



In the Loop Realty Newsletter

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Amerival

**Your One Stop
Valuation Center**

MORTGAGE PERSON OR BANKER - FRIEND OR FANNIE MAE PUPPET??

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The last several years have seen sky rocketing real estate prices or values? At best they were temporary values and as the economic downturn now in place continues, that argument of

“Price vs Value” will create a din in courtrooms throughout the United States. As Americans, come to grips with mortgages, which come due in 3 - 5 years, securitized by likely their largest single asset, their homes, it's quite likely that their properties may be worth less than the “value” established originally. Lenders are not going to forgive the unpaid amount just because that the property is no longer worth the original stated value. And why should they, because so many of those mortgages will be held by FANNIE MAE, a private stock company since 1968. It's sole purpose is to make profits. The lead wording in their website is “*Our Business is the American Dream*”.

Gives you that warm and fuzzy feeling doesn't it? Well, Americans late with a payment or unable to pay that “*Dream Home Mortgage*” will suffer a financial death the likes of which was *never dreamed*. But how did this happen?

In order to compete for business the lending industry had to provide the fastest and cheapest means of binding borrowers. Once closed the borrowers are forgotten or at least until they can no longer pay for whatever reason.

No, I don't advocate the inception of a “forgive me law”. Obligations should be met. However, borrowers were not made aware of the consequences due to a downturn in values or economic changes. The problem is Americans are relying on the lending industry and Fannie Mae to protect them.

Recently Americans were in a home buying and refinancing frenzy. Many refinanced more than once taking more money each time from the *alleged* equity build up. Mortgage products designed to entice the public to mortgage and mortgage some more became available, making it easier and easier. To indebt oneself. 5% and 10% down loans, interest only loans or negative amortization loans (they don't use that term, it's too scary) and 80/20 loans in which one takes a mortgage for 80% of the home value and in the same breathe the “*considerate lender*” then gives a loan for the remaining unmortgaged 20% of the equity. When mortgages balloon in 3 or 5 years and values are declined, refinancing will require cash investment by the homeowners in order to pay for the loss in values.

If these people had that amount of money in the first place they would not have needed these creative loans. Welcome to the inner sanctum of “*Our Business is the American Dream*”.

What does this mean to attorneys and accountants and to other professionals? There will be foreclosures, negotiated “short sales”; bankruptcies and divorces, as the stress placed on the duped public often results in failed marriages and other unpleasant results ending in legal difficulties.

Monthly Saying

The world recognizes nothing short of performance, because performance is what it needs, and promises are of no use to it.

-Philip G. Hamerton

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