

The Housing Bubble

Examining the home price boom and its effect on owners, lenders, regulators, realtors and the economy as a whole.

September 23, 2007

The Bust Part Of The Cycle In California

The [Modesto Bee](#) reports from California. "These are tough times for Northern San Joaquin Valley home builders. They've got too many homes to sell and too few buyers who want them. Lafferty Homes recently turned over sales of its finished houses in Oakdale, Livingston and Lathrop to real estate agents, and slashed its asking prices. Some homes that had been priced above \$600,000 have been lowered to the mid-\$400,000s."

"Some builders are offering even bigger potential discounts. Anderson Homes has agreed to auction off 59 houses in Manteca and Los Banos to the highest bidders next month."

"'It's a very efficient way to reduce our inventory,' said Craig Barton, Anderson Homes' chief financial officer. His company...built too many homes last year when sales were strong, then got stuck with empty houses when buyers disappeared."

"To lure back buyers, the opening bids for Anderson Homes will start about 40 percent below previous asking prices. Example: Its Paseo West houses in Manteca, once priced at \$460,898 could go for as little as \$285,000, and Anderson's Teal Landing houses in Los Banos, once priced at \$353,316, could go for \$215,000."

About Me

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“Craig said his company ‘won’t be making any money if we sell for the minimum bids,’ but the company is going to trust ‘buyers to set the fair market value.’”

The [Recordnet](#). “The national and international media have homed in on the Stockton metro area - meaning San Joaquin County - as one of the top foreclosure hot spots in the nation. It’s the bust part of the cycle that followed an unparalleled six-year boom.”

“Edmundo de la Cruz’s Spanos Park West home (is) up for sale, but the Stockton sales market, with 3,000 listings that include hundreds of foreclosure properties, is rugged. He and his wife, who are living on pensions, are facing mortgage adjustments that they absolutely won’t be able to cover, he said.”

“The couple is upside down on their house, meaning that the \$363,000 they owe on it is more than the \$350,000 it would sell for. About a year and a half ago a neighbor sold a similar house for \$474,000. De la Cruz said his appraised for \$480,000 a year ago.”

“To complicate their problem, they’ve been using credit-card advances to help cover their mortgage payments, he said.”

“‘We had no idea we would get into this trouble,’ de la Cruz said. ‘Now the market is so bad we can’t even get any offers, nothing. It’s very frustrating.’”

“‘We’re still waiting for the pipeline to flush out,’ said broker Kim Currier. ‘The repos are now competing against repos, so the homeowners are almost totally out of the market now.’”

The [Times Herald](#). “A Vallejo woman we’ll call ‘Maria,’ said

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• September 2007

M T W T F S S

« Aug Nov »

1 2

3 4 5 6 7 8 9

she is losing her house because she trusted a loan broker who may not have had her best interests at heart. 'I'd say pay attention before you sign anything,' said Maria."

"'It ain't over yet' said Solano Association of Realtors president Jeff Dennis of the subprime mortgage crisis. 'My office has, probably, 33 bank-owned properties we're trying to sell.'"

"Maria said she bought her Vallejo home five years ago for \$375,000 with an adjustable negative amortization mortgage, meaning the amount she owes on her home rises every month. 'Since the first bill, it's been a nightmare. I've been trying to sell it off and on for a year, and I can't sell it,' she said. 'It's a terrible market for sellers. I've gotten no offers.'"

"'It was the American Dream,' she said. 'I got it, I lived it, and now, it's gone.'"

The [Press Enterprise](#). "Real estate agents say this year lenders are approving short sales as an escape route for borrowers whose adjustable-rate mortgages have skyrocketed beyond their means."

"'The old school mentality was the hardship had to be marital, medical or job related. But I have had short sales approved and the hardship is that the loan is adjusting,' said Jacob Swodeck, short sale manager for a company in Covina."

"'If everyone comes out of the woodwork, even those able to pay, the next thing you know the bank is being pummeled,' said Chris Thornberg, a real estate economist. 'The problem with a short sale or a foreclosure is that the process forces the bank to have to acknowledge its losses.'"

[10](#) [11](#) [12](#) [13](#) [14](#) [15](#) [16](#)

[17](#) [18](#) [19](#) [20](#) [21](#) [22](#) [23](#)

[24](#) [25](#) [26](#) [27](#) [28](#) [29](#) [30](#)

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“The biggest frustration, say agents, is that it can take months for a lender to decide whether to accept an offer, in part because lenders’ mitigation departments are being inundated with such requests.”

“‘The loss mitigators in the loan servicing offices may have as many as 175 short sales each. They are so overwhelmed that all they can do is just work on the ones close to being auctioned off,’ said Karen Beer, an agent in Murrieta.”

“Karen Hirsch, business administrator for Mountain West Financial, said underwriters for the Redlands-based mortgage banker view short sales as negatively as foreclosures and it would take time before a short seller would be considered a reasonable credit risk for another mortgage.”

“‘If (borrowers put) themselves in a position where they were unable to make their house payment, it tells you about their sense of responsibility,’ she said.”

“Richard Macias has had no luck selling his house in Corona’s Horsethief Canyon for \$329,000, which is \$88,000 less than enough to repay his mortgage. Macias said he can’t afford the adjustable mortgage he got two years ago when he refinanced his house to raise funds to develop an invention.”

“Macias, a dock builder for the city of Los Angeles, said in the last year the interest rate on his mortgage has steadily risen, pushing up his monthly payments from \$2,200 to \$3,600. When he tried to refinance to a fixed rate, he said, he still could not get a payment he could afford because late mortgage payments hurt his credit score.”

The [Daily News](#). “Just last month, Patti Hutchinson and her husband were in escrow on a \$675,000 home in Torrance.

They had prequalified for a traditional 30-year loan, had a

strong income and agreed to a 5 percent down payment.”

“Suddenly, the Hutchinsons’ slightly less-than-perfect credit scores turned them into a liability. Their lender said they’d have to up the down payment to 15 percent, and then he raised the interest rate on the loan to double digits.”

“The Hutchinsons bailed out of escrow, and they plan to stay in their rental house until next year.”

“‘We were very disappointed,’ said Patti Hutchinson. ‘We took all the right steps to get into something and got prequalified and provided everything possible. I don’t know what else I can do.’”

“Still, lenders and brokers insist that now is a great time to buy. ‘There is inventory available and sellers are becoming more realistic,’ said Anthony Olague, branch manager at Provident Bank Mortgage in Glendora.”

“‘Yes, prices are high, and some are really stupid,’ said Carol Gilles, a Realtor in Torrance who represents the Hutchinsons. ‘But there are ways to purchase. Figure out where you want to live and what you can afford. It may have to be close to the airport or close to Gardena. If you don’t want to do that - move to Hemet.’”

The [Daily Breeze](#). “The sluggish real estate market is taking its toll on one San Pedro condominium project that’s still under construction. Seaport Homes on Western Avenue will now lease out its 136 units rather than sell them.”

“Seaport Homes reportedly sold only about 15 percent of the units in advance of the scheduled opening in January.”

“‘Mainly the market’s not good,’ Seaport spokeswoman

Nancy Bush said, "It's hard for people to get a loan, so we

thought we'd let people try it out on a lease with a purchase option first, to kick the tires, see how they like it.'"

"Rents will range from \$1,500 for a one-bedroom, one-bath to \$2,750 for three bedrooms and three baths, according to Seaport's Web site."

"Bush said it is anticipated that the units will go up for sale later, after the housing market rebounds. Those with leases would have first right of refusal to buy."

The [Union Tribune](#). "Home builders registered their gloomiest view of the future since recessionary 1991, the National Association of Home Builders reported this past week. The association's 22-year-old Housing Market Index, based on a monthly survey of builders, dropped to 20 points, tied with the record low set in January 1991. In the West, it was even lower at a record 18 points."

"In San Diego County, builder Bill Davidson said many potential buyers continue to sit on the fence, even as many people continue visiting housing projects."

"'In my career, I've never seen such a sophistication in the marketplace,' Davidson said, noting he has weathered four recessions in nearly 30 years."

"Looking ahead, Davidson thought national builder analysts might be too optimistic in thinking that sales will pick up next spring, especially in markets suffering from oversupply, overbuilding and speculation."

"'Some of this is healthy, as much as I hate to admit it,' he said."

Posted By: Ben Jones @ 11:30 am

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☐ *Comment by [Ben Jones](#)*

2007-09-23 10:49:15

‘MURRIETA — The [parking](#) lot fronting this city’s ‘furniture row’ increasingly resembles a number of homes in this community. Empty.’

‘Analysts and observers believe the plunging housing market — on which the furniture industry relies heavily — is greatly to blame for those struggles, which aren’t limited to stores in Murrieta.

‘People are not worried about furniture,’ said resident Barbara Nugent. ‘They’re not worried about replacing that mattress they’ve had for 15 years because they’re worried about paying their mortgage.’

‘That’s particularly true in Murrieta: A handful of stores have closed at the Home Center and several others offer deals between 60 percent to 80 percent off.’

From the end of the Recordnet piece:

‘Jill Rios and her husband would just like to move out of state to somewhere else where this isn’t happening, Rios said, but they feel trapped because they believe they would have almost no chance of selling their extensively remodeled home in this molasses-slow market.’

'A real-estate agent advised them to sit the market out, she said, because if they got a purchase offer, maybe in a year or so, it would probably be at \$60,000 or so less than the listing price. He advised them to just sit and wait out the market downturn.'

