



From the desk of
William C. Ring, President

Real Estate Newsletter

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What Goes Up Must Come Down...

If one still doesn't recognize housing as the principal engine driving the U.S. economy, they have fallen asleep under a rock somewhere. For over a decade it was the driving force propelling the U.S. economy higher and higher. Now its backwash is propelling the U.S. economy downward.

As is the tendency, when you are on a roll, it is tempting to bend the rules to keep things rolling. The housing market is the latest illustration of this mortal weakness. While most taxpayers did not contribute to the present current economic crisis, most have benefited from the events leading up to the current situation. While some were in the middle of the fray, most benefitted from the sidelines.

- * Lenders bent reasonable and time proven underwriting rules to reach an untapped market (under-qualified borrowers).
- * Originators turned their heads to blatant signals that the borrowers could not carry their mortgages.
- * Borrowers willingly misstated facts in order to qualify for larger mortgage loans to buy more expensive homes.
- * Bond rating services neglected to ask critical Quality Assurance questions of their mortgage banking clients
- * Institutional investors elected not to adequately scrutinize the portfolios they invested in, especially when offered exceptional yields.
- * Loan agents shopped the market for sources that could deliver these loans to their buyers.
- * Escrow, closing and title services conveniently accommodated these transactions.
- * Sellers' only concern was closing the sale for the highest dollar.
- * Builders/Developers kept building as long as there was demand.
- * Construction trades enjoyed full employment in most markets.
- * Home furnishing suppliers rode the crest of new construction and redecorating.
- * Taxing authorities enjoyed the benefits of expanding tax bases and property valuations.
- * Foreign dollars rushed to invest in the attractive U.S. security markets.
- * In fact, the entire global economic community enjoyed the ride.

Now that it has come to an abrupt and unsavory end, everyone wants a soft landing and is lining up for the Great American Giveaway. Someone recently said it is Free Enterprise on the way up and Socialism on the way down. Does it really have to be this way?

Please contact me anytime regarding your real estate needs or questions; commercial or residential. And, remember that the highest compliment I, or anyone, can receive is the referral of my name to your family, friends and business associates. Thank you for your trust.

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