**America’s Foreclosure Crisis Leading to Rising Poverty**

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Last July, approximately 1.5 million homes, 1 in 352 homes, were in a stage of foreclosure, and 14.9 million of all mortgages—31 percent—are underwater. The foreclosure rate right now is on course to overtake 2010’s high of 2.9 million foreclosures among 3.8 million filed. Combining these two figures, and estimating an average of 4 family members per home, we are looking at a future of 65.6 million new victims entering homelessness or on the verge of homelessness.

Economist Dean Baker, co-director at the Center for Economics and Policy Research, identifies only two policies in effect for underwater homeowners: foreclosure or mortgage modification. Both procedures, according Baker, are dismal failures on many scores and continue to fuel loss of homes and the degradation of home values. Mortgage modification, basically written by the banking and mortgage industries, was never meant to be universal. Only a small percentage of homeowners, after numerous hurdles, manage to qualify in the programs.

As a simple example, a home valued at $400K at the time of purchase may be as low as $200K-$300K after mortgage default. At auction, the property may go for $100K and often sold to a person affiliated with the bank. The new owner can either enter the home into the rental market or flip and resell it at $150 to a speculator. Everyone has made money through the transactions except the original owner.

Treasury’s Tim Geithner and the FDA’s Ben Bernanke refuse to institute a moratorium on foreclosures. Simultaneously, the supply of vacant properties increases. Occupied home values in neighborhoods with empty foreclosed homes can decrease as much as 20 percent. Empty real estate is being warehoused and turned into investment opportunities as bank-owned real estate (REOs). REOs are then sold in bulk to speculators, and who then resell them to potential investors. Former Goldman Sach’s economist Nomi Prins calls the “growing sale of REOs to hedge, private equity and asset management funds” the “hot new business.” In addition, REO houses standing empty over long periods of time further lose value due to vandalism and the theft of piping, porcelain and ceramics, and other structures fetching a price on the black market and junk yards. The long term effect is lower property taxes for towns and cities and less revenue for municipalities to sustain themselves.

Prins explains that the failure of the Obama Administration and Congress to seriously entertain the dire need for a moratorium is because the government “owns or is backing trillions of dollars worth of assts predicated on the same or similar suspicious loans that defaulted during the 2008 crisis period.” In other words the FED, as guarantor, is the proud possessor of trillions of dollars worth of federal sponsored securities in toxic sludge through TARP and other astronomical bailouts. Of course, all of this could have been avoided if the Fed used a portion of its gifts to Wall Street to reduce the mortgage stress of homeowners. The Fed certainly had the regulatory weight to do so; rather it callously refused to serve the financial needs of Americans in favor of bank executives.

Since the real estate bubble burst in 2008, the majority of people losing their homes are the baby boomers and elderly. Homeowners under 40 years of age have fared better on their monthly payments. It is the retired population, subsisting on the pittance received from social security, which are being tossed into the streets. The median household income for self-employed families has fallen 9.4 percent during the past 3 years, and 4.5 percent among private sector employees. The average family’s median net worth continues to decline, contributing to the widening gap of inequality plaguing the nation. It is therefore little wonder that foreclosure rates have not and will not subside unless firm, radical measures are taken to relieve homeowners of the financial burdens that banks and real estate speculators profit from. What no one is discussing is the fact that government failure to remedy the foreclosure problem is fueling growing poverty and “near poverty” figures.

According to the Pew Research Center, 85 percent of the nation’s middle class state it is far more difficult to sustain a middle class standard of living than it was ten years ago. Consequently, the myth of the American dream, a home to call your own, a vital community to raise a family, burst several decades ago as corporate America shifted course. The oligarchic elite realized there was far more profit to be earned as parasites feeding off American families rather than heirs contributing to civil liberties and democracy. The days of early industrialists, particularly after World War II, when a productive industry built around itself a vital community for workers, where manufacturing plant executives participated in school systems and local houses of worship, contributed to the creation of an economic symbiosis between manufacturing growth and the local community’s sustainability. In those days, crime and poverty were extremely rare, or at worse a nuisance, in towns and communities where such an economic symbiosis flourished.

After the Reagan revolution’s substitution of the civil morals and social responsibility that held America together for individualist piracy serving solely the creation of private wealth, and the subsequent speed of free trade, deregulation and finding new foreign venues for manufacturing at the expense of keeping Americans employed, the dream is dead. Rather than creating jobs and building community, corporate America is now founded on the principle that wealth is abundant if you only create massive debt.

Today there is no promise for working Americans to enter upward mobility and growing purchasing power for a home and to secure a sustainable family. We are in the new age of economic alchemy where corporate analysts and political spin masters can twist debt into appearing as an asset in order to convince ourselves of economic growth and rising GNP. Eventually this too will collapse, along with further real estate and mortgage debacles.

The depressing fact is that economic policy and reform is insufficient to altar the downward course to restore upward mobility for rebuilding America’s middle class. And this is one fundamental reason why new home purchases are dwindling and the real estate market is flooded with empty properties.

Neither major party, Republican and Democrat, have proposed any concrete solutions to curtail the nation’s poverty epidemic that also parallels rising foreclosure rates. There are four policy actions that can effectually lessen the burden of homeowners and better assure they remain in their homes rather than moving into the streets. Furthermore, together these four actions would slow the rising poverty rates.

Moratorium on foreclosures. Instituting financial restructuring to bring mortgages to actual property values. At present, homeowners are paying mortgage and interests at original purchase price and on property appraisals that are no longer valid in the market.

Interest decrease. Mortgage interests should be decreased, even if in late payment, to 2 percent to stabilize the ratio between higher costs of living with loan repayments.

Rental option. Homeowners with underwater mortgage payments heading towards foreclosure filings should be offered the option to rent their property to prevent eviction. Rental rates can be set at no more than 15 percent of income.

Reform credit penalties to stabilize homeowners’ credit rating. Mortgage default is the single most burdens on a person’s credit rating contributing to huge interest increases. In our economic environment, banks and credit card firms is taking large advantage of further screwing borrowers due to late mortgage payments. This is a problem that requires immediate reform to avoid sinking homeowners into deeper waters and increasing the likelihood of foreclosure.