'I'd like to move out of California,' she said. 'I'm done.'

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Comment by Professor Bear

2007-09-23 11:39:05

“'I'd like to move out of California,' she said. 'I'm done.'”

This is sad. I am sure many who moved to Murrieta at the peak in order to escape San Diego's unaffordable housing prices are similarly stuck.

[Reply to this comment](#)

Comment by BottomFisher

2007-09-23 20:44:53

Jill....you ARE outa California.

[Reply to this comment](#)

Comment by sleepless_near_seattle

2007-09-23 11:59:15

“Jill Rios and her husband would just like to move out of state to somewhere else where this isn't happening”

Ahem...good luck with that strategy.

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☐ *Comment by Sammy Schadenfreude*

2007-09-23 12:26:29

"Jill Rios and her husband would just like to move out of state to somewhere else where this isn't happening"

I wonder if LV Landlord and other disgraced, discredited former housing bulls in here - since vanished - found some kind of ratline that allowed FBs and flopped flippers to slink out of town and out of state under cover of darkness, leaving their alligator-houses and massive debts behind. I'm pretty sure my dog treed one of them just the other night.

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☐ *Comment by NYCityBoy*

2007-09-23 14:31:42

"Figure out where you want to live and what you can afford. It may have to be close to the airport or close to Gardena. If you don't want to do that - move to Hemet."

Who do these a-hole agents think they are that they can tell somebody where to live.

I'm watching the Giants stink it up against the Redskins and I just had the Realtor commercial come on. I wanted to hurl. "If you have a family it's always a great time to buy."

(Comments wont nest below this level)

☐ *Comment by mrquoi*

2007-09-23 15:31:51

I have a family and can safely say it's never been a better time to rent. I have no idea why people want a house for a baby. When I first had mine I would have preferred a studio apt since I could clean it more easily.

Now we are renting a house. What's really funny is that we had a hard time finding a house because we have dogs. But the dogs just lay around on the patio all day. The human toddler on the other hand has dropped many glasses and bowls of food on the nice floors, drawn on the carpet with an indelible marker, runs trains and trucks at high speed into the walls, and has a nightly tsunami that I'm sure is going to eventually start damaging the bathroom tiles. Oh and the stuff the kid has tried to flush down the toilet. (We don't call the landlord on those, though, we own our own snake.) Our total cost for all this damage is no greater than our security deposit.

☐ *Comment by Vermonter*

2007-09-23 16:27:18

Guaranteed if landlords could legally say "no kids" they would. I had at least one potential landlord cut us off the list because we had them.

I agree about the whole baby=must have a house madness. Other than the profits we made, one of these worst moves we made when kid number 2 came along was to buy a house in need of heavy fixing up. It takes time that I would have rather spent with the kiddos and added stress to a very stressful period.

Kids take up 2 square feet when they are first born. As long as it's a safe neighborhood with a park nearby or room to roam the house bit is totally optionally.

☒ *Comment by Chip*

2007-09-23 17:03:57

"Our total cost for all this damage is no greater than our security deposit."

Mrquoi — Sorry, but I don't agree with stiffing a landlord just because you can get away with it. You readily admit that you allow your children to damage the place you are renting, without repairing the damage, and that your "conscience" is limited to the deposit you put down. I find that disturbingly reflective of the abandonment of personal responsibility that is ever more common in this country. It does not mirror the integrity borne out by comments of the great majority of this board's regular posters.

Sure, we all think the housing bubble was terrible,

flippers were terrible and all that. Most of us also hold ourselves to high standards of personal conduct and responsibility while we wait for the crash to finish.

☐ *Comment by Cinch*

2007-09-23 17:38:37

LMAO.

House for rent: 3/2 bed/bath rooms. \$1200 per month. Pets (dogs) negotiable, but absolutely no kids allowed. New paint and fresh carpet just installed.

☐ *Comment by [peter m](#)*

2007-09-23 19:56:13

"Figure out where you want to live and what you can afford. It may have to be close to the airport or close to Gardena. If you don't want to do that - move to Hemet.'"

What a stupid comment! Who The f**k whats to live next to the airport? Yeah how about inglewood? Crime/fraud city central. How about lennox? LA's worst S*ithole dump? El Segundo? Next to refineries,waste treatment plant,airport Noise!

Gardena! little better than Compton and

deteriorating fast! Yeah! Move to Hemet! IE's least attractive city- a dry barren wasteland and foreclosure central.

BTW_Carson and Gardena are two southbay underbelly communities and probably the two places which are likely to see good deals on REO's, for under \$400,000 for large 3/2,s. Still OK places overall though you have to pick your way- some parts of Carson and Gardena no better than Compton. Still way better than LA Central or much of LA inner S*itholes.

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☰ *Comment by diogenes*

2007-09-23 14:52:18

They could move here to the Research Triangle Park area of NC where we are getting loads of California refugees.

About 30% of my subdivision is composed of highly educated (mostly PhDs) in biotech who have had it with California and the high cost of living there. Since we never had your boom we aren't experiencing your bust... plus we are adding high wage jobs every day. Welcome Californians.

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☰ *Comment by jjinla*

2007-09-23 16:16:32

While I realize everything is overpriced, it isn't California overpriced. The first decent offer we get out of state we're taking. In Minnesota, buying at the top might mean seeing your property drop by \$50K. Make that \$300K + in CA. I honestly don't know a single person without a house that wants to stay here.

CA is in quite a pickle. If prices drop by 50%, half the state could lose their houses. If they don't, half their educated 30-somethings will leave.

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☰ *Comment by sleepless_near_seattle*

2007-09-23 16:38:06

Foreclosures are up just about everywhere. They'll see that no matter where they go.

I vote for 50% price drop.

(Comments wont nest below this level)

[Reply here](#)

☰ *Comment by bicoastal*

2007-09-23 16:43:21

"I honestly don't know a single person without a house that wants to stay here."

Everyone I know in Santa Barbara (where I live a big

chunk of the year) really wants to live here. When I go

to parties, I meet millionaires and billionaires who say, "I could live anyplace in the world, and I choose to live in Santa Barbara." And I agree with them.

(Comments wont nest below this level)

☒ *Comment by Professor Bear*

2007-09-23 17:29:19

To bad Santa Barbara is in for the ugliest of corrections, as many who choose to live there can't afford to do so, and were only enabled to live there for a little while with time bomb subprime mortgages.

☒ *Comment by Mike G*

2007-09-23 17:50:05

Wordy McWord from Goleta.

It's just damn hard to make it here on less than six figures.

☒ *Comment by JWM in SD*

2007-09-23 18:23:23

Here trolly trolly trolly, nice trolly. Whack. Whack.

Dead trolly.

☒ *Comment by jerry from richardson*

2007-09-23 18:33:17

Wait until the middle class is priced out and are replaced by hordes of illegal immigrants. Then we'll see the millionaires trapped in their own homes.

Comment by tresho

2007-09-23 19:12:10

The millionaires can hire the gangstas as their own private army to protect them.

Comment by cactus

2007-09-23 20:24:03

When I go to parties, I meet millionaires and billionaires who say, "I could live anyplace in the world, and I choose to live in Santa Barbara."

La all the trillionares are here in Phoenix at Walmart, wouldn't have it any other way

Comment by Wickedheart

2007-09-23 21:14:55

When I go to parties, I meet millionaires and billionaires who say, " I could live anyplace in the world, and I chose to live in Santa Barbara. "

That couldn't be true. I watch the local news on

TV and they say all the millionaires want to live here in San Diego.

☰ *Comment by jjinla*

2007-09-23 22:08:04

Bicoastal,

Clearly we run in different circles. If one were a millionaire, sure, Malibu beats the hell out of Indianapolis. But most of my "average" friends make in the high six-figures and refuse to plop down \$1M for a 1200 sq. ft house built in 1960 on a postage stamp lot (\$900K if it is within 10 feet of a drive-thru window or on a busy street). Oh, and add \$30K a year per child for private school in West LA. Anyone that dreams of living in LA has absolutely no idea what it is really like here. With few exceptions, only the rich or poor actually want to live here anymore.

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☰ *Comment by Matt*

2007-09-23 14:51:07

Quite a few furniture stores are closing or having "blowout"

sales. Also have noticed a payday/title loan store went under.

[Reply to this comment](#)

☐ *Comment by aNYCdj*

2007-09-23 15:14:53

Tell us more.....was it a local store or a national chain....?

Any reasons you can think of? I would have assumed they would never close in a recession...maybe merge into bigger locations but not close up.

Did they have any store closing sales on any merchandise?

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☐ *Comment by Matt*

2007-09-23 19:30:00

One store was local, have to check the local mall, looked like some nationals closing up shop.

(Comments wont nest below this level)

☐ *Comment by Captain Credit Crunch*

2007-09-23 21:59:03

It wouldn't surprise me. The same forces that caused the housing bubble were at play in the payday advance world. You think those shops keep those dogs loans on the books? LOL. They are securitized and sold, too, and their warehouse credit lines were cut, too, although not quite as bad since it was a little more obvious what the

CDO purchasers were buying.

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☐ *Comment by [pismoclam](#)*

2007-09-23 16:13:12

Don't prepay for that furniture! The furniture company can go out of business before they deliver it. Happened in the 90-96 bust.

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☐ *Comment by [B. Durbin](#)*

2007-09-23 20:36:36

If I give them money, I walk out of the store with my purchase.

Only way to do it, really.

