

## Political News, Progressive Commentary, Liberal Opinions and Common Sense Conversation...

### Foreclosure City

by Pamela Leavey

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I moved to Los Angeles in January '90, when foreclosures were a booming business for real estate auctioneers in the area. Those real estate auctioneers rejoiced in raking in the dough off the backs of those whose lost their houses, we in the midst of Bush I and the economy back then wasn't healthy for anyone save the rich folks that the Bush family revels in helping to keep their wallets fat.

Well, California and other areas of the U.S. are suffering another serious housing bust. The economy under Bush II is in the toilet, and now "[according to a new](#) congressional report" it appears that "the fallout from the national mortgage crisis is worsening." The San Francisco Chronicle reports, "[More than](#) \$23.6 billion in California housing wealth will evaporate if real estate prices continue to decline and foreclosures on subprime home loans soar."

Things look bleak... very bleak:

[In addition](#), over the next two years, the state will lose nearly \$111 million in tax revenue from the forecast repossession of 191,000 homes and the spillover effect on neighboring property values, said the study, released Thursday by the Senate Joint Economic Committee.

"State by state, the economic costs from the subprime debacle are shockingly high," committee Chairman Chuck Schumer, D-N.Y., said in a statement. "From New York to California, we are headed for billions in lost wealth, property values and tax revenues."

The five states with the greatest number of projected foreclosures are California, Florida, Ohio, New York and Michigan.

Nationally, some 2 million homes representing \$71 billion in housing wealth - coupled with \$32 billion in depressed values on nearby homes - and \$917 million in property tax revenue are at risk. Last month, the Bush administration had forecast 500,000 subprime foreclosures.

The survey is based on home price, income and lending data gathered from federal regulators, banks, research firms and nonprofit groups and includes both direct costs of foreclosures to borrowers, lenders and governments as well as indirect losses incurred by surrounding homeowners.

But some economists, including Jon Haveman, a former senior economist with the president's Council of Economic Advisers, believes the committee's findings are too optimistic.

"Things are getting exponentially worse," said Haveman, a principal at Beacon Economics in San Rafael. Home prices "have only now started to drop. They have a ways to go."

Haveman expects the housing slump to touch off a recession by the beginning of next year, because more than 70 percent of U.S. spending is by consumers.

"There's been a dramatic increase in consumer spending fueled by the housing market," he said. "Now that housing prices are going down, (consumers are) going to have to reorient their household portfolio. They're going to have to start saving because their retirement isn't going to come out of the house. And they have to stop consuming because there's no more cash in their house."

Senator Chuck Schumer and "[his colleagues on](#) the committee called for several measures: boosting foreclosure-prevention counseling; allowing Fannie Mae and Freddie Mac to temporarily purchase more mortgages; changing the bankruptcy code to protect more borrowers from foreclosure; and fighting predatory lending practices by eliminating prepayment penalties and requiring lenders to ensure that borrowers can repay loans at the fully indexed rate."

The full report [is available here](#) and the L.A. Times reports in the Saturday edition: "[Californians lost their](#) homes to foreclosure in record numbers for a second straight quarter, and the trend is creeping into affluent communities."

Tighten up your belts folks... It's clearly gonna get worse before it gets better.