

FORECLOSURES: Should they be delayed?

Written by Editorial Staff
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A moratorium on home foreclosures - voluntarily put into place recently by many lending institutions, including GMAC and Bank of America, sounds like a wonderful plan to try and right the mortgage market and put the American real estate market back on solid footing.

But a dissenting voice is giving us all something to think about.

After some allegations arose that many foreclosure proceedings have been poorly documented - mainly through technical issues - many leading U.S. lending institutions have agreed to indefinitely halt all proceedings. Those announcements have drawn a great deal of enthusiasm throughout the U.S.

But Peter Wallison, a senior fellow at the conservative American Enterprise Institute, says a moratorium could be "disastrously harmful." And he makes a very compelling argument.

Wallison, in a report in the Orange County Register, said he sees three big problems arising from a foreclosure moratorium:

-- Homes that could be resold will be kept off the market, which would hinder finding the housing market's true "bottom," which is essential in restoring a market with realistic prices.

-- Banks would be deprived of expected income that would facilitate more loans to small businesses and new home buyers.

-- Taxpayers would be on the hook as Fannie Mae and Freddie Mac lose more money and require from taxpayer funding.

The Obama administration also seems to be reluctant to support a moratorium. Top White House advisor David Axelrod recently said that there are valid foreclosures that should go

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forward.

No one wants to see families booted from their homes. It is in our makeup to protect our neighbors. But many of those neighbors knew quite well, during the real estate boom years, that they were getting into mortgages well above their means. Will delaying the inevitable really help them in the long run? At least some people are beginning to say no.