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☐ *Comment by [masonman](#)*

2007-09-23 16:45:09

That parking lot on furniture row has been virtually empty for a year now. Wife and I joke that we can count the cars in the

parking lot driving 65 on the freeway.

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☒ *Comment by Home_a_Loan*

2007-09-23 17:31:20

Anybody get a load of that new furniture complex just off Harbor and the 405 in Costa Mesa? What a ghost town! If you live nearby, it might be worth it to swing over there and see the tragedy that is playing out. Something like half of the stores are open with new furniture retailers are in them, and they are dead. There are a few cars in the parking lot belonging to employees and that's about it. The other half of the stores have "Lee & Associates" "For Lease" signs in them. This is a complex that's allegedly been open for business since Christmas.

Not good.

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☒ *Comment by [peter m](#)*

2007-09-23 20:37:31

Funny but Wickes furniture-a massive warehouse outlet-right across the fwy from that location Just closed up middle of this year. I do go out to that location on harbor n of 405 and have seen that complex. What stupid timing, to open up a new furniture complex when housing MEW has all but disappeared even in supposedly upscale Costa Mesa/Irvine /newport beach commercial/residential 'triangle' where the 405/55/73 meet.

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Comment by missy

2007-09-23 20:11:10

600K for a house and their shocked. Who are they working for where they can afford a 600k house. (The Government?)

[Reply to this comment](#)

Comment by peter m

2007-09-23 20:23:53

“Analysts and observers believe the plunging housing market — on which the furniture industry relies heavily — is greatly to blame for those struggles, which aren’t limited to stores in Murrieta.”

I have been going all over the IE last month doing drives to Moreno Valley, Norco, redlands,riverside central,Rancho cucamonga, andon up to Victorville and Barstow almost daily!

The Malls ,furniture stores, outlets,strip malls are in many places virtually empty.

A brand new shopping center off the 1-15 in a brand new development called coyotecanyon in far north fontana/ devore area is empty, with only the gas station doing business.

The long Victorville shopping mall off the 1-15 near Palms highway 18 is very light:even the 99 cent store was almost empty.

Barstow outlets and Hotels/motels tanked right after labor day, thou i saw a trickle of Las vegas bus-tourists here and there.

The famous tri cities furniture row near the 10/215 is a mess, with lease signs, going out of business signs, massive deterioration in that area.

A large stripmall right off washington ave/215 in Colton has been virtually empty for almost a whole year. Colton along the 215 is a degenerated apocalyptic sleazy mess, with torn down houses, ragged plots for sale, riff-raff trailer-hovels, seedy gas sations, liquor stores and motels, ect.

The furnishings sector in the IE is absolutely dead, dead, and retail in general all over the IE is already in the toilet. With gas up to almost \$3.00 and housing tanking in value look for anger, despair, crime, angry crazed motorists, vandalism, gang activity all to go up exponentially in the IE, expecially in the inner older trashed out parts of old Riverside/ SanBerdo central. victorville, and other noteworthy s*ithole dumps of the IE such as colton, Banning, South Moreno valley, Roubidoux, Rialto, South fontana, ad nauseum!

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☒ *Comment by jbuniii*

2007-09-23 21:52:33

Not that I disagree with your colorful characterizations of various SoCal slums, but is there any part of Southern California that you actually like?

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☐ *Comment by aladinsane*

2007-09-23 11:34:58

The bust part of the cycle in California, is getting your breasts
repo'd

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☐ *Comment by Sammy Schadenfreude*

2007-09-23 12:35:36

That would indeed be the "bust" part....

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☐ *Comment by NYCityBoy*

2007-09-23 14:32:39

Is that what they mean by going "tits up"?

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☐ *Comment by aladinsane*

2007-09-23 14:36:49

Bud: A repo man spends his life getting into tense
situations.

(Comments wont nest below this level)

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☰ *Comment by Professor Bear*

2007-09-23 11:37:04

“Craig said his company ‘won’t be making any money if we sell for the minimum bids,’ but the company is going to trust ‘buyers to set the fair market value.’”

Without govt interference (other than justifiable measures to root out lending fraud and predatory lending), I would trust lenders to set the fair market value going forward. Too bad many market-distorting bailout proposals are rolling down from on high, creating the prospect of transferring tax dollars over to the lending industry while helping to keep homes unaffordably priced forever.

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☰ *Comment by Neil*

2007-09-23 14:00:45

Actually, due to the rolling nature of this market, buyers and lenders will set things back to a fair market value albeit with a lot of undershoot.

Now that buyers need more and more of a downpayment and effective rates are going up... Prices should start to march down. Never too fast. But if they match the run-up (-2.5% to 3% per month), that could be exciting. 😊

Got popcorn?

Neil

[Reply to this comment](#)

☐ *Comment by polly*

2007-09-23 15:29:41

Neil,

How do you recommend determining what sort of downpayment and debt load to income ratios are required at any given moment in a market? Other than just applying for a loan, obviously.

I'd think the formulae would get a little complicated eventually. Perhaps even taking into account the stability of the person's job? I want nothing to do with this market until I'm only competing with my financial peers.

I don't trust the press for this sort of info. RE professionals are obviously useless. I don't trust the lenders either. I'd really like to see how the representations in the asset backed paper have changed, but, well, that sounds like a lot of work for a whim.

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☐ *Comment by [Neil](#)*

2007-09-23 16:44:25

Oh boy will that formula get complicated...

You can pretty much assume a slow tightening to a 25% down payment in stages (its at 15% now) and a lower debt to income ratio.

I'm not sure of the current debt to income ratio banks will lend to, but it will eventually get down to the 29%

to 35% range. A little high by bear standards? Yea...
but still sane.

I too wouldn't trust the press. They'll be in the REIC
pocket (due to adds). Hence why we have blogs to
identify who is fudging the numbers. 😊'

Got popcorn?

Neil

(Comments wont nest below this level)

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☰ *Comment by manhattanite*

2007-09-23 15:30:30

from today's nytimes — seem's manhattan is not immune,
after all:

September 23, 2007

Frustrated New Yorkers Grapple With Loan Rates

By CHRISTINE HAUGHNEY

A MONTH after the mortgage markets started to crumble,
mortgage brokers and lawyers say that New Yorkers are
finding it harder than ever to get mortgages and are
increasingly backing out of deals. This lending slowdown
has seemed to affect a broader segment of New York City
apartment hunters, many of whom are now waiting to see
if prices drop because of the mortgage crisis before they
commit to buying.

Buyers affected by these changes include younger New

Yorkers with short credit histories and, interestingly, professionals who buy apartments with small down payments and nearly 100 percent financing and count on end-of-year bonuses to pay down the loans.

The market has reached the point that mortgage brokers like Lori Famighetti, chief executive of Oxford Wellington Mortgage Company, are telling their clients in New York not even to try to get a mortgage for more than \$1 million at a competitive interest rate if they have a credit score of less than 680 and want a loan of 90 percent or more of the purchase price.

“This is the market now,” Ms. Famighetti said. “The buyer has to have a 700 or 720 credit score” to be considered for a mortgage that would cover more than 90 percent of the sales price.

While some New Yorkers will still talk about the exceptional mortgages that they got at rates better than those of a few months ago, these deals tend to be exceptions available to borrowers requiring smaller loans or with high credit scores. Whether this week’s rate cut actually affects rates or improves buyers’ moods remains to be seen.

Richard Barenblatt, a mortgage broker with the Apple Mortgage Corporation, helped one client, Freda Gimpel, pay out less monthly than she had originally expected. But he stressed that the bargain occurred because she financed the deal with a conforming mortgage, a loan that falls under guidelines set by Fannie Mae and Freddie Mac. The ceiling on these loans is now set at \$417,000,

and the rates they carry overall have been dropping.

Larger loans are considered jumbo or super-jumbo in industry parlance.

Mr. Barenblatt pointed out that many buyers need to borrow far more than \$417,000 — especially in Manhattan, where the average price for an apartment in June was \$1.3 million.

“She came out ahead,” Mr. Barenblatt said of Ms. Gimpel.

“But it’s rare.”

Brokers warn that some of the most adversely affected buyers will be those seeking to borrow a lot of money for new condominiums that cost \$1 million to \$2 million, without having been able to lock in rates on loans.

Jeffrey Appel, director of new development financing at the Preferred Empire Mortgage Company, says he has seen buyers who have already made down payments on apartments this expensive, who are now having trouble setting mortgage rates. As he explained it, these buyers originally thought that they could borrow nearly the entire amount of the purchase, but now many banks won’t lend them as much, and they will have to come up with the difference.

“I’m concerned about the folks who have been approved at the 90 or 95 percent level where the products or programs may change before they close,” Mr. Appel said.

Many people hoping to buy new apartments are finding that, months before their closing dates, they cannot lock in rates. Buyers who do not qualify for the mortgages they need by the time they close also risk losing their

down payments, because contracts for them tend to be ironclad. Last August, Hannah Taylor-Noren, 23, found a \$495,000 one-bedroom in the Ikon, a building under construction at 50 Bayard Street in Williamsburg, Brooklyn, with help from her agent, Lee Oelkers.

She estimated that she could manage a monthly payment of about \$3,200, including maintenance and without factoring in income tax savings based on homeownership. She hired a lawyer, got preapproved for a mortgage and had her bank draft a \$78,000 check from her account for the down payment.

But then Ms. Taylor-Noren, an event planner, watched the mortgage market unravel. No bank would guarantee that she would still qualify for a mortgage six months into the future without hefty fees, a problem since she wouldn't be closing on the apartment until spring.

