

## The ripple effect

by Ilyce\_Glink

There's an old saying in the manufacturing industry that when a single person loses a job, three other people lose their jobs. The so-called ripple effect has been noticed most recently in the auto industry. Detroit has had some tough times lately, and the whole state of Michigan has suffered. But the month of August is turning into a black cloud over the mortgage industry's head, as layoffs have begun to rival some of the auto industry and airline industry layoffs of recent years. Since the beginning of August, some 25,000 people have lost their jobs in the mortgage industry, according to a compilation of job statistics from the global outplacement firm Challenger, Gray and Christmas. And the bad news continues. As many New York City residents left town for their annual summer vacation, Lehman Brothers announced it was shutting down BNC Mortgage, its sub-prime lender. Those 1,200 workers may have an extended summer holiday. They join the thousands of other loan officers, processors and tech support folks who have been handed pink slips as the credit crunch has further deflated the housing market. But it isn't just the mortgage lenders who are suffering. Since the beginning of the year, more than 20,000 construction jobs have been lost. And while the number of Realtors has been at an all-time high (NAR reported 1,363 million members as of August 22nd), it isn't hard to imagine that some agents might be looking for new jobs if the housing market doesn't pick up. They have to eat, drink and pay for dry cleaning, too. But the ripple effect doesn't end there. If the number of new and existing homes sold drops, there will be less work at title companies. Companies that provide goods and services to real estate industry professionals (the agents, appraisers, loan officers, and home inspectors) won't need as many employees either. And if you're not buying a home this year, because the new underwriting guidelines have made it unaffordable, you probably also won't spend \$10,000 on new cabinets, appliances, drapes, carpet, landscaping and other items for your home. Will those folks lose their jobs, too? These are high-paying white-collar and blue-collar jobs, and they feed a lot of families. It's OK to talk about how home prices are too high in some places, or how they escalated beyond reason in others. And, it's OK to say that some home buyers who signed up for pay-option adjustable rate mortgages and didn't read the disclosures but decided that they could afford a \$500,000 house on \$37,000 of income got what they deserved. But the ripple effect means that the housing market isn't going to turn around any time soon, even if the Federal Reserve lowers interest rates and lets banks borrow more money for longer periods of time. It's entirely possible that the U.S. won't return to a seller's market until sometime next year or later. The only wrinkle is that next year is a presidential election year, and often the housing market will slow while citizens consider who is running for office and what effect that is likely to have on the national, and local, economies. Which means we may not see a true turnaround for some time to come. (Ilyce R. Glink's latest book is "100 Questions Every First-Time Home Buyer Should Ask," 3rd Ed. If you have questions, you can call her radio show toll-free (800-972-8255) any Sunday, from 11a-12p EST. You can also write to Real Estate Matters Syndicate, PO Box 366, Glencoe, IL 60022 or contact her through her website [www.thinkglink.com](http://www.thinkglink.com)) © 2007 Real Estate Matters - Distributed By Tribune Media Services, Inc.

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