

Terry writes:

Please don't feed the trolls.

Terry | 05.17.08 - 10:01 am | <#>

Jim A. writes:

um...do you mean 98% were fixed rate? Wouldn't that be a GOOD thing?

Jim A. | 05.17.08 - 10:03 am | <#>

Tanta writes:

Wouldn't that be a GOOD thing?

Sure, if these "good" fixed rates weren't defaulting at this rate. My point was that rate shocks on the second lien didn't do these loans in, and fixing the rate obviously didn't mitigate enough risk.

Historically, you know, a "purchase-money" percentage of 81% would have been considered GOOD, too.

The trouble with a fixed-rate second is that unless you put it behind a fixed rate first lien, you still have adjustment-shock risk. The other problem, of course, is starting out with a 44% DTI.

Tanta | 05.17.08 - 10:09 am | <#>

Dave writes:

Jim - These are SECOND liens, not first. So if the borrower can't pay, it's not going to matter if it's fixed or not.

Dave | 05.17.08 - 10:10 am | <#>

Mel writes:

Moody's deserves most of the blame. Methinks they will eventually be sued out of existence.

Mel | 05.17.08 - 10:10 am | <#>

fred writes:

Nice catch Tanta. Mish has been following a similarly toxic pool out of WaMu. I understand the motivations of the originators and Mother Merrill (big commissions I assume).

What about the buyers of these things? Were they just buying anything that Moody's or S&P rated AAA without any due diligence of their own? Did they have cash coming in that they had to "put to work" no matter what? What did the managers of these Funds risk if they put the money into Treasuries instead?

fred | 05.17.08 - 10:26 am | <#>

Tanta writes:

Moody's deserves most of the blame.

I think Norris's point, which is perfectly legitimate, is that there just cannot be an institutional investor who could have missed the fact that ML had these loans to securitize because they'd had to take over the loans in Ownit's warehouse, and that Ownit was flaming out spectacularly.

The rating agencies have a lot to answer for, but so do investors who apparently read three characters (AAA) out of a 200+ page prospectus.

Tanta | 05.17.08 - 10:32 am | <#>

chickenlittle writes:

They See It In Atlanta:

As Fulton's chief appraiser, Burt Manning finds it hard to believe any parcel in Fulton is worth less than \$10,000.

Still, real estate listings prove they are.

"We are trying to understand all these things," said Manning. "What's the right answer? We don't know. It's tough. I've got entire neighborhoods where all I've got is distressed sales. I don't have any good sales."

In fact, seven of Atlanta's least-expensive homes are listed on average for \$8,800 but taxed at an average value of nearly \$93,000.

The cheapest, at 336 Adelle Street in the Lakewood area, comes in at \$5,900. Tax records list its value at \$101,700.

The problems are pronounced in areas like West End, Lakewood and Vine City.

Wayne Flanagan, a RE/MAX agent who sells bank-owned properties, said in zip codes like 30310 and 30315 values have taken a nosedive faster than public officials can account for.

"There are some price ranges like \$20,000-\$80,000 where 90 percent of the properties on the market are foreclosures," Flanagan said. "You've got one bank competing against another. It's a spiraling situation, downward."

http://www.ajc.com/metro/content...ssex_0512.html

chickenlittle | 05.17.08 - 10:40 am | <#>

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