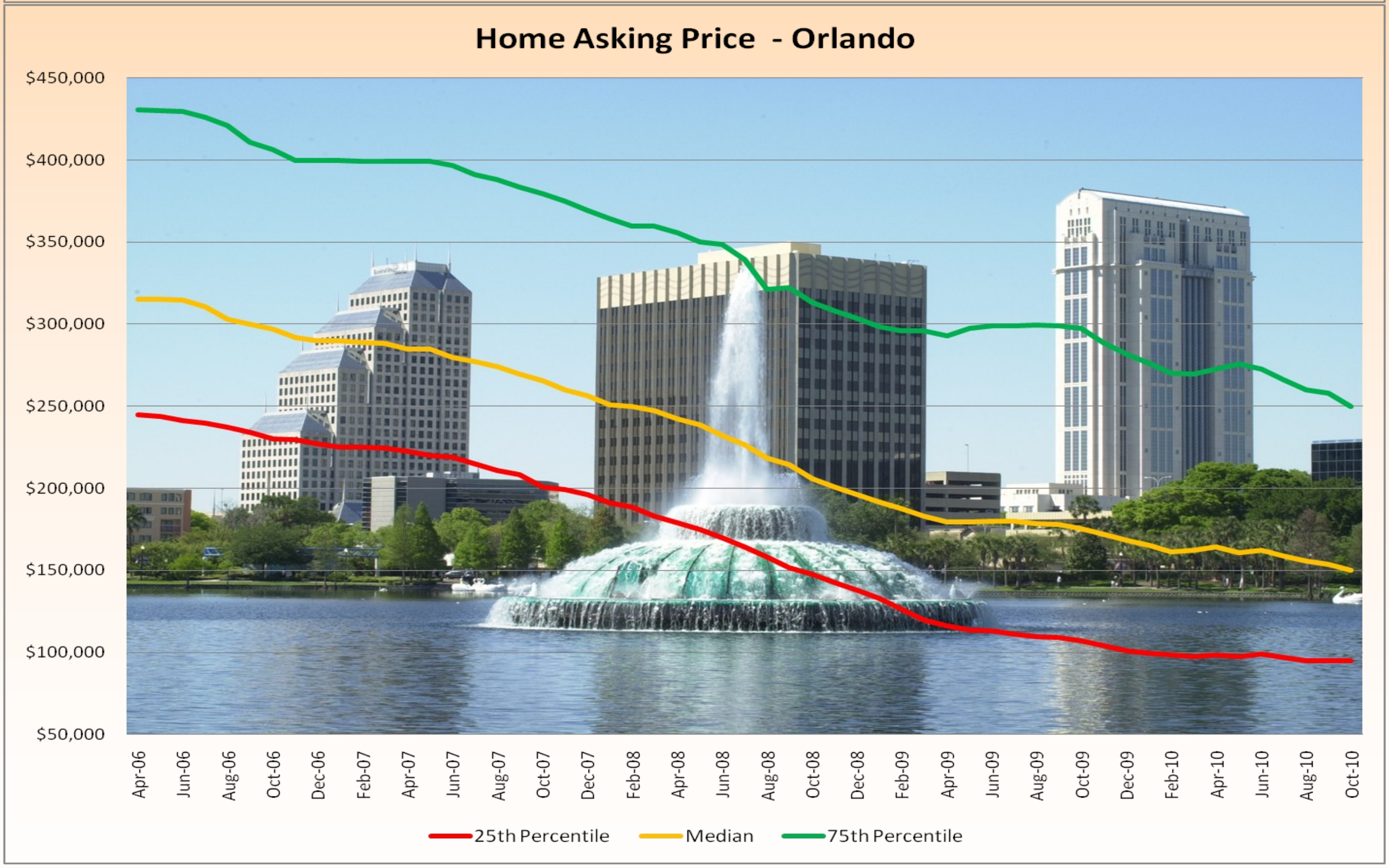






Data from HousingTracker.Net is asking prices for single family homes





Data from HousingTracker.Net is asking prices for single family homes

N.Y. Faces $200 Billion in Retiree Health Costs — NY Times

NY Times—October 12, 2010

By MARY WILLIAMS WALSH

The cities, counties and authorities of New York have promised more than $200 billion worth of health benefits to their retirees while setting aside almost nothing, putting the public work force on a collision course with the taxpayers who are expected to foot the bill.

The total cost appears in a report to be issued on Wednesday by the Empire Center for New York State Policy, a research organization that studies fiscal policy.