Ms. Taylor-Noren knew she would not be able to afford higher payments if mortgage rates rose before she closed, and did not want to put down a nonrefundable deposit if there were any chance she might lose it.

"It was a great price and perfect for my budget," she said. "I couldn't lock in a rate. It was terrible." On Aug. 14, Ms. Taylor-Noren backed out of the deal.

Adam Leitman Bailey, the head of a real estate law firm, said that in the last three weeks, five buyers represented by his firm had backed out of deals for apartments — ranging from \$595,000 to \$4.5 million — in Manhattan and Brooklyn.

He said that several of them were financing their apartments partly with Wall Street bonuses, and that they had pulled out because their lenders folded, could not deliver financing right before closing or could not promise to lock in a rate because the apartments were in projects under construction. He said that while some of his clients could have found mortgages, they were concerned about what might happen to the real estate market, Wall Street and the broader economy.

“It’s not only the financing,” Mr. Bailey said. “It’s the fear. They fear that prices are going to go down or we’re going to have a recession.”

Other buyers have backed out of deals because they can’t afford their higher mortgage payments and they think prices may drop later this year.

In June, Sam Payrovi, Elliot Chun and Michael Grossman — friends who met as students at the University of California at Los Angeles — decided to buy a \$1.65 million bachelor pad at 123 Baxter Street, in Little Italy. They looked at 30 apartments and, when they found the place on Baxter Street, hired a lawyer to help them structure the purchase as a partnership and an architect to help with minor renovation plans.

They had a commitment from a mortgage broker for a loan with payments of about \$3,500 a month each before tax deductions. All their agent, James Coleman of Bond New York, had to do was hammer out the final contract details.

But negotiations dragged out, as the three friends tried to

work with the developer on contract language allowing them to convert the two-bedroom apartment into a three-bedroom. By September, they realized that with mortgage rates rising, their monthly payments had jumped to \$3,800 each.

On Sept. 12, they backed out of the deal before a contract was signed. Mr. Payrovi said that they lost nearly \$3,000 in legal and architectural fees, but that they could not afford the \$300 monthly difference and feared prices would drop after they closed.

Not everyone, of course, has a bad mortgage story to tell. In early July, Ms. Gimpel put down about \$150,000 to buy a \$600,000 one-bedroom apartment on the Upper East Side. She had a commitment letter for a 30-year fixed-rate mortgage, but not a rate lock, from GreenPoint Mortgage, a division of Capital One Financial Corporation, at a rate that would have translated into a \$2,950 monthly payment.

In August, her mortgage broker, Mr. Barenblatt, found the rates had jumped so drastically that Ms. Gimpel's monthly payments would be \$3,375. Not only was this increased rate more expensive; it could also have affected her approval by the co-op board.

Mr. Barenblatt arranged for her to get the \$417,000 conforming mortgage and paired it with a \$32,000 home equity loan. The combined loans will actually cost Ms. Gimpel \$150 a month less than she would have paid.

[Reply to this comment](#)

☒ *Comment by Chip*

2007-09-23 17:31:52

"...they could not afford the \$300 monthly difference..."

That is less than a 10% increase over the original estimated mortgage payment. These three buyers — not fortunate non-buyers — were so close on their cash flow that less than 10% would sink them. Whoa. I thought those days had passed by now. Can't be much longer.

(Comments wont nest below this level)

☒ *Comment by Chip*

2007-09-23 17:32:52

"not fortunate non-buyers" = now fortunate non-buyers

[Reply here](#)

☒ *Comment by jbunniii*

2007-09-23 21:54:13

What the hell, aren't we always being told that people buying in Manhattan can all afford to pay cash?

(Comments wont nest below this level)

[Reply here](#)

☐ *Comment by manhattanite*

2007-09-23 15:39:19

from today's nytimes: "frustrated borrowers grapple with interest rates." evidently lots of manhattan/nyc deals going tits up due to inability to get financing — especially on jumbo loans, which is most of the game in manhattan.

<http://www.nytimes.com/2007/09/23/realestate/23loan.html>

[Reply to this comment](#)

☐ *Comment by aNYCdj*

2007-09-23 16:15:23

I have NEVER met anyone like this in my life, unless her parents just died and left her a wad of cash.

=====
Hannah Taylor-Noren, 23, found a \$495,000 one-bedroom in the Ikon, a building under construction at 50 Bayard Street in Williamsburg, Brooklyn, with help from her agent, Lee Oelkers.

She estimated that she could manage a monthly payment of about \$3,200, including maintenance and without factoring in income tax savings based on homeownership. She hired a lawyer, got preapproved for a mortgage and had her bank draft a \$78,000 check from her account for the down payment.

(Comments wont nest below this level)

[Reply here](#)

☐ *Comment by Matt*

2007-09-23 16:15:59

I think B-52 Ben just hastened the housing market correction with the rate cut.

[Reply to this comment](#)

☐ *Comment by manhattanite*

2007-09-23 17:18:34

"By September, they realized that with mortgage rates rising, their monthly payments had jumped to \$3,800 [from \$3,500] each. "

it would be one thing if these 3 unrelated guys were all paris hilton heir[esses]. the fact they are all cutting it so close to the bone that \$300/month is enough to squelch the deal indicates their individual and collective fiscal insanity.

(Comments wont nest below this level)

[Reply here](#)

☐ *Comment by Chip*

2007-09-23 17:35:56

"I think B-52 Ben just hastened the housing market correction with the rate cut."

Could be. The net effect seems impossibly opaque right now, IMO — it mystifies me even more than does my wife.

(Comments wont nest below this level)

☰ *Comment by [Tom](#)*

2007-09-23 19:01:11

I think this might actually hasten it since foreigners demand higher rates of return (higher interest rates) on long term debt, so it looks like Adjustable Rate Mortgages might end up being 80% of the market really soon since they are getting cheaper with FED rate cuts. Eventually the FED will have to raise and when they do, all those ARMS get quashed. They are only delaying the inevitable till Bushy is out of office, then it will be the Democrats problem.

[Reply here](#)

☰ *Comment by [DrChaos](#)*

2007-09-23 19:40:24

Without govt interference (other than justifiable measures to root out lending fraud and predatory lending), I would trust lenders to set the fair market value going forward.

You mean how, like for the last 5 years, without government

interference—check, active government non-enforcement of traditional prudent banking regulations at the direction of Greenspan—lenders were setting the “fair” market value? Baloney. They were in a fee-based model, not one where they had to carefully consider their own risk and systemic risk.

I agree with you about stopping bailouts to the lenders who were the cause of this problem.

[Reply to this comment](#)

☐ *Comment by aladinsane*

2007-09-23 11:37:49

The appeal of living in locales called Lard & The Outhouse

Can simply not be denied...

“Some builders are offering even bigger potential discounts.

Anderson Homes has agreed to auction off 59 houses in Manteca and Los Banos to the highest bidders next month.”

[Reply to this comment](#)

☐ *Comment by [AmazingRuss](#)*

2007-09-23 12:03:34

Sounds like a good title for a cop show.

[Reply to this comment](#)

☰ *Comment by NYCityBoy*

2007-09-23 14:35:31

If you are eating a lot of lard you probably want to be relatively close to the outhouse.

[Reply to this comment](#)

☰ *Comment by Professor Bear*

2007-09-23 11:40:33

“Home builders registered their gloomiest view of the future since recessionary 1991, the National Association of Home Builders reported this past week.”

Good thing we are not currently in a recession, or things could get really ugly.

[Reply to this comment](#)

☰ *Comment by Darn Pesky Renter*

2007-09-23 12:39:14

LOL! U R Funny!

[Reply to this comment](#)

☰ *Comment by NYCityBoy*

2007-09-23 14:52:50

This is what amazes me too, Professor Stucco. Construction is off by such a huge level, in so many parts of the country,

how can we even pretend we are not in a recession?

Businesses are scared. All of them that I know of are nervous and this includes Oz (NYC). I would pay \$20 just to hear a whisper of honesty from this government.

[Reply to this comment](#)

☰ *Comment by Pen*

2007-09-23 15:31:09

“I would pay \$20 just to hear a whisper of honesty from this government.”

Just think what you’re paying them to here lies.

[Reply to this comment](#)

☰ *Comment by Pen*

2007-09-23 15:44:04

here = hear

hmm..either too much or not enough coffee today

(Comments wont nest below this level)

[Reply here](#)

☰ *Comment by Tom*

2007-09-23 21:28:20

Because they will just *inflate* their way out of a recession and *tweak* the numbers so it looks like inflation is really low.

[Reply to this comment](#)

☰ *Comment by crisrose*

2007-09-23 11:42:11

“‘Yes, prices are high, and some are really stupid,’ said said Carol Gilles, a Realtor in Torrance who represents the Hutchinsons. ‘But there are ways to purchase. Figure out where you want to live and what you can afford. It may have to be close to the airport or close to Gardena. If you don’t want to do that - move to Hemet.’”

Or you can rent and wait for prices to fall.

[Reply to this comment](#)

☰ *Comment by Mo Money*

2007-09-23 13:28:52

“But there are ways to purchase.” = Please buy something even if it’s not what you want because I need a sale pronto !

[Reply to this comment](#)

☰ *Comment by [Neil](#)*

2007-09-23 14:48:05

My thought too...

Historically, 0.3% of GNP is the fraction of the economy that goes to real estate commissions during a recession. It was 0.9% not too long ago. Normal peak is 0.6% of GNP,

0.45% is normal.

