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PERSPECTIVE

Here Comes the Repo Man

IT'S EASY TO SCOLD SUB-PRIME LENDERS FOR THE GLUT OF HOME FORECLOSURES. IT'S ALSO WRONG. BLAME THE BUYERS. **BY KRIS FRIESWICK**

My Dad was a repo man for GMAC, the lending arm of General Motors. At 3, I couldn't tie my shoes but knew that if you didn't pay your auto loan on time, Dad would come to your house at 2 a.m. and steal your car. I vividly remember his tales of being chased by large German shepherds and gun-wielding car owners. But what really stuck with me was his disdain for the people from whom he had "liberated" the vehicles, people who had taken out massive loans to pay for cars they knew they could not afford, but who were surprised when he showed up.

"How exactly did they *think* this was going to end?" he asked.

Thanks to my early fiscal training, when my husband and I bought our South End condo in January 2004, we ignored the loan officer who wanted to sell us an interest-only loan for twice the amount we needed and instead got a smaller adjustable-rate mortgage. Lenders spent the boom years coming up with dozens of complex loan options – negative amortization, balloon payments, no-interest, no-documentation, no-income, no-pulse – most capable of putting your family so far underwater that some deals even came with free snorkel gear. Borrowers gobbled these loans up, convinced the hot market would make it easy to sell out or refinance if things got too tight. Then interest rates climbed, and the housing market tanked. Mortgage foreclosures hit historic highs in Massachusetts – 23,116 for the 12 months ended April 30.

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With so much constituent suffering and gnashing of teeth, politicians launched a hunt for a big, evil, deep-pocketed culprit for the skyrocketing foreclosure rate – and pounced on sub-prime loans and their brokers. They were the perfect villains, especially the subset that used predatory lending practices, an element of the mortgage business that legislators have long targeted unsuccessfully. That's because it is hard to define a predatory loan. To paraphrase a recent General Accounting Office report on the matter, one person's predatory loan is another person's financial opportunity. An August 2006 study of Chicago-area foreclosures, done by a policy analyst at the Office of the Comptroller of the Currency, found that many so-called predatory lending practices were not directly linked to increased foreclosures – some augmented foreclosure risk, some decreased it, some had no effect – and it advised against legislation based on the assumption of a direct link.

The Massachusetts Legislature can't help itself, though, and there are a variety of proposed laws that would, among other things, require mortgage brokers to be licensed by the state, mandate in-person counseling for anyone who gets a sub-prime loan, and create a $10 million fund to provide temporary financial relief to victims of predatory loans and for public education campaigns. I applaud the licensing and counseling concepts, but legislators must accept that home buyers deserve the bulk of the blame for the foreclosure crisis. Homeowners, not more laws, are the only ones who can prevent it. Brokers and lenders sold a boatload of usurious loans, but they couldn't have moved a single one without the full cooperation of buyers who didn't read or understand the fine print, didn't do the math, or gambled wrongly that tomorrow would be a better day. They weren't just undereducated, low-income buyers, either: Boxborough, Topsfield, and West Newbury, three of the wealthier communities in the state, showed the top three largest percent increases in foreclosures in Massachusetts in the past 12 months ending April 30.

So how do we fix the foreclosure problem? We don't. Time does. We help the people we can and punish anyone who preyed on those incapable of making sound financial decisions. And the rest, sadly, will lose homes they probably couldn't afford in the first place.

"Homeownership is not for everyone. There's a reason it's unattainable for some people, and as a society we're too afraid to talk about it," says Erin O'Connor Jones, executive director of the Family-to-Family Project. When the Boston nonprofit works with people facing foreclosure, it looks for alternative financing and offers bridge funds in the interim. But even the project won't assist families that couldn't afford their homes to begin with. It's called common sense, and if you abdicate it, guys like my Dad show up at your house at 2 a.m. Who, exactly, is surprised when *this* is how it ends?

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