

HAPPY RETURNS

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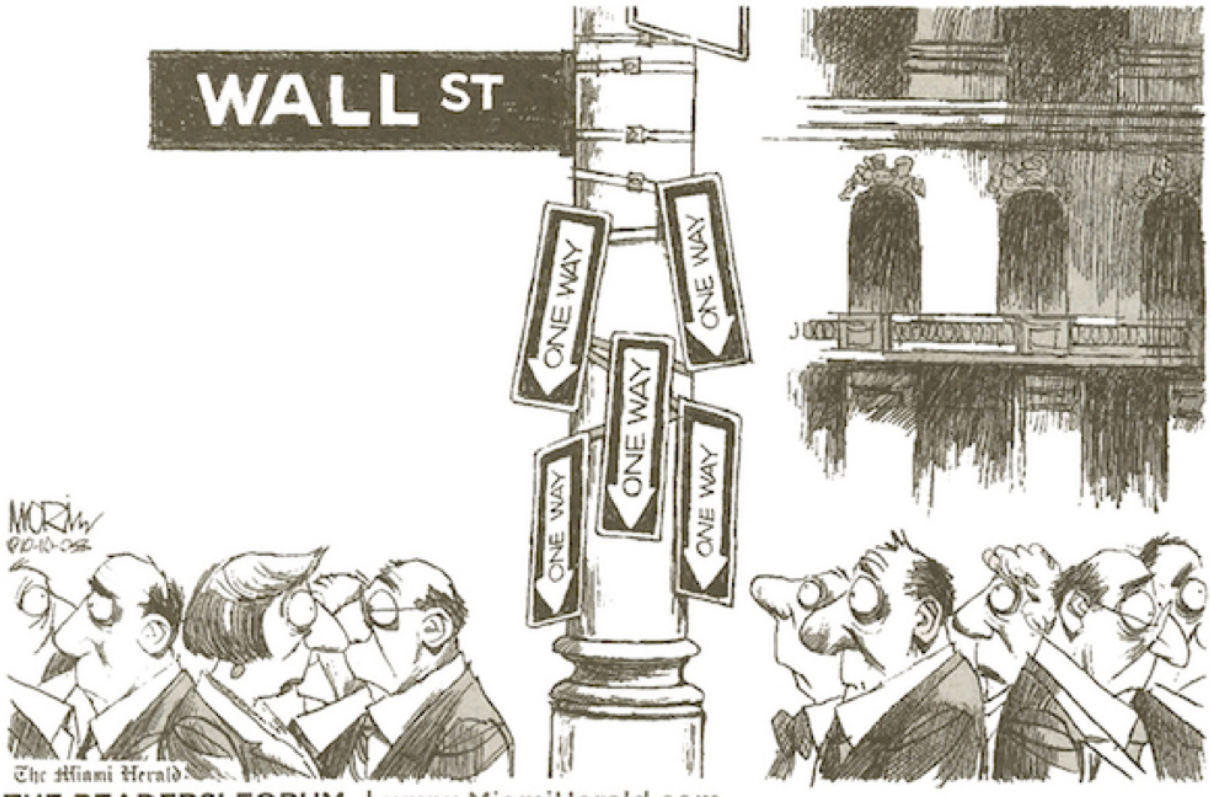
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106TH YEAR, NO. 26 • 2008

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The next shoe to drop in real estate

A significant issue is unraveling in today's world of real estate that could bring the U.S. real estate market, along with the insurance and banking industries and what's left of our economy, to its knees.

Today's most alarming issue is no longer units being foreclosed on but rather condominium and homeowner associations going broke. A growing number of condo associations are being faced with 30-60 percent in defaults on monthly association fees. For the most part, these units are all headed toward being foreclosed on by lenders. However, lenders are successfully dodging the huge expense of association fees, property taxes and other related costs of ownership by not foreclosing on nonperforming loans for periods of 12 to 18 months.

Some owners are living in their units without paying their mortgage, association fees, assessments or property taxes. This burden has been handed over to condo associations, which are not-for-profit organizations, and their unsuspecting residents.

Lawmakers are again looking the other way as these damaging events take place. Here are a few solutions:

1. The recent legislation that extends lender liability on association fees from six months to 12 months should be retroactive and apply to all foreclosures.

2. Lenders should be held to timeliness and be required to move forward with a foreclosure once proper notice has been provided.

3. Fannie Mae, Freddie Mac and AIG should be held to the same conditions and oversight as those benefiting from the $700 billion bailout, which would bring the current total of the bailout to about $1 trillion.

4. As part of establishing a regulatory council for the banking industry, leaders in key areas of business should be invited to participate in a round-table type committee. This would bring legitimacy to the process and provide policy makers with valuable insight from within the industries most affected.

5. The federal government should establish a fund or allow for some of the $700 billion being provided to these lenders to cover shortfall payments to associations with regards to city and county services and necessary utilities such as water, sewer and electricity. Associations would file for assistance from the fund and must demonstrate a minimum of 30 percent in defaults by buyers, not developers.

I hope that when evaluating where the $700 billion bailout is spent, the government starts by protecting the good, along with the bad and the ugly.

- RICARDO WOLF, managing partner, WOLF International Realty, Miami

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