

# A SILENT RADIOACTIVE SKY IS FALLING ON YOUR HOME

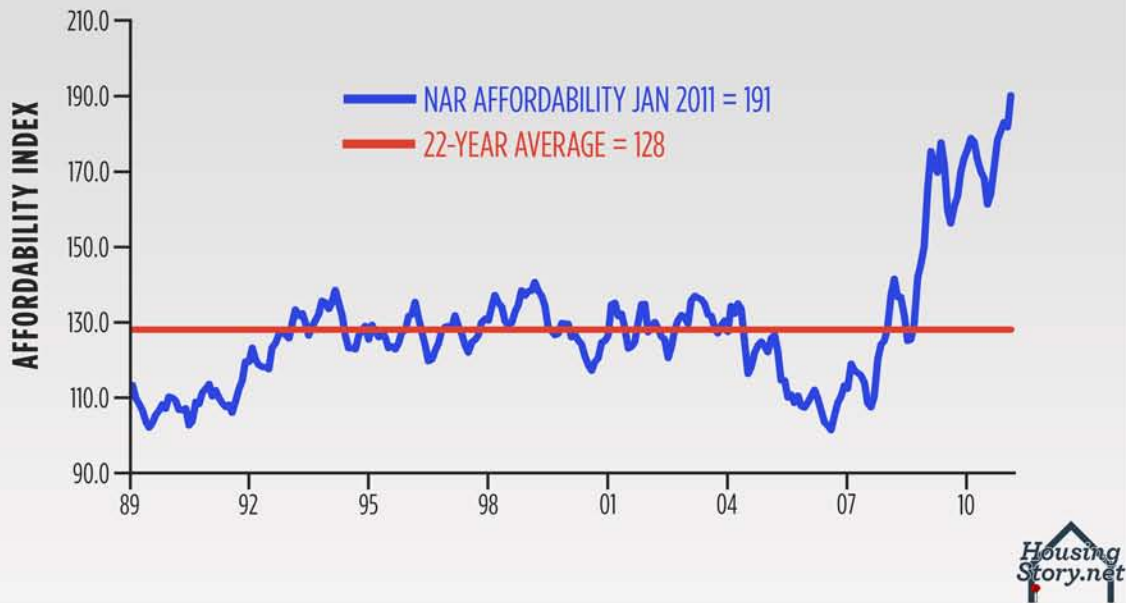
Overwhelming and obvious evidence of a 5-alarm housing crisis in the Spring Guide of 30 key charts to see before you buy or sell your home.



BY: MICHAEL DAVID WHITE  
PUBLISHED APRIL 1, 2011

## AFFORDABILITY STRONG STEADY

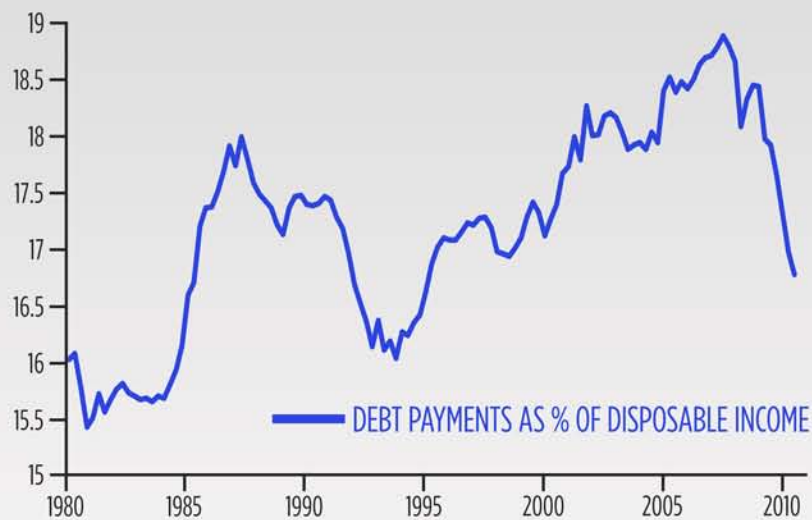
PRICE VS. INCOME



**1. AFFORDABILITY / AFFORDABILITY STRONG STEADY:** Bulls have a huge argument in their favor currently with affordability flashing “green” and “go” and “buy”. The wise buyer asks: What can we predict about a market exploding down from a gargantuan 120-year evil-twins credit-bubble property-bubble? If you have rationally concluded that we cannot expect a rational reaction in the aftermath of an entirely irrational bubble, then you will have rationally concluded we can predict nothing. Therefore if you buy now you will buy your new home based upon nothing. That is the rational investment argument.

