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CAREY: Mayhem on Main Street

Foreclosure moratorium latest blow to financial recovery

By Rodney Carey

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Although drywall is flying at a gutted-to-the-studs house we bought in White Lake Township, Mich., we may soon learn that our closing and cleared check were all for naught. The homes we buy as entrepreneurs with the intention of rehabilitating metro Detroit one residence at a time may slip away if banks decide they made even a tiny error in the foreclosure process.

In the wake of Ally Financial's September announcement 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. It's as if we weren't in dire enough straits to begin with. Thankfully, the [Obama administration\(/topics/presidency-of-barack-obama/\)](#) appears to be opposed to national action.

For the past 18 months, foreclosure rates have exceeded all records; in August, distressed homes made up 34 percent of all existing homes sold in America, according to statistics from the [National Association of Realtors\(/topics/national-association-of-realtors/\)](#).

In this year's second quarter, 24 percent 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\(/topics/rick-sharga/\)](#).

That's not going to happen if foreclosure sales stop.

The nation's top three mortgage-servicing banks have voluntarily halted foreclosure sales - including in-process transactions on the cusp of closing. Now title insurers are chiming in, saying they can't possibly insure any homes foreclosed by these banks. Banks don't give mortgages on houses whose titles can't be insured.

We are in deep trouble.

Such 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 willfully didn't pay his mortgage, reinhabit the home he abandoned, miraculously start paying and repair and rebuild the house that's been vacant for 1 1/2 years?

New owners of foreclosed homes, who rebuild not only their own properties, but also the surrounding community, might find themselves forced onto the street - with no returned check and

no apology. Brokers will lose hard-earned commissions on houses they thought they would be able to sell.

With no foreclosures on the market, home prices surely will rise, but without appropriate appraisals to substantiate those increased values, nothing will qualify for financing. Even people trying to buy non-foreclosed homes will find themselves up against a financing wall.

It's mind-numbing, but this fits with the continued apathy regarding holding anyone responsible.

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 momentum.

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. They knew what they were doing. Should they get off on a technicality? Isn't it time to hold someone responsible?

Some banks may have made a mistake in process. Is that reason enough to freeze our economic foundation while policy wonks debate the how rather than the why?

And what about the people who continue to pay? It's not as if the government and judicial process are helping hardworking Americans whose houses are grossly undervalued amend their loans so they can come close to current market value.

Don't forget the grocery stores, home-improvement shops, dry cleaners and pharmacies. Should businesses suffer because a new homeowner bringing life to a long-vacant house can't close on his purchase and help turn around the neighborhood?

Ultimately, the question should be, "Why are we spending so much time helping those who didn't, wouldn't or couldn't pay their mortgages? Remember, the people making campaign contributions are not those who lost their houses - it's the guy paying his bills and living in his neighborhood, who honors his commitments and puts his money where his mouth is.

If you bite off more than you can chew, you choke. But if you don't have anything to eat, you starve - and eventually you die.

Every step the government has taken in the past two years to try to help homeowners has resulted in failure, with more foreclosed properties than ever in our nation's history. That apparently was only child's play.

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