

## September 10, 2008

### [Questionable Practices In California](#)

#### The [San Gabriel](#)

Valley Tribune reports from California. "The government takeover of mortgage giants Fannie Mae and Freddie Mac could lead to a dramatic drop in homeownership if they become privatized, an industry group said Tuesday. Looking down the road, privatization of the two agencies would result in a 'big set of obstacles for homeownership in the future,' said Joel Singer, executive vice president of the California Association of Realtors."

"Without the implicit guarantee of a partnership between the government and the secondary market I think mortgages would be substantially higher relative to where they've been historically,' Singer said."

The [Times Standard](#). "Fannie and Freddie have historically helped stabilize the housing market. If the organizations were to become exclusively profit-driven, said Humboldt Association of Realtors President Tom Hiller, housing prices would likely go up."

"We hope they don't throw the baby out with the bath water,' Hiller said. 'Both the CAR (California Association of Realtors) and NAR (National Association of Realtors) will be looking to the new Congress to make sure these entities are saved as opposed to privatized.'"

From [Metro Active](#). "Alberto and Rosa Ramirez pick strawberries eight months a year and earn around \$400 a week doing so. Rosa and her sister, out shopping for food, spotted the newest issue of La Ganga magazine, got home, plunked down on the couch to read it and found a real estate ad promising, 'With Maria and Rafael you can do it-you can buy a house,' that sounded awfully good. 'Buy with us and we'll give you furniture" sounded even better.'"

"And that's how Alberto, Rosa and Jesus, in the summer of 2005, ended up at the Rancho Grande Real Estate office in Morgan Hill to ask a few initial questions about buying a house. They say they told real estate agent Maria Avila that they weren't able to afford much. No problem, they recall Avila saying. We'll find a way."

"The world Maria Avila created for the financial community to review, he was an 'agricultural expert' who owned his own business and boasted an income of around \$100,000 a year."

"From the beginning of their house-bidding process, Alberto, Rosa and Jesus suspected something was a bit off, because the \$720,000 loan needed to buy it would ordinarily require a mortgage payment of around \$4,800 a month."

"At the height of all this, back in 2005 and 2006, pairs of real estate agents used to circle around places like Home Depot,' says attorney Pamela Simmons, who represents the Ramirez and Martinez families. 'They'd pick up a group of day laborers in their SUVs, bring them out to a property they were selling to 'cut the weeds and fix the place up,' and then at the end of the day, pay them well and ask, 'Are you guys by any chance renters? If so, you really ought to buy a house. In fact, how about this one you've been working on all day, right here?'"

"Overall, the Ramirez and Martinez families put \$39,000 into the house. Maria Avila put in around \$29,600-and collected 3 percent as seller's agent, again as buyer's agent and a third time as loan agent for a total of \$64,800. She netted around \$35,200. The families have lost their former affordable farmworker housing, their \$39,000 and their house."

"This is the nature of many of the questionable practices that are leading to boarded-up neighborhoods everywhere Pamela Simmons' law partner, Bill Purdy, describes these practices as "the root cause of hundreds of thousands of foreclosures."

"What happened to the strawberry pickers at the hands of that particular broker is symptomatic of a massive tidal wave of foreclosures breaking across the state. There will be wave after wave of them. There are many, many more latent foreclosures out there. The approaches used were different, but the result was exactly and invariably the same."

#### As if [the housing](#)

crisis weren't bad enough, the latest side effect is an uptick in neighborhood blight around the South Bay. City code enforcement officials are reporting an increase in the number of homes left vacant and neglected, in large part because of foreclosures. Since last summer, more than 300 such homes have been identified, according to the city, and that means windows boarded up, broken glass and overgrown landscaping."

"Of those, about 41 percent are bank-owned homes and most of them are clustered around the East Side of San Jose. The surge of foreclosures has made it tough to track down the offenders, said Wayne Chen, policy development officer in the housing department."

"There are bank-owned properties that some folks are taking off and leaving the properties as is,' Chen said. 'Because the city is so large, there's potential for a lot of home sit; it's hard to proactively monitor them.'"

#### The [Contra Costa](#)

Times. "A record number of Contra Costa homeowners failed to pay their property taxes last fiscal year, costing the county \$116 million. The rising delinquency rate comes as no surprise to most watching the mortgage meltdown - if homeowners can't afford mortgage payments, they probably can't afford the twice-a-year property tax installments."

"It's been substantial,' said Russell Watts, Contra Costa's chief deputy tax collector."

"Many of the delinquent tax bills are the result of foreclosures, as homeowners often include property taxes in their mortgage payments, Watts

said.”

“As the 2008-09 fiscal year tax bills hit Contra Costa mailboxes this month, Watts said, even more people could fail to pay. In addition, assessors worry that homeowners will read their assessed property values and question why their neighbor’s home is selling for \$100,000 less.”

“Homeowners don’t realize assessments are based on Jan. 1 values and not current property values, said Ken Blakemore, San Joaquin County assistant assessor.”

“‘That’s a bitter pill to swallow,’ he said.”

The [Sacramento Bee](#). “A financial dispute involving one of Sacramento’s signature condo complexes apparently is turning nasty. As we hear it, officials with project investor Resmark Equity Partners LLC of Los Angeles entered the L Street Lofts building early Friday with the intention of changing locks and assuming control.”

“Representatives of developer Sotiris Kolokotronis then arrived at 1818 L St. and tensions escalated, resulting in police being summoned.”

“‘We got called out after it became a little physical,’ says Sacramento police spokeswoman Michelle Lazark. She says police ‘mediated’ and tempers cooled.”