So those realtors not ready to go a while on lean commissions exist might be in a wee bit a trouble.

Got popcorn?

Neil

[Reply to this comment](#)

☒ *Comment by [JimAtLaw](#)*

2007-09-23 18:08:31

Classic Realtor™.

Thanks, but I'll rent an ocean view place in the Marina for half of what you're trying to sell places on the flight path for. People like this remind you to buy an FSBO direct when you're ready.

[Reply to this comment](#)

☒ *Comment by [aladinsane](#)*

2007-09-23 11:43:09

"Craig said his company 'won't be making any money if we sell for the minimum bids,' but the company is going to trust 'buyers to set the fair market value.'"

You don't trust em' much, with minimum bids on a reserved

auction...

[Reply to this comment](#)

☰ *Comment by NYCityBoy*

2007-09-23 14:57:22

They trust the buyers the way a bank robber trusts a teller.

[Reply to this comment](#)

☰ *Comment by mrincomestream*

2007-09-23 15:21:36

"...You don't trust em' much, with minimum bids on a reserved auction... "

My thoughts exactly...

[Reply to this comment](#)

☰ *Comment by Stars End*

2007-09-23 11:45:14

'I'd say pay attention before you sign anything,' said Maria."

You have GOT to be kidding me. Sorry, have no sympathy for this kind of idiocy. She got what she deserved...

Stars End

[Reply to this comment](#)

☰ *Comment by RenterInLA*

2007-09-23 13:51:51

I was leasing a vehicle for business, the woman for the leasing company said I was the only customer ever to read the contract. She was surprised when I actually turned the document over and started reading the back. Only customer ever, are you kidding me you are putting yourself on the hook for tens of thousands of dollars and you do not read the contract. I say they deserve everything they get.

[Reply to this comment](#)

☰ *Comment by aladinsane*

2007-09-23 11:46:24

'The repos are now competing against repos''

Old: Mano y Mano

New: Repo y Repo

[Reply to this comment](#)

☰ *Comment by Sammy Schadenfreude*

2007-09-23 12:23:25

Soon gangs of rival lenders will be having rumbles, a la the competing news teams in ANCHORMAN, as they battle to dispose of their swelling glut of foreclosures.

[Reply to this comment](#)

☒ *Comment by aladinsane*

2007-09-23 12:32:35

Areeee Youuuu Readyyyy Forrrr Aaaa Rrrrrumble?

Loans get it on

[Reply to this comment](#)

☒ *Comment by Sammy Schadenfreude*

2007-09-23 12:38:42

http://www.youtube.com/watch?v=_21mzrWoLic

The fight scene from ANCHORMAN.

[Reply to this comment](#)

☒ *Comment by spike66*

2007-09-23 11:48:47

'The repos are now competing against repos, so the homeowners are almost totally out of the market now.'

As predicted. Homeowners who try to sit this one out, are fried.

It may now be too late to get out at all-they also have to compete with the builders slashing prices.

[Reply to this comment](#)

☒ *Comment by Professor Bear*

2007-09-23 12:18:02

Not to worry – can't you hear the distant approaching sounds of Fannie, Freddie and the FHA riding to the rescue?

[Reply to this comment](#)

☰ *Comment by cactus*

2007-09-23 20:33:53

All I hear is the sound of a us dollar crash

[Reply to this comment](#)

☰ *Comment by Sammy Schadenfreude*

2007-09-23 12:29:12

Us smug renters who sit this out, however, will be richly rewarded.

[Reply to this comment](#)

☰ *Comment by spike66*

2007-09-23 11:52:59

'It was the American Dream,' she said. 'I got it, I lived it, and now, it's gone.'

and

"it's a very efficient way to reduce our inventory", Anderson Homes CFO.

There's the disconnect...builders are selling inventory, deluded buyers thought they could purchase a dream. A house is shelter. The real American Dream is life, liberty and the pursuit of happiness...

[Reply to this comment](#)

☰ *Comment by [AmazingRuss](#)*

2007-09-23 12:06:24

Exactly. All three of those things are absolutely free, too. No payments. No interest. No taxes.

Nobody is forced to affix parasites to their body. The fact that so many do is quite astounding.

[Reply to this comment](#)

☰ *Comment by paul*

2007-09-23 12:31:50

Vote Ron Paul

[Reply to this comment](#)

☰ *Comment by [Sammy Schadenfreude](#)*

2007-09-23 12:34:36

I second that emotion. Don't just vote for Ron Paul, give him what his campaign, un beholden to and loathed by special interests, needs most: funds and active support.

[Reply to this comment](#)

☐ *Comment by desmo*

2007-09-23 11:58:37

“Richard Macias has had no luck selling his house in Corona’s Horsethief Canyon for \$329,000, which is \$88,000 less than enough to repay his mortgage.

Now known as “Housethief Canyon”

[Reply to this comment](#)

☐ *Comment by Sammy Schadenfreude*

2007-09-23 12:20:01

Soon to be renamed, “Copper Plumbing and Appliance Thief Canyon.”

[Reply to this comment](#)

☐ *Comment by sfbayqt*

2007-09-23 15:23:00

And don’t forgot “Granite Countertop Thief Canyon”. 🏠

BayQT~

[Reply to this comment](#)

☐ *Comment by lee*

2007-09-23 13:22:38

I've been out here looking at houses. It seems like there is 5 houses for sale on very street!

[Reply to this comment](#)

☰ *Comment by returntothemotherships*

2007-09-23 18:30:14

Macias said he can't afford the adjustable mortgage he got two years ago when he refinanced his house to raise funds to develop an invention.

I wonder if this is the guy that invented the SPRAY ON HAIR in a can dude.

[Reply to this comment](#)

☰ *Comment by simiwatch*

2007-09-23 12:10:02

“We're still waiting for the pipepline to flush out,”

It always end up bad when your pipeline needs to flushed out and watch out for what is about to come out of the pipeline!

[Reply to this comment](#)

☰ *Comment by Mo Money*

2007-09-23 13:31:19

The “blockage” in the pipeline is going to turn out to be an excess of NAR members trying to protect the status quo.

[Reply to this comment](#)

☰ *Comment by palmetto*

2007-09-23 13:42:43

Right now it's a major backup, and you know how much backups can stink.

[Reply to this comment](#)

☰ *Comment by [Neil](#)*

2007-09-23 19:20:22

You don't want to be anywhere near the vent... But before the pipeline flows again its going to look like a gorged python. Just to be careful, I'll be watching from a distance with binoculars.

And if you're far enough away, isn't it just a spectator sport?

Got popcorn?

Neil

[Reply to this comment](#)

☰ *Comment by [jb](#)*

2007-09-23 12:10:41

Patti - you are gonna be sooooo glad in a year or two. You will get a great house and have a nice vacation with the 150K you

saved.... in addition, lower taxes each year is the gift that keeps on giving...

"The Hutchinsons bailed out of escrow, and they plan to stay in their rental house until next year."

"'We were very disappointed,' said Patti Hutchinson. 'We took all the right steps to get into something and got prequalified and provided everything possible. I don't know what else I can do.'"

[Reply to this comment](#)

☒ *Comment by Sammy Schadenfreude*

2007-09-23 12:18:37

"'It was the American Dream,' she said. 'I got it, I lived it, and now, it's gone.'"

Nothing pisses me off like this perversion of the "American Dream." That dream used to be, if you worked hard and played by the rules, you had a pretty decent shot at having a good life. Somewhere along the line the whores and swindlers of the real estate industry sold stupid people on a bill of goods: "You're ENTITLED to live in a house of your own, the bigger the better, even if it means taking on dangerous and irresponsible levels of debt you don't have a hope in hell of actually repaying."

The more severe this bust is, the better. This country is long, long overdue for a serious reality check of the sort that only a major crisis can bring about.

[Reply to this comment](#)

☒ *Comment by sleepless near seattle*

2007-09-23 12:24:13

Hear, hear!

[Reply to this comment](#)

☰ *Comment by Waltz Tango Foxtrot*

2007-09-23 15:23:00

"I got it fraudulently, I lived it, I abused the privilege, and now... poof! it's gone."

Who knew!

[Reply to this comment](#)

☰ *Comment by [AmazingRuss](#)*

2007-09-23 15:56:43

Their version of the American Dream comes after a few hits on the American Crack Pipe.

[Reply to this comment](#)

☰ *Comment by [aladinsane](#)*

2007-09-23 12:23:39

Only Looking Back...

Can you can see where we hit Peak Country

“‘It was the American Dream,’ she said. ‘I got it, I lived it, and now, it’s gone.’”

[Reply to this comment](#)

☒ *Comment by aladinsane*

2007-09-23 12:30:56

Lemming see Lemming not do

“In San Diego County, builder Bill Davidson said many potential buyers continue to sit on the fence, even as many people continue visiting housing projects.”

[Reply to this comment](#)

☒ *Comment by Sammy Schadenfreude*

2007-09-23 12:42:22

“People are not worried about furniture,’ said resident Barbara Nugent. ‘They’re not worried about replacing that mattress they’ve had for 15 years because they’re worried about paying their mortgage.’

I’ve noticed more and more high-end furniture showing up on Craigslist, with distress-sale prices.

[Reply to this comment](#)

☒ *Comment by BanteringBear*

2007-09-23 13:49:44

I’ve noticed a lot more GROTESQUELY OVERPRICED high-end

furniture showing up on Craigslist. I can't stand haggling with

these sorts of idiots. Rarely do I even bother to respond.

