

TREASURY SEZ BANKSTERS ARE LOUSY NEIGHBORS WHO BROKE THE LAW

The Treasury Department gave Felix Salmon's response to Crusader against Injustice Timmeh Geithner's statement on foreclosures more attention than it gave mine—they emailed a response to Salmon's questions about why foreclosures would hurt property values. And their response is even more telling than Crusader against Injustice Timmeh Geithner's original statement.

First, at least 40 % of all homes in foreclosure are vacant. Delaying conveyance of title and resale has devastating impacts on neighborhood values and increases demand for municipal services.

Also, a blanket moratorium equally impacts the banks that are acting in accordance with the law increasing costs for servicers and investors. This threatens the safety and soundness of smaller community banks that are not part of the document problem and ultimately limits market liquidity preventing low and moderate income borrowers from refinancing or buying a house as investors are ever more hesitant to lend to all but the most pristine credit borrowers.

First, note this statement very closely: "a blanket moratorium equally impacts the banks that are acting in accordance with the law." Treasury is arguing that a blanket foreclosure moratorium will **also** hurt banks that acted in accordance with the law. Necessarily meaning, of course, that Treasury believes that some banks

acted in accordance with the law, but **some didn't**.

The Treasury Department is logically stating that some banks—big ones—broke the law.

Last I checked, Treasury had a pretty big role to play in law enforcement (just ask the terrorists). So if Treasury is so certain big banks broke the law, has it made referrals to DOJ?

Also note this formulation:

First, at least 40 % of all homes in foreclosure are vacant. Delaying conveyance of title and resale has devastating impacts on neighborhood values and increases demand for municipal services.

At least 40% of homes in foreclosure are vacant. So up to 60%—a majority—are not. So Salmon's point—that pushing more people into foreclosure will result in more empty homes—still stands, as foreclosures will have the result that up to 60% of foreclosures not already vacant will become vacant.

But that's not the part I found most interesting. We've got to rush conveyance of the title and resale to protect property values of neighborhood properties and limit demands on municipal services. The conveyance of title I get; until the bank officially owns the property, it can't do anything about maintaining a house. But resale? Is Treasury saying that until the property is sold, it won't be cared for? That banksters don't care for the properties they get in foreclosure? Banksters don't mow the lawn? Don't keep up the houses? Rely on municipalities to do what homeowners are obligated to do? I mean, yeah, I realize that is, in fact, the case. But why is Treasury simply observing this, and not haranguing the big banksters—the ones who Treasury apparently believes have broken the law—for free-loading on municipalities rather than paying for the things

they, as property owners, are obligated to do?

And on top of the fact that an official statement from Treasury admits that banksters are lousy neighbors and broke the law, the entire premise is still flawed. Yes, for the 40%+ of houses that are vacant by foreclosure, postponing the ultimate sale of foreclosures will affect the property values of neighborhood properties. But until someone verifies that foreclosures have clean paperwork, up to and including the note, won't foreclosures have an even more diminished value on the housing market? If that's true, rushing more foreclosures onto the market without first ensuring that those foreclosures come with proper paperwork will have an even greater depressive effect on home values (or they should, if people were honest about what was going on).

Finally, note the implicit endorsement. We've got to continue to let community banks operate normally so we don't penalize the banks that played by the rules. Okay, finally something I'm very sympathetic with! But if Treasury knows that the big banks broke the law and the community banks have played by the rules, then why are we spending so much money bailing out the criminal banks? Why not just reward the community banks for doing it right?