

Profit before People? How Did We Get Here?

Housing is treated as a Commodity, Not a Human Right

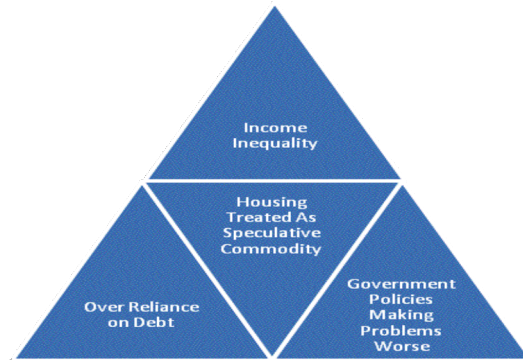
“What has taken place was not only predictable, it is a consequence of the very structure of the housing system and financial system.”

Michael Stone, Professor of Economics, University of Massachusetts

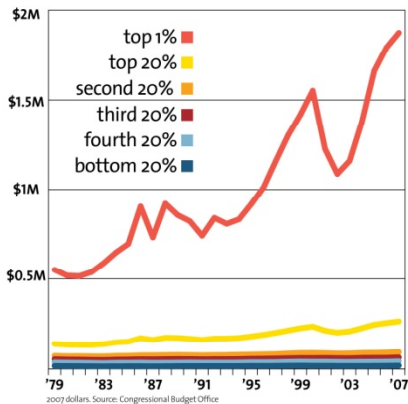
A home is the physical foundation of family stability, personal belonging and community. It often becomes part of our own identity – a repository of memories, a refuge, and a base from which we find jobs, education, and even ourselves.

But whether we rent or own, the fact is that our home is treated as a good to be bought and sold in the market as a commodity to whoever can afford it. Most of us have simply accepted this, believe it can never change, and try to use it to our advantage. Though most of us seek to become homeowners for reasons other than to profit, if we reap a windfall profit in the process, we feel we deserve it. Yet, we are not the only ones with this “entitled to profit” attitude. Wall Street investors & nearby speculators and brokers believe the same thing.

This led to a “House of Cards,” according to Professor Stone, of which sub-prime lending was only the last act.



AVERAGE HOUSEHOLD INCOME
before taxes



Mother Jones

[INCOME INEQUALITY & DEBT]

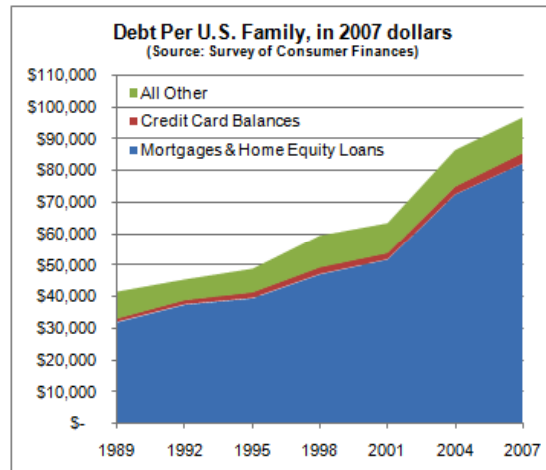
Inequality and low-income made it more difficult for most people to afford housing. As wealth became concentrated among a few, and most household’s incomes were flat, investments by the wealthy in housing and private development drove housing prices up for owners and renters (188% from 1997 to 2006).

The average person, now caught between a flat income and higher housing costs, saved less and saw their mortgage debt reach new heights. From 1980-2009, mortgage debt rose 890%, hitting an all-time high of \$14 trillion in 2009.

How have you and your neighbors experienced these economic changes? Have incomes kept pace with rents and mortgage costs?

[GOVERNMENT POLICIES]

As savings dropped, housing finance moved from local Savings & Loans banks to Wall Street’s Capital Markets. New hedge funds & financial instruments were created to maximize profits for Wall Street capital investors.



Speculative homeownership was promoted to communities that had traditionally been excluded from access to credit, as was refinancing, home equity borrowing, and the purchase of second and third homes and investment properties. Congress created quotas for Freddie & Fannie to buy low & moderate-income mortgage loans.

Under these conditions, growth of sub-prime mortgages soared.