[Reply to this comment](#)

☰ *Comment by jb*

2007-09-23 16:40:07

same here - I looked for at used furniture for a while and everything was way overpriced or crap (could generally new for the same price)

[Reply to this comment](#)

☰ *Comment by [B. Durbin](#)*

2007-09-23 20:44:39

You mean such as laminate bookshelves for their original prices, or the worn-out couches for over \$100?

Yeah, I'm not that interested in your very specific-taste brightly-striped couch that seems to have had a family of unshowered linebackers sleeping on it. Just sayin'.

(Comments wont nest below this level)

[Reply here](#)

☰ *Comment by [aladinsane](#)*

2007-09-23 12:55:38

Hemetians, are you just going to sit around and take slander like this?

“‘Yes, prices are high, and some are really stupid,’ said said Carol Gilles, a Realtor in Torrance who represents the Hutchinsons. ‘But there are ways to purchase. Figure out where you want to live and what you can afford. It may have to be close to the airport or close to Gardena. If you don’t want to do that - move to Hemet.’”

[Reply to this comment](#)

☰ *Comment by Tiny mortgage ad dancer*

2007-09-23 13:05:36

“In my career, I’ve never seen such a sophistication in the marketplace,” Davidson said...”

Yeah....“sophistication” ...kind of like the sophistication of vultures circling a dying animal.

[Reply to this comment](#)

☰ *Comment by tarred and feathered*

2007-09-23 22:22:12

They didn’t have blogs during the last downturn in the 90’s, Mr. Davidson.

[Reply to this comment](#)

☰ *Comment by SDGreg*

2007-09-23 13:09:50

“Karen Hirsch, business administrator for Mountain West Financial, said underwriters for the Redlands-based mortgage banker view short sales as negatively as foreclosures and it would take time before a short seller would be considered a reasonable credit risk for another mortgage.”

“‘If (borrowers put) themselves in a position where they were unable to make their house payment, it tells you about their sense of responsibility,’ she said.”

She can go f*** herself. What about the sense of responsibility of all those so-called real estate professionals that helped put first time buyers in this position while gladly collecting their commissions along the way. Certainly not all buyers are innocent. Some were quite negligent. However, first time buyers in particular were not well-served by too many in the real estate industry. If there had been proper underwriting, many of these loans would never had been made and many people would not now be in the unwanted position of being unable to make a housing payment.

[Reply to this comment](#)

 *Comment by Sammy Schadenfreude*

2007-09-23 13:16:09

Caveat Emptor still applies. She’s got a point: the vast majority of FBs deserve no pity at all - it’s THEIR signature on the loan forms, which means it was THEIR responsibility to understand what they were signing - even the “teeny weeny” print - and not to bite off more than they could chew. That doesn’t excuse the snarkiness of realtors, crooked appraisers,

and mortgage brokers, but no buyer should have expected any of the above to have the buyer's best interest at heart, or to behave in an ethical manner.

[Reply to this comment](#)

☐ *Comment by [KirkH](#)*

2007-09-23 16:16:49

Essentially those who say the borrowers are victims are saying that the general public does not have the mental capacity to enter into a contract.

Maybe they're right but if capitalism is to continue then the banks are going to have to start regulating themselves. Which would mean the Fed would have to spot bubbles, which they apparently can't.

[Reply to this comment](#)

☐ *Comment by [Pen](#)*

2007-09-23 16:37:10

"the general public does not have the mental capacity to enter into a contract"

not to be overly sarcastic, but I'm beginning to think that the general public is too stupid to safely buy a pack of gum, let alone enter into a contract..

Ok..I don't want to debate Newt Ginrich's merits/ shortcomings, but a few years back, he mentioned the "dumbing down" of America. I think this is exactly what he was referring to. A person, couple, call them what you will, are about to make the largest purchase

of their life, which includes taking on a large debt, (we're not talking about a 5yr \$10K car loan here) and they don't seek council, they trust the re broker, the mtge broker, etc. They never ask for the details, they don't have an exit plan (other than to try to sell to some other sucker), blah, blah, blah. They either want to sue everyone in sight, get a govt bailout, walk away and so on.

I don't think the general public thinks about this stuff. They can tell you how much every ball player makes, what size thong Paris Hilton wears, but they can't make change for a dollar.

I'm really getting pretty sick of it all.

Sorry for the rant, but I'm really feeling PO'd by the whole thing now. Not just the housing bubble, but the whole way life as we used to know it is becoming (has become). I could go on, but I'll spare you the rambling rant.

(Comments wont nest below this level)

[Reply here](#)

☒ *Comment by sleepless_near_seattle*

2007-09-23 17:10:16

"...the general public does not have the mental capacity to enter into a contract."

In that case, contract law would then stipulate that all of these contracts are null and void. I'm okay with

that. Excuse all of these idiots from their mortgages, make them renters for life, and get all that inventory on the streets pronto.

Voila, 70% off overnight!

(Comments wont nest below this level)

☐ *Comment by Housing Wizard*

2007-09-23 19:02:52

Actually ,a fraudulent contract is a voidable contract .The only problem is that if you want the loan contract cancelled a borrower will have to admit they lied on the loan application and committed fraud/perjury ,and than you might face criminal charges or civil charges, or damage charges . Some of the people that went on pre-construction contracts are trying to get out of the contract by claiming they didn't qualify or they don't now qualify .

Also PMI companies usually don't have to pay on a claim if they discover fraud with the loan application ,so I would expect on some of those foreclosure claims they are going to be looking real close at the loan application .

The fact that all these FB's do want to be excused from their obligation on the contract is a form of a mental capacity defense . You hear many of the FB's saying that they didn't know what they were signing etc. I don't think it will hold water in court if there was a case unless they can prove the

lender did something wrong .

Really , I don't think alot of these FB's cared what type of loan they went on because they went on the loan because it was a low down loans that had easy underwriting . I'm sure these people expected to get a better loan down the road ,or sell ,after the property went up . This was the way homes were sold between 2003 and 2007 .People were told that they could make a big profit and they won't have to pay capital gains tax, and they were also sold on the mortgage tax write off . The biggest sales pitch was the lure of real estates appreciation potential that the salespeople made out to be a sure bet .

People just usually don't do things like go on toxic loans unless they think that they will come out ahead .Beware of the sales pitches .

[Reply here](#)

☐ *Comment by SDGreg*

2007-09-23 16:43:20

It's rather galling for a mortgage lender to make this comment. If it were left to cash buyers, there would have been no housing bubble and the sea of payment defaults that have followed. It's not that there's no merit in the comments she made, but they should be made by those that weren't a major part of the problem.

[Reply to this comment](#)

☐ *Comment by Pen*

2007-09-23 17:15:14

NFN..it would even take an all cash buyer environment to not have had this bubble. All it would take is what we all here haved advocated time and time again...

15 - 20% down, 28% of W2 gross for piti, some reserves in the bank, a decent FICO and a reasonable appraisal process

I don't think the sea of dflts is a result of having to use a mtge to buy a house, but rather the use of the stupid mtge products, lax lending standards, ridiculous appraisal process and all the rest of the foolishness that we have seen for the past 5 - 7 years.

(Comments wont nest below this level)

[Reply here](#)

☐ *Comment by combotechie*

2007-09-23 17:28:44

“ ... even the ‘teeny weeny’ print.”

What the large print giveth, the teeny weeny print taketh away.

[Reply to this comment](#)

☐ *Comment by DrChaos*

2007-09-23 19:52:05

That doesn't excuse the snarkiness of realtors, crooked appraisers, and mortgage brokers, but no buyer should have expected any of the above to have the buyer's best interest at heart, or to behave in an ethical manner.

Yes, they should have. That's the difference between a screwed up banana-republic (where capital leaves) and a successful working economy. People in the banana republic are cynical about everything. Because of this, nobody really wants to invest in anything ambitious and productive because they'll get scammed—and then they feel no moral problems about scamming back.

The USA was NOT like this for many decades. When the USA was strong, competent, and powerful.

Why shouldn't mortgage brokers like financial brokers be held to a fiduciary interest or at least a suitability standard?

People actually believe—for real—that mortgage brokers are there to help them negotiate the best loan from multiple banks. That's the spin. And they expect, that when the banks look over their documentation and say "you can borrow this much", that amount is reasonable. For literally a century, mortgages were a boring, serious, low-risk bread-and-butter of community banks. Nothing really crazy happened, because the people in charge wouldn't let it happen.

Average people knew nothing what people here know, they knew nothing about the huge changes in the industry, the extreme “no regulation”, fee-based and kick-back based compensation with no credit risk, and the titanic and new derivative markets.

It wasn't that people are all dumb—of course many are—but there was a persistent coordinated and intense marketing and ideological push backed by enormous money to convince people to go along with all that. It didn't come out of nowhere. The Real Estate Industro-Financial Complex actively made enormous profits by fleecing people.

Greedy flippers—sure they'll get what they deserve. But the rest?

[Reply to this comment](#)

Comment by MMG

2007-09-23 23:56:24

Dr Chaos->actually, there used to be common sense, when a bank or morgage lender tells you to borrow 10x your income, you should be suspicious like I and many on this board were even before discovering this site. all it takes is a pen and paper to sit down and calculate your expenses (in a simple way on a 30 yr fixed). most if not all of the people I know anticipated to make money, did not care if they could afford or not. I do agree that banks in the good old days would not allow you to borrow too much, but again common sense has left the building in this country.

