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Residential R.E.: A different kind under foreclosure

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Normally, I don't get emotional about real estate. After all, it's really just a box full of stuff. Warehouses and buildings hold stuff that simply sits there, or may be moved in and out. Offices hold people, on a temporary basis, to make, analyze and/or distribute stuff. Developers, investors, and lenders all get involved in that they move money through the box: they collect rent, pay for debt, collect interest, etc.

Houses, on the other hand, are a different kind of real estate. They hold people for the long term, house families and even generations of families. In houses, there are memories and history. Kids who grow up in houses find security and consistency in an often chaotic world. Houses cluster together to form neighborhoods, and the neighborhoods are linked by the people who live in the houses. Neighborhoods spawn communities, and in the best of circumstances create a platform for living and working in this world. Houses hold people, not just stuff.

What got me thinking about this were two recent articles in the news. The first was a story about TARP money that has been given to banks, but banks were hoarding the funds instead of making loans to help create business and jobs. The second was a story about Brockton, Mass. and its mounting residential foreclosure problems. The foreclosure issue is what I am focusing on, but I will get back to the funding issue.

The first news story featured a couple in Brockton which were facing foreclosure, not because they had paid too much, or were involved in exotic financing, or even over reached beyond their means. They were losing their house because both parents lost their jobs. They were losing their house, apparently through no fault or mistake of their own, just bad luck and a bad economy.

According to the article, Brockton has the most foreclosures in progress of any other community in Massachusetts. It is so significant that the Federal Reserve from Washington was touring Brockton to see the problems first hand. But the tour could have been in any of the older cities in Massachusetts, cities that for various reasons have some of the less fortunate people in the state, but ironically some of the most available and affordable housing. Now, many of these affordable houses sit empty, one after the other, foreclosed because homeowners couldn't make payments.

Foreclosure can happen in the wealthier towns and cities in Massachusetts, but it doesn't to the same degree. And while it is sad when it does happen in wealthy communities, people who lose houses there have options: that is, they can still move to less expensive housing in less wealthy communities. When you lose your house in a poor community, and the payments were relatively inexpensive in the first place, there is no place else to go. There is no cheaper housing available.

Now let's come back to the story of banks hoarding cash, and not distributing loans as is the purpose of TARP. The article was specific to small business loans, but it applies in general to the TARP, the TALF, the "stimulus package," as well as specific programs related to housing (Loan Modification Program and the Low Fixed Rate Mortgage Program, which are both focused on the foreclosure

problem). The money is simply not getting out, or not getting out fast enough. When trillions of dollars are being distributed by our government, over a very short period of time, there are bound to be misappropriations, misallocations, or mishandling. It is not just lenders hoarding cash. It is corporations, not wanting to make investments; it is government agencies; it is even the Commonwealth of Massachusetts which is far behind in allocating monies given to it for such programs.

Fortunately, the problem is certainly not going unnoticed, with many consumer groups, state representatives and congressman focusing on the issue. Surely, with trillions of dollars being distributed to address this and related problems, it cannot be that hard to solve.

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