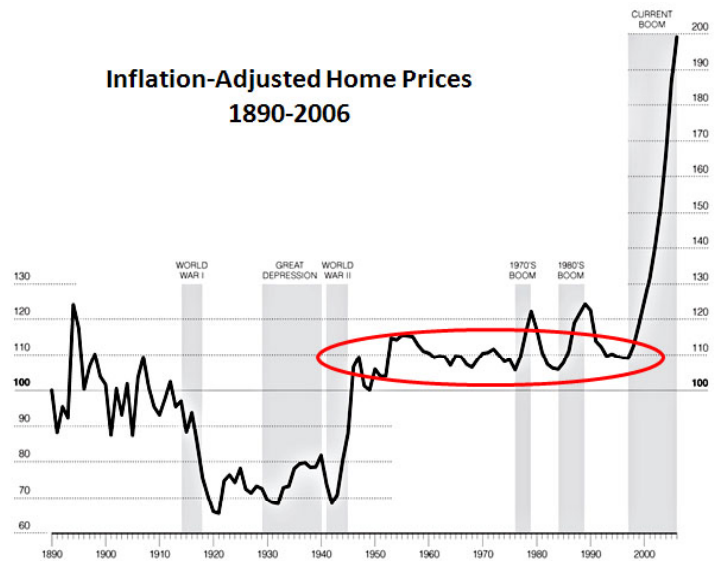
- 1994: 5 in 100 mortgages were sub-prime
- 2006: 1 in 5 mortgages were sub-prime

[HOUSING AS SPECULATIVE COMMODITY]

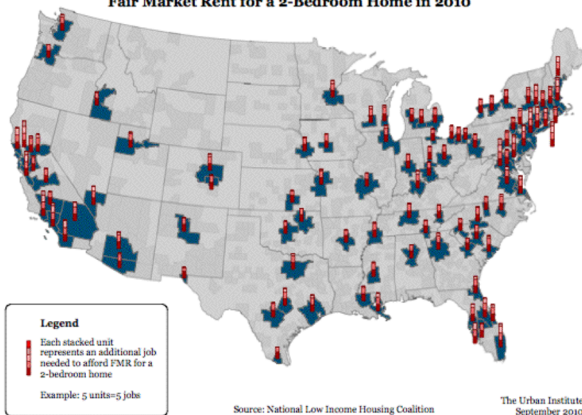
According to Dr. Stone, predatory practices were aided by the following rampant myths about speculative homeownership:

- Owning a home is always a good investment
- Mortgage debt is somehow different than other debt
- Homeowners are always better off than renters because they don't have a landlord
- The "American Dream" of owning a home is attainable to anyone willing to do a little hard-work and commit themselves

Inflation-Adjusted Home Prices 1890-2006



Number of Minimum Wage Jobs Needed to Afford Fair Market Rent for a 2-Bedroom Home in 2010



In reality, only 22% of U.S. households own their homes outright, the other 78% pay rent or mortgages and 1 in 3 of us can't afford our housing costs and a conservative measure of other basic essentials.

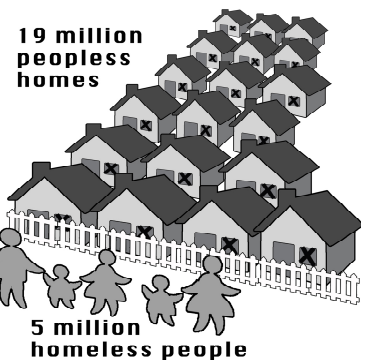
Since 2007, 8 million households have been foreclosed. According to recent projections, 8-10 million more may join them. Meanwhile, we are experiencing an affordability crisis in the rental market, and rental prices continue to rise.

crisis is a stark reminder that housing as 'commodity' rather than a social need is a root cause of housing insecurity.

This is a CRISIS OF OVERABUNDANCE! "There is over-capacity in everything," from "retail to manufacturing to housing," said Richard Yamarone, chief economist at Argus Research.

What does this "Crisis of Overabundance" look like in your community? What has the impact been?

The current



BECAUSE HOUSING IS A RIGHT, AND NOT MERELY A COMMODITY TO MOST OF US, WE ARE DEMANDING THE [EQUITABLE USE] OF HOUSING, A SYSTEM THAT ENSURES HOUSING IS USED TO MEET THE NEEDS OF ALL PEOPLE FIRST AND FOREMOST, RATHER THAN FUEL PROFIT THROUGH MARKET SPECULATION.