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## Foreclosure Mess Deepens, as Experts Fear that U.S. Has Yet to See the Bottom

By Ruth Ravve

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If you think the U.S. housing market is in bad shape now, prepare yourself for the "tsunami" that's coming. That's what at least one financial expert is saying.

Charles Brown of CB3 Financial says that instead of selling foreclosed homes, banks have been hanging onto them, waiting for the economy to improve. "These banks that have all this pent-up inventory will unleash it on the market, as soon as they see a minor uptick in real estate prices," Brown said, which will, in turn, reduce housing prices even further.

Experts agree that we have not hit rock bottom yet. People are still losing their jobs. Homes are going into foreclosure at a rate of 120,000 a month. Many who feared foreclosure in their future say they tried to work with the banks for "loan modification" -- but they "were denied or given the runaround," Rep. Mike Quigley of Illinois said. The banks weren't working with people so they made the problem worse. "Servicers are famous for delay tactics...like claiming the fax machine was out of paper," he said.

You don't have to tell that to Mary Ramirez. When she and her husband bought their home 12 years ago, it was the American dream come true. Now, "it's a nightmare," she says.

Her husband wanted to start his own business, and the value of their home had increased so much over the years, they felt secure taking out a home equity line of credit. The business failed and Ramirez couldn't afford the two payments, mortgage and loan.

"We tried to work with the bank, but they kept saying they lost our paperwork," she said. She's still hoping to fight off foreclosure.

But some people have just given up and moved out, leaving their former nest abandoned. "I've seen some families walk away from their home with pride, but others are so disgruntled they want to destroy the property. They've done things like torn out piping, flooded basements and taken down doors, just leaving the place uninhabitable," says Dan Musielski of Assured Home Inspections. "Anyone trying to buy a foreclosed property better get it well inspected first."

"At the core of this problem was a widespread, massive interconnected fraud," says Janet Tavakoli of Tavakoli Structured Finance. "The fraud didn't begin at foreclosure, the fraud began when these loans were first made."

Last week, Bank of America announced it halted foreclosures in order to get some paperwork problems worked out. A few other banks followed suit, but only for 23 states. Tavakoli believes that in many cases the banks messed up paperwork when they originally created the mortgages and are now trying to pick up the fallen pieces.

"What happened here is in their eagerness to kick the can down the road and to force these loans on unwarying customers they did not get the chain of title correct," Tavakoli said, and without a correct name on the home's title, the home cannot be sold. In turn, that could leave many foreclosed properties sitting vacant for quite awhile.

A glimmer of hope is offered by Rep. Quigley, who says he thinks things are moving in the right direction, at least on the Federal end, as lawmakers force banks to be more transparent and make alternatives to foreclosure more accessible.

*This is the first in a three-part Fox News series, "Shattered Dreams," examining the United*

*States' continuing foreclosure problem and how it is affecting ordinary Americans.*

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