

PORTLAND HOUSING BLOG

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WEDNESDAY, MAY 12, 2010

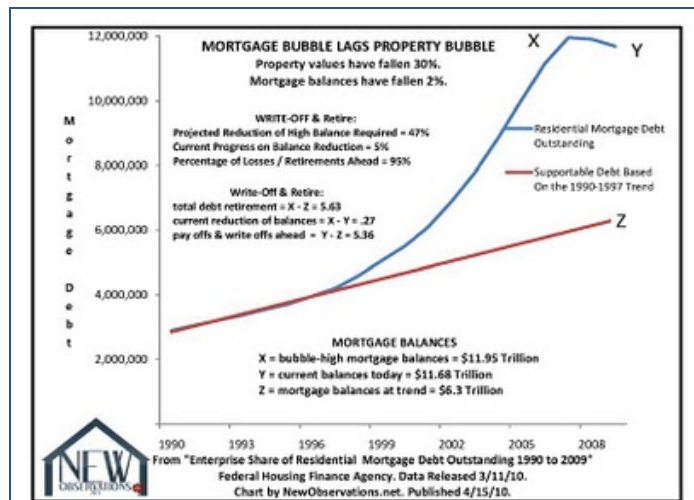
Property Values vs. Mortgage Debts, Single Women Buying Homes, and Even More Taxpayer Money to Bailout Delinquent Loan Owners (ie: Banks)

Spring has sprung in the Pacific NW, and with all the fresh green foliage it may serve us well to observe exactly where things are in the struggle between the balance sheets of banks, and the underlying serviceable property values formerly known as collateral.

New Observations reports that although property values have declined 31%, mortgage debts have only declined 2%. This phenomenon is largely due to the suspension of fair value accounting and mark to market rules abandoned by FASB. Banks won't foreclose because they don't have to, and it's more profitable for them (and executive bonuses) not to do so:

"A national fall in prices of 31% proves that the housing market was a lie. Yet mortgage balances are only two percent less than their peak. What makes sense: A fall in home prices of 31% or a fall in mortgage balances of 2%? (see above)? There is probably no greater lie in our economy today than the divergence in values of homes and mortgage balances. Our economy is not fixed until this is fixed, and yet nobody talks about fixing it because nobody sees it or considers it.

The key is uniting the value of real estate and the income of property owners and renters. What we need is a rational capitalist market. We need a market price driven by private actors. The Fed, the Treasury, and Fannie & Freddie have destroyed the free market in housing and by doing so they are orchestrating poverty and misery for any person who needs a place to sleep at night."



Mortgages Won't Go Away: Property has fallen 31% by First

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Portland Housing Blog: Property Value...

American's count, but mortgage balances have fallen only 2%. Are bankers carrying around their mortgage assets today in a wheelbarrow?

In other news, for some reason single women are now snapping up real estate at nearly double the rate of single men:

*"More than twice as many women purchased a home for the first time in 2009 than men, according to a survey by the **National Association of Realtors (NAR)**.*

The first-time homebuyer share of the market increased to 47% in 2009 from 41% in 2008. Single women made up 25% of all first-time homebuyers, while single males made up 12%. Married couples were 49% of all first-time buyers, with unmarried couples taking up 12%.


More single women, 17%, became repeat homebuyers in 2009 than men, 8%. Married couples made up 69% of all repeat homebuyers. Unmarried couples made up 5% of repeat buyers."

Lastly, more Federal dollars are being allocated to bailing out those who can't or won't make payments on their mortgage, as several states propose using taxpayer money to make monthly payments on loans gone bad. Moral hazard has truly run amok in our housing market and banking system:

"The federal government is doling out a total of \$2.1 billion to 10 states, which also include Nevada, North Carolina, South Carolina, Rhode Island, Ohio and Oregon. The others have not yet submitted their plans to Treasury for approval or have not made them public.

But delinquent homeowners aren't the only ones who would benefit from these subsidies. In fact, the banks would come away with a huge win, said Mark Calabria, director of financial regulation studies at The Cato Institute. Not only would they have government money securely in hand, but they'd avoid the time and expense of the foreclosure process.

"This is a lot more than they would have collected otherwise," Calabria said. "The lenders should bear the losses for this. They are the one who made the loans." "

POSTED BY MONTYB503 AT 9:27 PM 

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Echo 1 Items

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DinOR
Monty,

As I've said before, even 'without' an imploding economy and tanking housing market (mortgage debt doesn't go quietly without a fight!) In fact it's the single most persistent problem and impediment to retirement in most of our lives.

Factor in plummeting home values and... it becomes insurmountable! Here's my suggestion: If the Gov. wants to get things back on track, let's revert back to the 80's Tax Code and make C/C int. and auto loan int. Deductible again!

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

Why not? Hell, there's no -further- MEW to be had with which to convert your consumer debt into housing debt? In time we can 'wean' the tax filer off the 2nd mort. ded. and ultimately the first. It won't happen overnight but it can be done. Still... want to run out and buy the biggest home your paycheck will possibly support?
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