

OPEN FORUM *On Foreclosures*

Housing market needs tough love

By John B. Taylor and Douglas Holtz-Eakin

Across America, but especially in hard-hit California, families are still reeling from the financial and economic fallout of the housing bubble and crash. The top priority should be to restore a strong housing market and growing economy where people can find jobs, restore their finances and make their mortgage payments.

One way or another, that means excess housing has to be cleared off the market as quickly as possible. The vote by the Legislature on Monday that may delay or even stop foreclosures is a counterproductive step in the pursuit of a housing market recovery.

Foreclosure is tragic, painful and sadly necessary. Excess inventory of foreclosed homes or distressed properties has an adverse effect on the overall market, depressing home values and preventing a recovery. Homeowners who have been truly wronged should seek redress. Homeowners have a right to take advantage of the relief provided by the National Mortgage Settlement, but lenders have already contacted potential candidates about that relief.

Intervening into this process to try to delay foreclosures will add uncertainty to the market and slow down the recovery process. We are beginning to see the steady fall in house prices over the last few years finally level off and actually improve in a number of cities

across the state. Indeed, California has let the market clear more quickly than some other states.

Take, for example, the forestalled foreclosure process plaguing Florida. While foreclosure inventory in California has fallen to 2.4 percent, it stands at 12 percent in Florida. It will not help Floridians to keep borrowers in homes they are unable to afford.

With about 133,000 foreclosures completed in California in the past year, it is important not to clog the pipeline. Obstructing distressed properties from clearing the market will prevent the overall market from stabilizing.

Californians have been hit hard by the burst of the housing market bubble as well as the recession and the weak economic recovery. The unemployment rate in California, at 10.8 percent, remains higher than the national average. And in some cities, like Fresno at 14.9 percent, the level of unemployment is even higher.

Moving forward, it is sustained job creation through a strongly growing economy that will be key to housing market recoveries. That should be the focus of California's elected officials and, indeed, public officials across the country.

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