

Whose ‘Foreclosure Crisis’?

“Reliable” real estate industry sources, such as RealtyTrac, report that there will be well over 1 million foreclosures by year’s end.

But why should we place our faith in reports that come from the misnamed real estate “industry” and mortgage brokers and bankers who created this crisis in the first place? Rather than focus on the numbers from highly suspect sources, it were better to ask some questions: “Exactly who is it that is being foreclosed on?” “Who would benefit from a bailout of troubled mortgages?”

EIR’s sources in the mortgage sector tell us that the majority of the homes being foreclosed on, by far, are not *owner-occupied properties*, but homes owned by speculators or developers, who find themselves holding properties against which they have over-borrowed and are now unable to flip for a profit. These speculators are on the rampage—to save their own hides.

In some cases, such as in upscale communities in California and Florida, speculators bought over-priced vacation or “second” homes in markets that are now “ice cold.” In places such as Loudoun County, Va., in the formerly “white hot” suburbs of Washington, D.C.—an area that was con-

sidered a gold-plated, “can’t miss” market for speculators—investors now find themselves up against a glut of other high-priced real estate garbage, with new additions to the glut coming on line daily. Ironically, many of these formerly non-credit-risk developers and speculators were stupid enough to go for exotic loans, including subprime jumbos, looking for big returns, under the delusion that the homes would still sell for a profit. Now, they are trapped with high-dollar mortgages coming due on properties that can’t be sold.

The developers and the speculators are now bailing out, willing to take hits on their credit. In so doing, they dump these toxic properties on the banks, which, in most cases, hold on to them, rather than sell them at auction. As one banker explained, the banks do this out of fear that mass fire sales would trigger a total price collapse.

This is the reality of the crisis. The numbers from the various real estate sources on foreclosures are primarily lying propaganda, concealing what is happening while feeding calls for a government bailout to take those toxic mortgages off the books of the banks—a bailout process of speculation itself, financed with taxpayer money.

—L. Wolfe