(Comments wont nest below this level)

[Reply here](#)

☐ *Comment by Mo Money*

2007-09-23 13:40:27

How dare that irresponsible borrower not make mortgage payments ! There are 24 hours in a day, three part time jobs should pull in enough money, along with living on \$3 dollars a day for food ! Hitch hiking will save money and you can always bathe in the sink at the bus station ! Children can be sold on the black market and we here in mortgage banking pay \$25 per pint of blood so what is your excuse borrowers ?! No death is not an excuse ! Get to work as a dissection cadaver !

[Reply to this comment](#)

☐ *Comment by sleepless_near_seattle*

2007-09-23 17:04:42

“Three part time jobs”

‘You work three jobs? ... Uniquely American, isn’t it? I mean, that is fantastic that you’re doing that.’

[Reply to this comment](#)

☰ *Comment by arizonadude*

2007-09-23 14:10:51

Now thats the passion I like to see SDgreg. I agree with you 100%. Shall will all pitch in and build a losers prison for all these morons?

[Reply to this comment](#)

☰ *Comment by palmetto*

2007-09-23 13:34:33

“In San Diego County, builder Bill Davidson said many potential buyers continue to sit on the fence, even as many people continue visiting housing projects.”

“‘In my career, I’ve never seen such a sophistication in the marketplace,’ Davidson said, noting he has weathered four recessions in nearly 30 years.”

Dang right, Davidson. All the rubes have been taken. What’s left are those serious, potential buyers waiting for reality to return.

[Reply to this comment](#)

☰ *Comment by Catherine*

2007-09-23 14:30:38

yeah, what the hell kinda statement is that???

He’s confused “sophistication” with “solipsism” ...his own.

[Reply to this comment](#)

☰ *Comment by luvs_footie*

2007-09-23 14:51:45



[Reply to this comment](#)

☰ *Comment by mrincomestream*

2007-09-23 15:09:02

It's the internet Bud...get used too it.

[Reply to this comment](#)

☰ *Comment by MJC*

2007-09-23 13:34:36

"Craig said his company 'won't be making any money if we sell for the minimum bids,' but the company is going to trust 'buyers to set the fair market value.'"

OOH! Ooh! OOOHHH! Please! Trust me to make a "fair market value offer"! Come on, let me make an offer!

I guarantee it will be fair for me and my view of the market!

MJC

[Reply to this comment](#)

☰ *Comment by tarred and feathered*

2007-09-23 22:28:23

The lawns that are not dead yet from the summer will be this winter.

[Reply to this comment](#)

☒ *Comment by cereal*

2007-09-23 13:55:12

“Maria said she bought her Vallejo home five years ago for \$375,000 with an adjustable negative amortization mortgage, meaning the amount she owes on her home rises every month. ‘Since the first bill, it’s been a nightmare. I’ve been trying to sell it off and on for a year, and I can’t sell it,’ she said. ‘It’s a terrible market for sellers. I’ve gotten no offers.’”

stupid fb

probably weighs 240 lbs, eats at mcdonalds, drives an suv, tailgates on the freeway, watches american idol.....

i love the bears, tolerate the bulls, but detest a pig

[Reply to this comment](#)

☒ *Comment by Neil*

2007-09-23 14:06:10

As the old wall St. phrase notes,

“Bulls make money, Bears make money, pigs get slaughtered.”

In the words of WC fields, “you can’t cheat an honest man.”

Soooweeee!

Neil

[Reply to this comment](#)

☰ *Comment by SVGUY*

2007-09-23 14:16:09

I hear you Neil.... one of my favorite lines..

You cant cheat an honest man

was also used in "Flim Flam Man"

[Reply to this comment](#)

☰ *Comment by sleepless_near_seattle*

2007-09-23 17:18:34

"Since the first bill, it's been a nightmare."

OMFG, someone please put the pig out of it's misery. Most
FB's complain that they didn't know of and can't afford the
reset.

This one admits that she couldn't afford the payments she
knew about from THE FIRST PAYMENT!! Un-friggin-believable!

[Reply to this comment](#)

☰ *Comment by [Neil](#)*

2007-09-23 20:57:12

First payment?

Oh... that's not misery, that's bacon.

[Reply to this comment](#)

☰ *Comment by palmetto*

2007-09-23 13:55:46

LOL, craigslist Tampa Bay just flagged for removal a listing that said:

"Ponder buying in Mexico, It's to Die For".

[Reply to this comment](#)

☰ *Comment by palmetto*

2007-09-23 14:08:50

"The biggest frustration, say agents, is that it can take months for a lender to decide whether to accept an offer, in part because lenders' mitigation departments are being inundated with such requests."

A big part of the problem, IMHO. Apparently, the lenders are in no particular hurry at this time. And they don't seem to be accepting lowballs on REO. I think the market has frozen up and will thaw only when the lenders start acknowledging the losses. Really, I think if it was up to the average FB right now, prices would be dropping like a rock, but they are just not in control.

[Reply to this comment](#)

☒ *Comment by [pismoclam](#)*

2007-09-23 19:47:24

Try to buy a REO or make a deal on a short sale. The deal first goes back to the VP at the bank who approved the original loan. Good luck on getting them to take a bath this early in the cycle. If they delay, they are hoping that the market will improve and they won't have a black mark on their record. They don't have any skin in the game other than the fact if they approved too many 'bad' loans they will get fired. Saw it happen in 90-96 market correction.

[Reply to this comment](#)

☒ *Comment by [Ollie](#)*

2007-09-23 14:09:05

Slightly OT:

As this is CA/SD thread I am posting this here. Yesterday we visited the Standard Pacific Homes "Mission:Possible"...'event'!! We wanted to see just what was being offered for the homes being built at the Del Sur community, specifically the Bridgewalk development. My wife and I have been watching the Del Sur disaster unfold for the past 18 months. When the Bridgewalk development homes opened for sale the smallest homes, 3B/2.5B about 1750SQFT were priced around \$700K...yeah right. About a year ago Standard Pacific reduced the price by \$100K, which is were they are today...pricing for the exact same floor

plan is about \$600K, doesn't seem like they have reduced the prices much over the past year. So what is this Mission:Possible BS you may ask, well it is a 42" Plasma TV and they are offering a 5.875% 30 Yr loan...whooo hoo. The property taxes over there are 1.9%...yes 1.9%, \$950/month on \$600K, plus the \$175 HOA. So lets see, with 20% down, a \$480K note at 5.875% 30Yr is \$2840/month plus the HOA and property taxes, lets add \$75 a month for insurance...total monthly is \$4040! Not a chance for us to take that on and tie up \$120K in a house that could be reduced again. And then, here is the funny part, we are looking for a new rental today and saw the very same floor plan we like in that development for \$2400/month, brand new house never lived in... perhaps we'll look at the rental.

Ollie

[Reply to this comment](#)

Comment by jb

2007-09-23 16:47:30

I hope they did not sell a single one - I heard the ad on the radio and knew they were going to try to pull this with minimal discount. These will be 400K in 9 months.

[Reply to this comment](#)

Comment by Troy

2007-09-23 18:00:28

\$450K would be break-even compared to rents, \$500K+ would be a fair price given the speculative and inflation-hedge premiums.

[Reply to this comment](#)

☰ *Comment by Troy*

2007-09-23 17:55:32

but, the tax deduction would be $1.9\% \times \$600k + 5.875\% \times \$480k$,
or well over \$1000/mo in tax savings if you're in the 37%
bracket.

[Reply to this comment](#)

☰ *Comment by [measton](#)*

2007-09-23 19:38:52

No tax savings if you are in 37% bracket. You loose most
of the tax break to the alternative minimum tax.

[Reply to this comment](#)

☰ *Comment by [luvs_footie](#)*

2007-09-23 14:10:10

Not being from the US, I have a question.....

With the FED continuing to print new money, rumour has it that
all new notes are now clearly labeled..... "USE ONLY FOR ASSET
BUBBLES AND OTHER INFLATIONARY PURPOSES"

Can anybody confirm this? 😊

[Reply to this comment](#)

☰ *Comment by M Nair*

2007-09-23 14:41:17

:D 😄

[Reply to this comment](#)

☰ *Comment by AKron*

2007-09-23 15:11:21

LOL. But, this comment does remind me of an interesting historical incidence. There was a hyperinflation in France in the late 1700s. The French government actually based the money on land i(mostly confiscated church land) instead of gold or silver. So, there WAS a currency (massively inflated) that was based on an RE bubble. A good book on this is:

Fiat Money Inflation in France (Andrew White)- you can read it in project Gutenberg since it is long past copyright.

[Reply to this comment](#)

☰ *Comment by aladinsane*

2007-09-23 14:33:01

Fear and Loathing in Loan Vegas...

“‘It was the American Dream,’ she said. ‘I got it, I lived it, and now, it’s gone.’”

[Reply to this comment](#)

☐ *Comment by aladinsane*

2007-09-23 15:14:20

Ode to Buddy & the Stones...

I wanna tell you how it's gonna be

You're going to give your loan to me

You loaned to people that couldn't pay

Usurious tendencies must have come into play

And most loans are bigger than a Jumbo, Jack

We're past the point of turning back

Your loan for me has got to be real

I can fog a mirror and make a deal

Loan real estate, not fade away

Not fade away

Not fade away

http://www.youtube.com/watch?v=pVvJAsS_mU8

[Reply to this comment](#)

☐ *Comment by observer*

2007-09-23 15:28:29

The only people greedier than corporations, are its customers.