It does not suggest that New York must somehow come up with $200 billion right away. But the report casts serious doubt over whether medical benefits for New York's retirees will be sustainable, given the sputtering economy and today's climate of hostility toward new taxes and taxpayer bailouts.

The daunting size of the health care obligation raises the possibility that localities will be forced at some point to choose between paying their retirees' medical costs and paying the investors who hold their bonds. Government officials aim to satisfy both groups, and have even made painful cuts in local services when necessary to keep up with both sets of payments.

Only a few places have tried to rein in their costs, by billing retirees for a portion of the premiums, for example. Retirees have responded with lawsuits, but ratings agencies and municipal bond buyers have shrugged off these warning signs.

The health benefits are entirely separate from the pensions that New York's public workers have earned. Governments have reported their pension obligations for years, but their retiree medical obligations have been building up unseen, because governments were not required to account for them. The information is starting to come to light because of a new accounting requirement.

The $200 billion that New York State and its localities owe retirees in the aggregate is less than the amount they owe their bondholders, about $264 billion. But health costs are rising, and in some places the obligations have already eclipsed the value of the government's outstanding bonds. Most credit analysts seem to expect that if a municipality has to default on something, it will default on its retiree health promises, not on its bonds. Pensions, meanwhile, are considered protected by the New York State constitution.

But no one knows for sure, and no one is predicting that retirees will take the loss of a valuable health plan lying down.

"It will be a mess. There will be a lot of disputes, a lot of litigation," said Jerry A. Webman, chief economist for OppenheimerFunds. He said that defaults and bankruptcies by governments were still so rare that there was little legal precedent, and no way of knowing which pledges would survive a court challenge.

The vast majority of the work force can start drawing benefits at age 55. When retirees turn 65 and join Medicare, their former employers reimburse their Medicare premiums and supplement the federal program.

The cost pressures are by no means unique to New York. States and cities across the country have promised retiree health benefits without identifying a way to pay for them, leaving taxpayers on the hook. Mr. McMahon said he thought his group's new study was the first to aggregate the obligations in a single state.

In practice, each municipality pledges to pay its own retiree health obligations. But if one were in distress, the state could step in through the Financial Emergency Act, passed in 1975 for the rescue of New York City, and might backstop some costs.

The state already stands behind the bonds of some authorities as well. Some officials and bankers worry that the state might be unable to make good if a number of towns and authorities got into trouble at the same time. New York State does have a solid AA rating on its general obligation bonds, however.

New York City has the biggest retiree health obligation, having promised benefits worth $62 billion as of June 30, 2008 — roughly what the state of California has promised, and more than New York City's outstanding debt on its bonds.

The city's five pension funds also have big holes, which have been calculated in various ways. The last time the city's chief actuary, Robert C. North, assessed their status, in June 2008, he found a shortfall of about $75 billion between what the workers had earned and the money that had been set aside.

Retire to Tennessee Information

Donald Hackford
Reliant Realty
505 East Main Street
Hendersonville, TN 37077

Phone: 615-537-2646
Office: 615-859-7150 Ext 544
E-mail: Don@RetireToTennessee.Info

We're on the Web!

www.RetireTN.Info

Please feel free to contact me with any questions.

Don Hackford

Dear Friends,

This Newsletter is published as an educational service to you, as a fellow retiree who may be interested in Middle Tennessee.

Reliant Realty

Nissan to Build All Electric Auto in Tennessee

Nissan broke ground in May 2010 on the project that brings Nissan LEAF production to the United States. The groundbreaking ceremony marks the start of construction on a manufacturing facility in Smyrna, Tenn., that will produce the lithium-ion batteries that power the Nissan LEAF zero-emission vehicle. The all-electric Nissan LEAF will be produced at Nissan's vehicle assembly facility in Smyrna beginning in 2012.

Nissan LEAF and battery production will create up to 1,300 jobs when the plants are operating at full capacity. The battery plant, one of the largest vehicle battery manufacturing plants in North America at 1.3 million square feet at full capacity, will be capable of producing 200,000 advanced-technology batteries annually. It will be located adjacent to the vehicle assembly plant, which will be retooled to accommodate production of Nissan LEAF and will be capable of producing 150,000 electric cars annually. "Tennessee has become a national leader in driving clean energy innovation, and Nissan's commitment to build this advanced-technology battery facility here in Tennessee is a key part of that success," said Tennessee Governor Phil Bredesen. "Nissan's investment in Tennessee began more than two decades ago, and this new manufacturing plant leads the way."