## READY TO BORROW AGAIN?

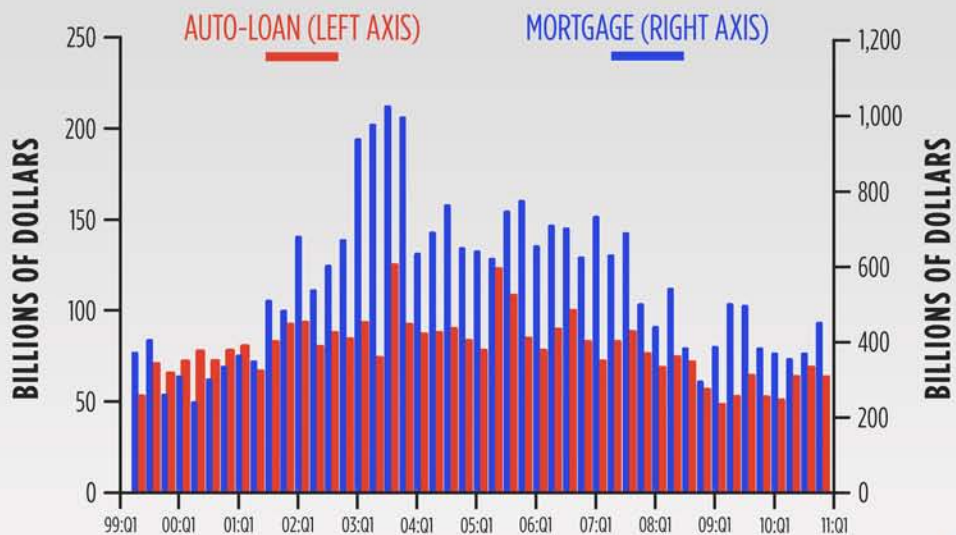
INCOME VS. BILLS



**2. CREDIT DEMAND/READY TO BORROW AGAIN?** Growth created by borrowing-and-spending starts with an income capable of supporting the debt -- unless you want to go for credit-bubble building. The consumer's capacity to pay debts appears strong here. It shows a fast massive move in the right direction. I question the facts and say the measure must be erroneous and that the fix is in or that the bottom 20 percent of borrowers looks nothing like what you see above and that the bottom 20 defines the viability of markets like mortgages and housing.

## NEW MORTGAGE AND NEW CAR LOAN ORIGINATION

NEWLY ORIGINATED INSTALLMENT LOAN BALANCES



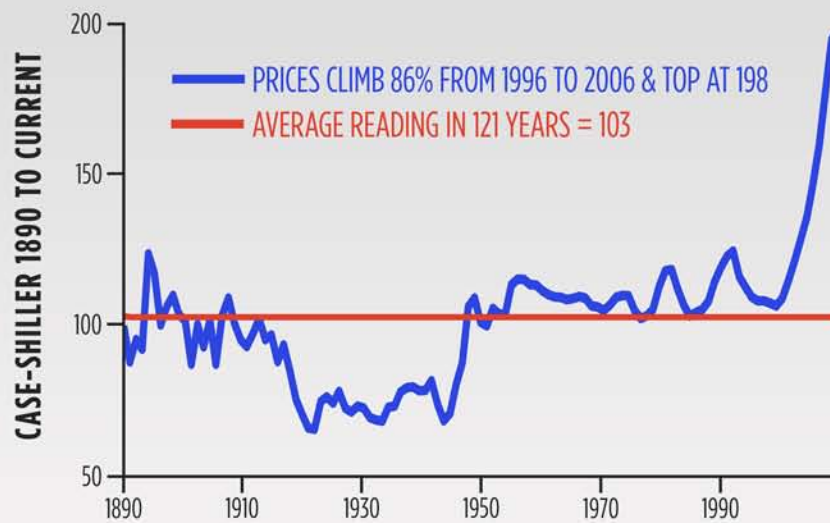
SOURCE: FRBNY CONSUMER CREDIT PANEL



**3. CREDIT DEMAND/NEW MORTGAGE AND NEW CAR LOAN ORIGINATION:** You can see signs of the mortgage bubble years here starting in 2002 and still gasping for air in 2008. The overall impression one takes from the data is that demand for new credit has been surprisingly steady and current demand looks reasonable. All quiet on the demand for credit front. (Source: Federal Reserve Bank of New York)

