

OBSERVATIONS

from the desk of Mildred Wilkins, (FIS)...

Party's Over . . .

Now for the Clean-up

I've always enjoyed entertaining. Fact is, I'd rather have twenty folks over than five and if fifty came for dinner—why that would be awesome. Everyone comes expecting to get their personal favorite ---WHATEVER—and I aimed to please. The menu was always extensive. No one was required to bring anything to the table and surprisingly—almost no one did.



Dinner is over. Everyone had too much of everything, stuffed extra in a plastic bag and they're out the door. I am exhausted, but happy because I gave them what they wanted. They're happy because they:

- Got what they wanted
- Didn't have to work too hard for it
- Got "extra" for another day

What's Wrong With This Picture

For starters, I am now financially depleted, exhausted and the house looks like the scene of a train wreck. Only a couple of people even offered to help with the clean-up before taking off. Fifty people can eat a lot and leave a substantial mess in their wake. Dovie, my daughter, pointed out that while I might be having fun, I was setting a bad precedent. It amazes me how long it took me to change the party rules and request contributions and help with the clean-up. My budget has improved and the house was clean when the last ten folks left. I enjoyed my parties more---can you imagine that?

Lessons Learned

Financing the entire event is expensive. It deprives others of the satisfaction of participation. It's an amazing human phenomenon—when folks don't pay for or help to prepare food they have enormous appetites, little sense sharing fairly and unilaterally take more than they can consume. The host budget is gradually depleted and eventually the parties must cease. 100% financing is a close parallel. The real estate bubble bursting is a prime example of national over-indulgence.

Oh, What a Tangled Web We Weave . . .

Alan Greenspan in recent testimony concerning our current financial meltdown has admitted to being totally blindsided by the financial collapse. No disrespect intended, but how could the former head of the Federal Reserve believe that financial institutions would self regulate appropriately when the business model for creating mortgage securities begged you—literally begged you—to mix bad apples with good apples. After all, they were being shipped overseas tomorrow; NEXT DAY EXPRESS,

early delivery guaranteed. The United States has woven a tapestry of bad appraisals, “liar loans” and no collateral into a housing market which threatens to unravel the world economy.

Party House—  Closed for Repairs

Builders, mortgage brokers, large insurance firms, government backed loan program participants, Wall Street investment firms and the rest of the party givers are, shall we say, “down on their luck right now.” Based on the latest news regarding bailouts, acquisitions and financial institutions in the intensive care unit, things are not looking too good.

There are no parties scheduled for the foreseeable future. Maybe there will be a few small get-togethers for a limited number of truly qualified buyers/sellers but the orgies are a thing of the past. Sometimes the hangover is so bad that the participants swear off alcohol for the rest of their lives. I think Americans have decided en masse to go on the “lending wagon” and become, albeit by necessity, responsible partakers of mortgage financing. Likewise, I believe that financial institutions which have operated as though they could be irresponsible forever since they were selling almost all the junk they allowed to be funded, have discovered that having your accounts balanced right under Wall Street’s nose is bad for business.

The Intensive Care Unit

There are so many institutions checking into the unit that it is hard to keep up. If you are not familiar with the Implod-0-meter this is a great time to check out their website at: <http://blogs.wsj.com/law/2007/08/08/the-implode-o-meter-the-law/>. The mere existence of this business is another indicator of someone who has seized an opportunity borne of this housing crisis to create a niche for themselves. The articles are timely; the information is invaluable. You have the ability to check the “condition” of the financial institutions which impact your day-to-day business. I strongly recommend that it rates a bookmark as a favorite. This site has become a personal favorite for the real deal on those institutions which are continuing to shape the real estate market. An old farm analogy: “If you forget what kind of peas you planted, just wait until they come up.” Sowing and reaping is a universal principle which applies equally as well to mortgages as it does to farm crops.

Push Your Sleeves Up . . .

Clean up requires a stiff upper lip. Let’s focus on the mortgage mess. Instead of trash bags full of refuse we have:

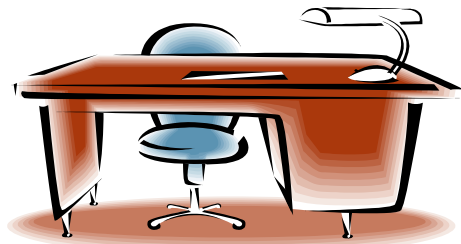
- Tightened credit requirements
- Decent interests only available with higher credit scores
- Large down payment (okay, as opposed to NO down-payment)
- Stricter valuation of the collateral
- Verification documentation of income and assets

Truth is, none of these clean-up strategies are unreasonable. Further, had they been in place back in 2005, we wouldn’t be up to our hips in mortgage debris.

The American Challenge

We have just elected a new president. Election fatigue is finally over. The celebration party was astonishing. However, the reality is that the US is facing arguably its most difficult challenge in its history as a country. Each of us as an individual must find the strength and ingenuity we have in our genes to weather the storm ahead. We would be foolish and ill-prepared for the journey if we assumed we were headed on a pleasure trip—or off to another big bash. As our forefathers before realized, we are headed for a “New Land.” Let’s each put our shoulder to the wheel and find our inner strength to support our individual communities and our country as a whole.

Our greatest president, John F. Kennedy, said it best for all times, “Ask not what your country can do for you? Ask what you can do for your country?”



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