

Feedback

[Linguistics](#), [English](#)



THIS IS YOUR JOB. Foreclosure Crisis: The impact to the American Dream and United s Economy Diz CollegeForeclosure Crisis: The impact to the American Dream and United States Economy

Have you ever imagined owning a home? Have you ever pictured being able to fulfill the American Dream? For many decades the American dream of being prosperous and having a home was a reality for many people, but unfortunately we are experiencing a severe economic downturn that is considered one of the worst crises in last century that may lead this dream to an end. In fact, according to Tatom (2009), it is one of the biggest financial problems we have confronted since the great depression.

Americans were not prepared for such catastrophe, and they never expected being evacuated of their properties and sometimes disrupted from their families because of not keeping up with monthly payments. In a speech provided by the White House Web site (2009) titled " Remarks by the president on the home mortgage crisis," President Barak Obama highlighted how the mortgage phenomenon challenged the American dream and it frightened our nation's financial system, the strength of our families and communities. President Obama (2009) said that, " its a crisis that strikes at the heart of the middle class: the homes in which we invest our savings and build our lives, raise our families and plant roots in our communities."

Millions of this country's citizens ended up losing their jobs and are still at risk of losing their properties. The foreclosure crisis impacted the United States economy dramatically, and I strongly believe that one way to protect ourselves from foreclosures is to control the risk of our financial activities, and as homebuyers we should be well aware of what type of loans we can

afford.

As homeowners it is essential to take responsibility and take proper actions when it comes down to correctly distributing the household's budget.

According to Petrovich (2008), usually one individual manages the books in the majority of our households, meaning taking charge for bills getting paid and supervising the finances. Moreover, Petrovich (2008) had written that the person in charge knows if the total income is enough to keep up with the expenses. It is easy to review your expenses increases versus the earnings you are bringing home. Are you considering in your monthly balance sheet costs like utility bills or simply groceries? Determining and examining your spending behaviors is crucial to be successful at managing your finances, and have a lifestyle that meets your budget (Petrovich, 2008).

But what do we know and why do we care about foreclosures? According Frame (2010), foreclosure can be defined as a legal process in which the lenders take possession of a mortgage property due to non payment for a certain period of time from the borrowers and this legal procedure can be different from state to state. Furthermore, Frame (2010), mentioned that this process is highly expensive not only to people borrowing the money and lenders, but the community in general. Some of consequences borrowers suffer from this are: moving costs, family separation, and problems getting credit loans later on. Creditors are faced with the problem of the deficit between the sales price and the stability of the mortgage and its costs. Frame (2010) described that the general impact to the society reflects properties being reduced in price and costs to the community such as increasing delinquency activity, particularly to vacant homes.

To explain the surge of foreclosures, Tatom (2009) had written that in the last quarter in 2006, this foreclosure problem was first noticeable. The foreclosure rate was pretty stable at about 1% in 2005 and early 2006, but it went up to 1.19% by mid 2006. By the last part of 2007, the rate had gone up to 2% (Tatom, 2009). Additionally supporting Tatom's findings, Edmiston and Zalneraitis (2007), agreed with the fast rise of property foreclosures in America since 2006. They also mentioned the high percentages of properties going through the foreclosure process in the last part of 2007 as something significant compared to the year prior. All of this implied that increase of foreclosures wasn't probably going to get better, in the contrary, it would most likely be worse (Edmiston and Zalneraitis, 2007). The chart below represents the percentage of loans in foreclosure process since 1990 until 2010. These statistics are reported by Tatom (2009) and Frame (2010) using data from Mortgage Bankers Association.

But not only The United States economy was affected severely due to the house market's recession; the effects of this crash also had impacts all over the world (Freedman, 2010). Financial institutions around the planet were not successful and their government provided funds to help them subsist through the recession. People around the globe were deeply sunk into a collapse being job less and confronting adversity (Freedman, 2010).