“Where things stand now is unclear. The sales team is still in place, in offices across from the glitzy eight-story condo complex, considered a symbol of midtown’s residential and retail renaissance. Among buyers of the project’s pricey penthouse units are mayoral candidate Kevin Johnson and Sacramento Kings star Kevin Martin.”

“What’s behind the financial dispute between Resmark and Kolokotronis? It could be Resmark’s concern that fewer than half of the 92 units - priced between \$389,000 and \$1.2 million - have been sold since L Street Lofts opened last year.”

From [KSBW](#). “Falling property values are putting a strain on the Salinas city budget. Mayor Dennis Donohue said foreclosures are also cutting into the property tax revenue for the city.”

“One Realtor said homes that sold for \$600,000 in 2006 are now selling for between \$320,000 and \$300,000. The lost home value translates into a significant loss of property tax revenue for Salinas - an estimated \$4 million for 2008.”

“Donohue said this year’s budget has reserves built in for the shortfall, but the 2009 budget is looming and city leaders will have to do more with less. ‘It has created a 10.2 percent budget gap in 2009, about 12 months from now,’ said Tom Kever, the City of Salinas finance director.”

The [Voice of San Diego](#). “Attempting to fight urban decay in San Diego’s neighborhoods hit hardest by foreclosure, a plan to buy up foreclosed properties here is gaining traction and some national attention. The plan, known as a land bank, would assemble taxpayer, private and philanthropic dollars to purchase foreclosed houses.”

“The push for a land bank comes after local governments have worked strenuously to artificially lower home prices for the region’s low- and moderate-income residents during the years-long housing boom.”

“By purchasing homes in neighborhoods that could have further to fall, the land bank attempts to stop the bleeding of home values for owners in foreclosure-heavy neighborhoods. The plan’s supporters acknowledge that by opening a net under falling prices, the action potentially undercuts the market’s own mechanism for achieving affordability — falling prices.”

“‘It’s a big ocean, you know?’ said Jim Bliesner, director of the City-County Reinvestment Task Force. ‘The land bank isn’t going to be large enough to buy [all of] the houses currently in foreclosure on an ongoing basis. Both can coexist.’”

“But even contemplated on the national level with \$4 billion allotted for such programs, the idea falls short in light of the extent of the foreclosure problem, said economist Chris Thornberg, principal at Beacon Economics.”

“‘It’s a drop in the bucket,’ he said. ‘It’s not going to stop anything.’”

The [LA Daily News](#). “Home prices might be plunging across California, but the Golden State still dominates the nation’s 10 most expensive housing markets. California accounts for eight of America’s 10 priciest places to buy a house, according to the Coldwell Banker Home Price Comparison Index released Tuesday.”

“Coldwell Banker has been putting out this list for 21 years, and California has always been at the high end, said Jim Gillispie, the company’s CEO. That’s true even now, as the state experiences some of the biggest price drops in the country.”

“‘They came up so much in California (before the declines), it still puts you at a higher price point than the rest of the country,’ Gillispie said.”

“And the reason for such longevity may surprise you. It’s the landmark Proposition 13, passed in 1978, that capped the annual property tax at 1 percent of a home’s value, said Daniel Blake, director of the San Fernando Valley Economic Research Center at California State University Northridge. Most other places have a tax rate of 2 percent to 2.5 percent, he said.”

“‘In California you can pay a higher mortgage and therefore buy a more expensive home for the same amount of money than you can in a place where you have higher property taxes,’ he said.”

“There are two other reasons why California features expensive residential real estate, Blake noted: the economy and the Mediterranean climate.”

“‘It (such a climate) is offered in about eight places in the world, so this is a very nice place to live,’ he said. ‘And we have a lot of really good jobs.’”

Posted By: Ben Jones @ 12:51 pm



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## 151 Comments »

■ *Comment by [Ben Jones](#)*

2008-09-10 12:58:05

These scumbag UHS should take a look at real world situations like these:

‘Jo Hernandez [harbors](#)

no delusions about the 500-square-foot Le Grand home that her children lovingly call their shack. She admits they’re right. The one-bedroom, one-bathroom house that she, her five children and her mother all call home was built in the 1920s from the scraps of an old barn. It has no heat or air conditioning.’

‘The walls of its cramped, dimly lit kitchen have no insulation. They are made of unfinished wood, as is the floor, which more closely resembles a backyard deck. The kitchen also lacks electricity.’

‘It’s not my dream house,’ jokes Hernandez, 39. ‘But it’s all we have.’

‘It’s all they have because it’s all they can afford. Hernandez is one of roughly 50,000 Merced County residents and nearly 40 million Americans living in poverty, so her family’s struggle is far from unique.’

‘But at \$280 a month, her mortgage is hard to beat. And it’s all she can manage on her income. Medi-Cab pays Hernandez \$8.25 an hour, or about \$1,200 a month. She gets another \$600 a month in aid and food stamps.’

This isn’t an abstract debate. Cheap land and housing should be what we are working toward, not the other way around.

BTW, the strawberry-picker article has a lot of great detail and is worth taking the time to read.

[Reply to this comment](#)

*Comment by [Faster Pussycat, Sell Sell](#)*

2008-09-10 13:14:06

If the US ever wants to compete with the likes of China and India, this is like the biggest DUH ever!

The problem with the US is that it’s expecting *economic rents* at the same scale that it got when it was the only nation left standing past WWII. Those days are long gone, and aren’t coming back.

The rentier economy is going to have a big-time crash.

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