[Reply to this comment](#)

☒ *Comment by lainvestorgirl*

2007-09-23 15:38:11

Hahahaha. Sherman Oaks, Valley Village, Van Nuys today = tons of for sale signs and open houses, no one even looking. Prices still high but now look silly, neighbors are even laughing at them. Nothing's moving. This would be incredibly fun to watch were it not for my \$\$ vulture fund sinking in value by the minute thanks to all these stealth bailout maneuvers our wonderful gov't is carrying out.

[Reply to this comment](#)

☒ *Comment by need 2 leave ca*

2007-09-23 16:10:42

agreed to auction off 59 houses in Manteca and Los Banos to the highest bidders next

NOW, WHO WANTS TO BID ON THE HOUSES IN THE CITIES OF "LARD" AND "THE TOILET"? ANYONE? ANYONE WILLING TO LIVE IN THESE STINKY TOWNS? AND THEY DO STINK OF BOVINE FECAL MATTER.

[Reply to this comment](#)

☒ *Comment by need 2 leave ca*

2007-09-23 16:13:09

Attention Jill Rios: Cut your Murrieta loss and get the h@ll out of California. The sooner, the better. Big life improvement almost anywhere else you go. Take it from an ex-Californian.

[Reply to this comment](#)

☒ *Comment by SVGUY*

2007-09-23 18:31:12

only 1/3 current residence are natives ... the rest started to leave since early 90s. to today... Actually many unloaded more recently at highly inflated prices. Nearly 300-400% above 1998 prices. Buyers are funding the retirement of sellers.

[Reply to this comment](#)

☒ *Comment by need 2 leave ca*

2007-09-23 16:16:27

alidinsane - we have the same train of thought. Nice.

[Reply to this comment](#)

☒ *Comment by need 2 leave ca*

2007-09-23 16:16:27

alidinsane - we have the same train of thought. Nice.

[Reply to this comment](#)

☒ *Comment by need 2 leave ca*

2007-09-23 16:25:41

Shall will all pitch in and build a losers prison for all these morons?

I vote that we toss em' all in the Amboy Crater for the summer (out in the middle of the Mohave Desert in So Cal - hotter than hell there. And transport them to somewhere in Northern Alaska for the winter, outside of Barrow.

[Reply to this comment](#)

☒ *Comment by [Neil](#)*

2007-09-23 19:26:31

They've already built a prison.

We call it the IE.

[Reply to this comment](#)

☒ *Comment by [Zebediah Montaloma](#)*

2007-09-23 16:47:09

Anyone knows how they came up with American Dream = Homeownership?

[Reply to this comment](#)

☒ *Comment by [Pen](#)*

2007-09-23 17:17:49

Life, Liberty and the Pursue of Happiness was originally Life,

Liberty and the Pursue of Property

I suspect that this may have had something to do with it becoming the American Dream.

I still believe, under the right conditions, that home ownership is a worthwhile pursuit.

[Reply to this comment](#)

Comment by Troy

2007-09-23 17:49:21

This is pretty easy to unpack, actually.

America came with a built-in frontier, enough for anyone (well, any /white/ person) with enough sack and wherewithall to get passage to here, grab an axe, and homestead some productive land.

After 100 years of this all the good land got claimed, and society transformed into a more mechanized, modernized, socialized, and, most importantly, wealthy one.

The American Dream, restated, is that there is enough Wealth here to go around, provided we all work and live honest, non-rent-seeking lives.

(Rent-seeking destroys the American Dream, which is why the occasional wanna-be SFH slumlord here chaps my hide.)

[Reply to this comment](#)

Comment by *ridingthewave*

2007-09-23 17:35:14

“In San Diego County, builder Bill Davidson said many potential buyers continue to sit on the fence, even as many people continue visiting housing projects.”

“‘In my career, I’ve never seen such a sophistication in the marketplace,’ Davidson said, noting he has weathered four recessions in nearly 30 years.”

the only people looking are rubberneckerers, everyone wants to see the aftermath. and i have to say i dont think he has seen anything quite like this in his 30 years. nobody has!

[Reply to this comment](#)

Comment by *Pen*

2007-09-23 17:53:17

“‘In my career, I’ve never seen such a sophistication in the marketplace,’ Davidson said, noting he has weathered four recessions in nearly 30 years.”

...must be tough trying to sell to the sophisticated buyer, unlike the ease with which it was to sell to all those that we’re gullible..

in reference to the 30yr comment.. I stopped in at an open-house last weekend (just for kicks)...the broker hosting it has been in the business since 1973..she looked VERY worried.

It’s one thing when a rookie has the deer in the headlights

look, it's another thing when a 34 yr veteran, who has seen the ups/downs, ins/outs, good/bad times, expansion/recessions has that glassy eyed stare going..she actually admitted how out of control things were/are.

[Reply to this comment](#)

☒ *Comment by Cinch*

2007-09-23 21:12:08

Hope she put some away for a rainy day, in this case, rainy years.

Come to think of it, if you sell say ten, 600K houses during the bubble years and put your ill gotten gains away in a modest saving account, you should be set for life.

Shouldn't you?

Cinch

[Reply to this comment](#)

☒ *Comment by Captain Credit Crunch*

2007-09-23 22:38:13

Not even close. Assume 3% (generous, since she might not be the principal) on 6,000,000. That's \$180,000.

Now, don't forget double medicare and social security levies (15%) and income tax (20%) and CA state tax (8%). Assuming zero expenses she's already down to around \$100,000.

(Comments wont nest below this level)

[Reply here](#)

Comment by *lefantome*

2007-09-23 18:14:43

“Anderson Homes will start about 40 percent below previous asking prices....”

“Craig said his company ‘won’t be making any money if we sell for the minimum bids....”

So..... you were making 40% profit eh? That’s kind of what I thought, which is why I won’t buy anywhere in California until we see at least a 30% decline from the 2005 peak (as opposed to the 2006 fraud peak in some areas).

10% profit is enough for any builder, who only directs the construction of a 500k stucco box. If you want to make more, grab a hammer.

[Reply to this comment](#)

Comment by *tarred and feathered*

2007-09-23 22:40:18

Good luck trying to sell to commuters to the bay area. They will soon have buying opportunities closer to their jobs.

[Reply to this comment](#)

Comment by *SVGUY*

2007-09-23 18:27:13

“The phantom bid is one of the oldest tricks in the book”

MIKE DONIA, veteran Toronto realtor

The secret's out on phantom bids

Registry, open bidding needed to stamp out phony offer scams,
some realtors say

[http://www.thestar.com/Ne ... le/256968](http://www.thestar.com/Ne...le/256968)

The incoming head of the Toronto Real Estate Board has come out swinging against phantom bidding tactics after denying they even existed when she ran for the job three months ago.

“It's dirty realty, it really is,” Maureen O'Neill said of agents who fabricate offers during bidding wars. She is now calling on the Real Estate Council of Ontario (RECO) to yank the licences of agents convicted of using phony bids.

“Boot them out, we don't need them in the business,” O'Neill said. “I don't think these people should be allowed to sell real estate.”

Phantom bids can be used by selling agents to spark extra rounds of bidding or to spook potential buyers into rushing or raising offers. The practice is considered a breach of ethics under the Real Estate and Business Brokers' Act of Ontario - administered by the Ontario council - and realtors who are caught can face hefty fines.

Bidding and bitterness

[http://www.thestar.com/ar ... le/256092](http://www.thestar.com/ar...le/256092)

Many in the industry will say - off the record - that selling agents are attempting to manipulate the process and scare potential buyers into raising or rushing offers with talk of bidders who may

not exist.

They say there's nothing to stop agents in Ontario from doing so because - unlike in Quebec - they are not obliged to disclose bid amounts to potential purchasers' agents in an open process.

The lack of transparency means some competing bids, especially those that have been "faxed in" to the selling agent, can't be verified.

[Reply to this comment](#)

☰ *Comment by OC_Stomp*

2007-09-23 19:01:46

Halloween costumes anyone? I'm thinking of getting a big inflatable bubble (I've seen a sumo wrestler costume w/ a built in fan) and painting a big house on it! Any other ideas?

[Reply to this comment](#)

☰ *Comment by Neil*

2007-09-23 19:33:14

Why not go as a house?

Big upstairs windows looking like happy eyes.

Smiling face.

Money floating out of the chimney...

Either that, or as a banker. That should scare people. ;)

Got popcorn?

Neil

[Reply to this comment](#)

☰ *Comment by combotechie*

2007-09-23 20:38:02

A Great White Shark in realitor attire.

A mortgage alligator.

[Reply to this comment](#)

☰ *Comment by [Neil](#)*

2007-09-23 20:52:51

Smacks head on forehead.

I know this topic will die (due to it being late), but this really should be a weekend topic!

Neil

[Reply to this comment](#)

☰ *Comment by [are they crazy](#)*

2007-09-23 22:23:50

Knock, knock, knock - telegram...candygram...delivery...

Land Sharks.

(Comments wont nest below this level)

[Reply here](#)

☒ *Comment by jbnuniii*

2007-09-23 21:40:41

“‘It was the American Dream,’ she said. ‘I got it, I lived it, and now, it’s gone.’”

This quote is as comforting as mother’s milk - keep ‘em coming!

[Reply to this comment](#)

☒ *Comment by Dennis*

2007-09-23 22:29:19

“Craig said his company ‘won’t be making any money if we sell for the minimum bids,’ but the company is going to trust ‘buyers to set the fair market value.’”

Yea! like the sellers set the fair market value on the way up the ladder.

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URI

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Can the Fed Save You
FREE Report
From the Credit Crunch?

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