Moreover, banks had a fear about more losses, and this contributed to the lowered lending or stopped them from providing loans, which made it difficult for people to finance credit lines. Consumers reduced their spending because they were panicked about losing their job, and the deficiency of credit did not allow them to shop. Consequentially, stores and manufacturers

had an income decrease because of these causes (Freedman, 2010). Further expanding on this view, Norberg (2009) wrote that with banks reducing their lines of credit, organizations, consumers and in some cases whole nations could not borrow capital to handle their spending, which led to companies' failures, unemployment and huge money deficits.

President Barak Obama also pointed out some of the effects of this crash. Obama mentioned in his speech provided by the White House Web site (2009) that the impacts of this mortgage disaster echoed throughout our economy. He stated in this speech " Remarks by the president on the home mortgage crisis" that our nation's business finance world is influenced by accessibility to credit, and this was damaged with the downfall of the house industry. He additionally mentioned how difficult became to afford buying a vehicle, paying for school tuition or businesses being able to have the necessary resources to grow and generate more jobs due to the lack of credit.

But what factors caused this foreclosure boom? Freedman (2010) said there are four key aspects that influenced the collapse and these causes have been responsible for other economic downturns in the past: " speculation, overuse of credit, banks engaging in risky behavior and lack of regulation and oversight by the government" (p. 24). Who is really at fault for this disaster: borrowers or lenders? I personally believe there are some external factors that as homebuyers there is nothing we can do to prevent them. But on the other hand, we are responsible for our own use of money and how to handle our credit. Schwendimann (2007) had written that the American dream rapidly became a frightening wish because of the growth of

foreclosures. He agreed in his scholarly journal's article, *The Mortgage Default Crisis: the American dream becomes a nightmare*, that implementing stricter and rigorous lending policies and consciousness from homebuyers will push consumers to understand their chances of not being able to make loan payments outside of their budgets (Schwendimann, 2007).

Were people realistic about what type of mortgages they could afford when this crisis began? The answer to this is probably not, and borrowers were approved to get houses with adjustable rate mortgages (ARMs), in which the interest rates changes with time or depending on the Federal Reserve's rates. Most first time buyers did not understand what an ARM was, and they signed contracts they had no idea what they meant. Banks provided loans to first time buyers with little or no down payment which at the end did not work the way they probably expected. According to Freedman (2010), adjustable rate mortgages attracted homebuyers due to the tremendous low interest and simple qualifying requirements. People were certain that the value of houses would keep on increasing and they could refinance the houses at a decreased rate or take some money out of the house to pay off the loan. However, this could only be real if they values persisted to rise (Freedman, 2010). People thought the future was always going to be prosperous and they could take advantage of the home appreciation to sell later on expecting a high return, but this obviously did not occur.

The interest rates started to go up in 2003 when the Federal Reserve decided to set new rates, which meant that for people with adjustable rates, the payments began to increase and homeowners began to struggle with monthly payments. In addition to this, buying a house was not as tempting

to future buyers as it was, and home values started to decline (Freedman, 2010). When a home value decreases below what the owners owe on their mortgage, it creates a problem. Further supporting this view, according to Tatom (2009), a main factor that influenced this mortgage recession was the drop in the demand for housing and the decrease in home value. Subprime borrowers, who are people who are granted loans at a high interest because of their weakened credit history, were particularly impacted by the crisis. According to Tatom (2009), people with subprime loans were hoping home prices would continue to increase and they could anticipate a great amount of money out of the house by refinancing. High risk investors who purchased properties expecting to sell later with a superior money gain were equally impacted, but when the home values went down, they left the mortgages. Once the values started declining, people who did not have a positive equity, which means the difference between the market value and any unpaid mortgage balance, were also affected. They opted to walk out of the loans, especially if they had other housing options such as rentals (Tatom, 2009). To conclude, many homeowners' families were and will continue to be affected by this terrible foreclosure financial downturn that started in 2006, but borrowers need to control their own finances to be protected from future losses. Because of the severity of this crisis, it will take time to the United States economy to fully recover. There are different, out of our reach factors that played an important role aggravating the situation, but as homebuyers, one that we have control over is budgeting our finances and therefore we should be realistic on what we can afford. When this major catastrophe began, people were not fully aware and were not well informed of everything

