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## Guest commentary: Old rules needed to improve housing industry

*By Rodney Carey  
Guest commentary*

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 that 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. 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 percent of all existing homes sold in America, according to National Association of Realtors statistics.

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.

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-the-process transactions on the cusp of closing. And 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.

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 willfully didn't pay his mortgage, re-inhabit the home he abandoned, miraculously start paying and oh, by the way, repair and rebuild the house that's been vacant for a year and a half?

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'd be able to sell.

With no foreclosures on the market, sure, home prices 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.

Why are we spending so much time helping those who didn't, wouldn't or couldn't pay their mortgages? Every step the government has taken in the past two years to try to help homeowners has resulted in utter failure, with more foreclosed properties than ever in our nation's history. That was only child's play apparently.

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