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# Not merely a housing industry crisis; a crack in the moral code of America

by RODNEY CAREY

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Does the public realize that one out of every four homes sold in the last couple of months is in jeopardy of having their sale invalidated?

This is important even for those who didn't purchase REO because it could affect all Americans who need title insurance and reduce the types of financing available, not to mention the skewed market that will be the result of 25% of America's housing stock standing empty.

In the wake of **Bank of America, Chase, and Ally Financial's** recent disclosures that employees might have rubber-stamped foreclosures without following protocols exactly, many industry and political leaders are arguing for a moratorium on foreclosure sales nationwide. As if we weren't in dire enough straits to begin with.

For the past 18 months, foreclosure rates have exceeded all records. In August, distressed homes comprised 34% of all existing homes sold in America, according to **National Association of Realtors** statistics. In this year's second quarter, 24% of all home sales were foreclosed homes, "the kind of volume we need to see for the market to heal," says **RealtyTrac** senior vice president Rick Sharga. That's not going to happen if foreclosure sales stop.

We can learn from mistakes, but to put our entire economy on hold because of a handful of procedural errors puts the housing market in a tailspin and prevents everyone from getting past this problem. Most leading economists say the only way to recovery is to push the distressed housing glut through the system – not slow it down or start over. Going backwards is not in our nation's best interest.

The nation's top mortgage-servicing banks have voluntarily halted foreclosure sales – including in-process transactions on the cusp of closing. As a result, title insurers are chiming in, saying they have concerns regarding the insurability of ANY homes foreclosed by these banks. Without proper title insurance, lenders will not offer financing to purchasers of these foreclosed homes.

These questions of details and rules are the crack that will break open the floodgates. If banks find foreclosure processes weren't followed strictly, then what? Will the previous owner, who was unable to or willfully didn't pay his mortgage re-inhabit the home he abandoned, miraculously start paying

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and oh, by the way, repair and rehabilitate the house that's been vacant for a year and a half?

New owners of foreclosed homes, who spend their hard-earned dollars on not only their own properties but also patronizing businesses in the surrounding community, might find themselves forced onto the street – with no returned check and no apology. Even people trying to buy non-foreclosed homes will find themselves up against a financing wall. With no foreclosures on the market, sure, home prices will rise, but without appropriate comparable sales to substantiate those increased values, good luck getting to the closing table.

Reports insist that the recession ended months ago and our economy is ready to regain its health and vibrancy. I disagree – for if our housing market, the cornerstone to a healthy economy (an assertion shared by many leaders), remains in total and complete paralysis, we will not be able to sustain any real housing stability or economic growth.

It's mind-numbing, but it is consistent with the widespread apathy toward holding homeowners responsible. This is not merely a housing industry crisis; it is a crack in the moral code of America.

It used to be that if a person could no longer afford his home, for whatever reason, he lost it. You don't pay, you don't stay. No one disputes the fact that people stopped paying what they owed and no one argues that they didn't realize their fiscal obligation. Homeowners understand their obligation.

No mortgage document offers a loophole to modify payments so they're more affordable nor does it state that if they cannot pay, they can just live payment-free for as long as they want. Should they get off on a technicality? Isn't time to hold people responsible?

Banks are in business to provide lending to the community and a place for community members to store their savings. They are not a department of government offering handouts and endless support.

When it comes to mortgages, banks lend money with the expectation that the buyer will pay them back over time. The most basic understanding of a mortgage: if you don't make your payments, you'll lose your house.

At some point, we have to acknowledge that the industry has done everything it can – and then some – to keep people in their homes. But the real responsibility to the American consumer is to hold them accountable for their actions. The ONLY legal remedy afforded to lenders and servicers is to continue the foreclosure process, take the house and sell it – at a loss to the bank! – to keep the economy going and our neighborhoods inhabited.

No one denies that the best solution is to find a way to keep the current homeowner in the home AND paying on their financial obligations. But to further delay the recovery in order to give those who did not pay even more time certainly seems like our priorities are upside down – we are rewarding those who failed the system and punishing those who follow the rules.

We must stop this lack of accountability, stop focusing on clerical errors and move forward. If there are improvements that can be made to the current process then let's make those. But to consider going backwards and potentially reopening all

foreclosures since 2007 is moving our country in the wrong direction.

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