that needs to be acknowledged when it comes down to getting a home loan approved from a financial institution. And as with many aspects in life, I am certain that moderation is a key. People bought houses they could not afford without recognizing this will later put them in a critical financial situation. In addition to this, it is our own responsibility to be conscious on what type of price range we can actually pay and live the lifestyle within our household's budget. Lastly, I believe that because what we have been through with this recession, people's attitudes about accumulating debts and credit loans will dramatically change. We can only hope that people will now compare their earnings versus what they can actually afford extensively when signing up for a life-size loan.

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http://www. whitehouse. gov/the_press_office/remarks-by-the-president-on-the-mortgage-crisis/

peer review rubric

Above Expectations

Meets Expectations

Below Expectations

FOCUS

X

What is the argument being made? How can the writer add to the arguments significance to you as a reader?

The argument is, “ to protect ourselves from foreclosures is to control the risk of our financial activities, and as homebuyers we should be well aware of what type of loans we can afford. “ be more specific about financial responsibility in times of crisis.

THESIS

X

What is the thesis? Is it clearly stated or implied? How can the writer improve

the thesis?

“ The foreclosure crisis impacted the United States economy dramatically, and I strongly believe that one way to protect ourselves from foreclosures is to control the risk of our financial activities, and as homebuyers we should be well aware of what type of loans we can afford. “

be more direct by removing ‘ I strongly believe’

INTRODUCTION

X

Does the introduction capture your attention and give context to the essay?

If so, why? If not, what would you like to see the writer do to improve the intro? Also, does the intro lead smoothly into the body of the paper? If not, what can the writer do to make the transition smoother?

It is functionally correct, but I would like to see more attention given to storytelling to bring the reader into the essay’s main argument

BODY

/DETAIL

X

Does the body develop the thesis? Look at the use of evidence and explanation. Does the body " prove" the writers point of view? If so, how? If not, what does the writer need to do provide more development? Where are the gaps in logic?

The essay develops the understanding that the country is in a crisis, but doesn’t support the thesis by demonstrating HOW one should work to guard against this crisis

OBJECTION/ REBUTTAL

X

Does the objection reasonably explain an opposing point of view, and does the writer then work to undermine those opposing views? If so, how? If not, what does the writer need to do to tear down the opposing viewpoints?

No opposing viewpoints is discussed

CONCLUSION

X

Does the conclusion end with power and context? If so, why? If not, what would you like the writer to improve the conclusion? Also, what can the writer do to add a sense of finality to the writing?

The conclusion is powerful but outside of the introduction it's the only place that discusses how people should respond to the financial crisis

ARGUMENT/ PERSUASIVE STYLE

X

Overall, does the essay use theories of argument to forward the thesis? If so, how? If not, what can the writer do to implement those ideas?

Strong arguments are made regarding the reasons and impact of the financial crisis, but limited discussion is given to how people should respond

ORGANIZATION/ TRANSITIONS

X

Is the paper organized in a thoughtful manner? If so, why does the organization work well? If not, what needs to be done?

Paper should have started with a discussion of foreclosures as not the fault of citizens, then argued that this perspective is wrong and that people need to be more vigilant in their spending

QUOTES & CITATIONS

x

Are any quotes or paraphrases used? Are they integrated into the writing well? How? Why? Is there an explanation for why the sources are included?

Yes, they are integrated well and they appear strong and legitimate sources

EXPRESSION & MECHANICS

x

Does the writer use a scholarly/professional writing style? If necessary, what can the writer do to strengthen the writing style and be more consistent?

Yes. However, practice makes perfect I think.