US anti-foreclosure laws draw flak from experts by Apil Gupta

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According to a group of leading financial experts, US state and federal laws that were set up to safeguard homeowners from eviction after the housing crash of 2008 might be responsible for extending the slump period. The state that has worst suffered from this phenomenon is Nevada, which has passed one of the harshest borrower-protection laws in 2011. However, the housing market in this state is still reeling under the after effects, owing to a lack of inventory that is feeding a mini bubble in prices that is sustainable according to few.

As per a recent US Federal Reserve, study, delays in states requiring a judicial review for foreclosures had no long term benefits, and also had the tendency to prolong the problems as far as the housing market is concerned. There are quite a few state laws that extend the period for legitimate foreclosures, but actually donâ€™t benefit the homeowner and actually harm the neighborhood and the system as a whole. Even though people who have managed to stay in their homes even after they failed to pay mortgages may disagree, but itâ€™s different for the neighborhoods where they live.

Sustainable recovery can very likely be held back by an overhang of properties that banks intend to foreclose, but have still not done so. Further, this scenario may also encourage blight since the defaulting borrower has fewer reasons to maintain the property in a good condition.

Owing to the increasing doubt about the impact of anti-foreclosure laws on the long term health of the housing market, one of the basic principles of the Obama administrationâ€™s approach to the housing crisis is now under question. There are many Democrats who are of the opinion that struggling homeowners need to be given more time for their mortgage arrears, or at least get some breathing room to renegotiate the loans with lenders, particularly after the robo-signing scandal wherein banks were proven guilty of falsifying foreclosure paperwork .The California Legislature is yet another proponent of this philosophy, backed by Attorney General Kamala Harris, which is set to pass a homeownerâ€™s bill of rights, which translates into new requirements for lenders who are looking forward to foreclosure. Also, many consumer advocates are of the opinion that forcing banks to reconcile with people behind on their mortgages, instead of foreclosing on them actually reduces the sense of dereliction.

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Apil Gupta - About Author:
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