Taking Stock: There are plenty to play the blame game

by Malcolm_Berko

Dear Mr. Berko: We paid $489,000 for a three-bedroom, 1,752-square-foot home on a small lot in March 2006. Today it's worth less than $250,000. As you can see the mortgaged amount is $200,000 more than our home is worth. Fortunately, my job is secure â€" I think! We have two questions. Who or what economic happening caused this mess were are in? And how long do you think it will take for our home value to return to the 2006 purchase price? My wife and I are both 55, but we'd like to think about moving to Kentucky in a few years to be closer to our children and grandchildren. â€" W.N., Destin, Fla.

Dear W.N.: There's no one single economic event to blame for the market crash, the subprime mess, high unemployment, falling home prices and lower corporate earnings. But when all this is over and the corpus is poked, prodded, probed, scrutinized and analyzed, we could discover that former Federal Reserve Bank Chairman Alan "The Mumbler" Greenspan wore blinders during the last seven years of his reign and opened the door to disaster. He denied the real estate bubble, encouraged adjustable rate mortgages, allowed banks and brokerages to use extreme leverage, advocated a huge increase in the money supply, and in a period of 30 months he increased and decreased interest rates 24 times. In the process, Greenspan fostered an "enormous collusion of collective responsibilities."

Greedy bankers encouraged people to purchase homes with mortgages they could not afford. Those same bankers used complex, computer generated mortgage strategies that minimized default risks to securitize the risky mortgages before tossing them like hot potatoes to waiting investors.

Meanwhile, a prodigal Congress squandered our tax dollars by passing out tax cuts to the wealthy like thousands of cases of Dom Perignon. Predatory hedge funds and brokerages used massive leverage to trade subprime paper and push the price of oil above $145 a barrel. Gluttonous corporate officers impudently sucked tens and tens of millions of dollars in salaries and bonuses from their public companies. Lobbyists toting suitcases stuffed with bricks of $100 bills persuading Congress to pass special interest regulations for favored constituents. The Securities and Exchange Commission and the Financial Industry Regulatory Agency got in the act with their guileful perversion of damning evidence against the banking and brokerage industry. Lastly, we must blame ourselves because we ignored common sense and embraced the hubris of Madison's Avenue's "Give Me, Get Me, Show Me, Buy Me" madness.

I think it's going to be a long time until your home returns to the upper $400,000 price range, and I'm certain it won't be in the next few years. So, unless you have enough money to purchase a home in Kentucky, I think you're stuck in the lovely, seaside community of Destin, Fla., which, if you have to be stuck, is one of the nicest places in this country to be "stuck." You paid more than $350 a square foot to own that house, and unless the U.S. devalues the dollar, which some observers believe must happen to pay our mountain of debt, I think the sun will sooner rise in the west before your home can sell for $489,000 again. If you want to be with your children, then you folks had better accept the fact that you're going to lose a lot of money when you sell your house. I doubt it will ever be worth $489,000, even in the coming decade. You're stuck with that mortgage.

Please address your financial questions to Malcolm Berko, P.O. Box 1416, Boca Raton, FL 33429 or e-mail him at malber@comcast.net.

Taking Stock: There are plenty to play the blame game by Malcolm_Berko