## HOUSE PRICES ROCK UP 85% IN BUBBLE

10-YEAR GAIN IN CASE-SHILLER ENDING 2006

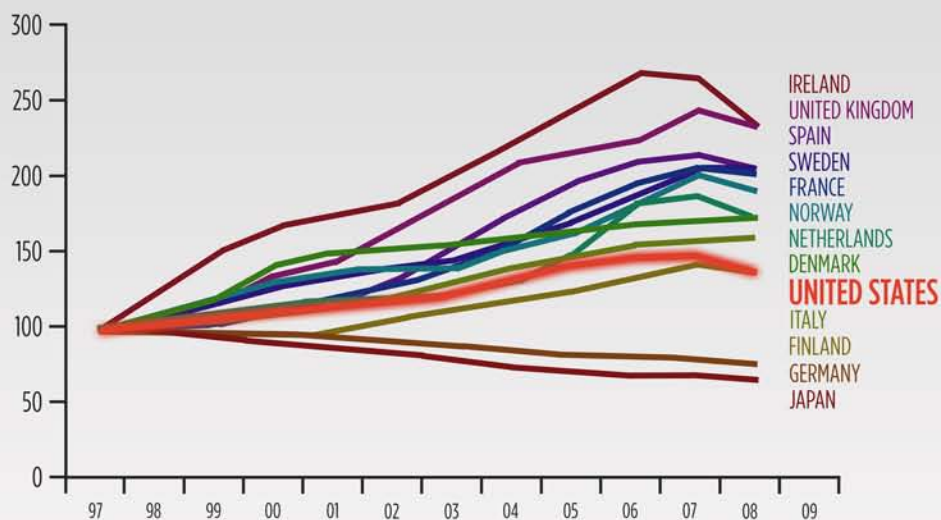


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**4. FINANCIAL CRISIS DEFINED/HOUSE PRICES ROCK UP 85% IN BUBBLE:** It's the Mother of All American Property Bubbles. How do you solve a problem like a no-holds-barred credit-and-property explosion? You flood Fannie and Freddie with candy dollars and you pray five times a day to the Gods of all widely-accepted religions. Does this massive black swan turn into a prince or a frog?

## ADVANCED ECONOMIES BUBBLE EVERYWHERE

REAL HOUSE PRICES 1997-2008

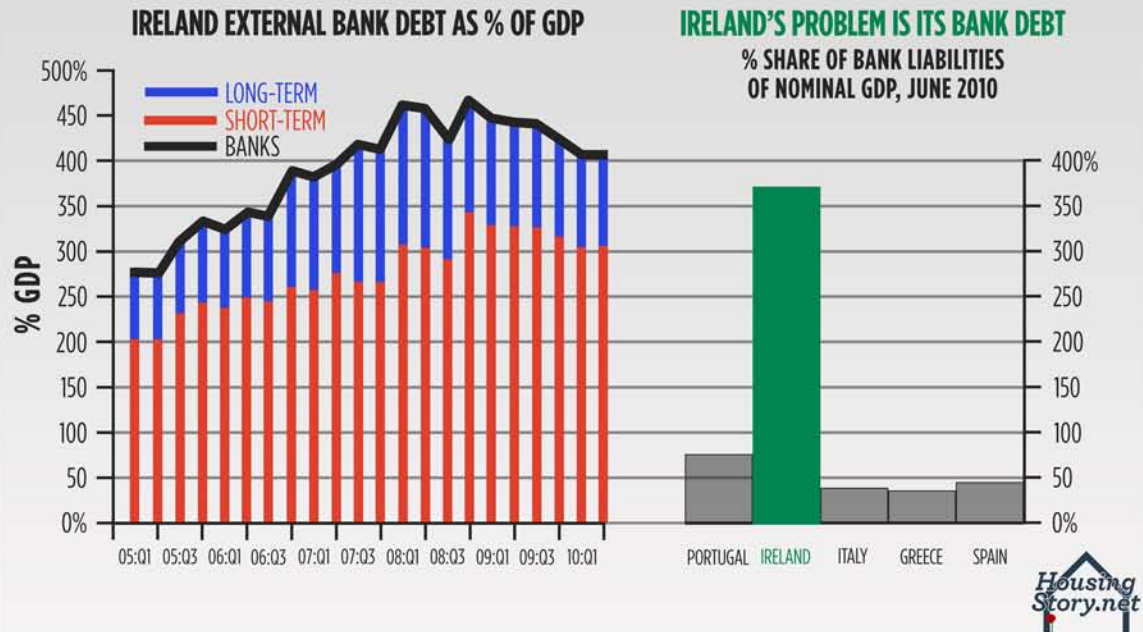


NOTE: ALL SERIES ARE INDEXED TO 100 IN 1997 EXCEPT FINLAND WHICH IS INDEXED TO 100 AT 2001.



**5. FINANCIAL CRISIS DEFINED/ADVANCED ECONOMIES BUBBLE EVERYWHERE:** In the previous chart you reviewed the Mother of All Bubbles in American history going back 120 years. Many other advanced economies had an even greater mother-of-all bubbles. I'm talking about backwaters like Ireland, the United Kingdom, Spain, Sweden, France, Norway, The Netherlands, Denmark, and Italy. These are all, each and every one, toxic debt dumps waiting to ignite. Dousing with sea water will not cool these unstoppable fires. (Source: Federal Reserve Bank of San Francisco)

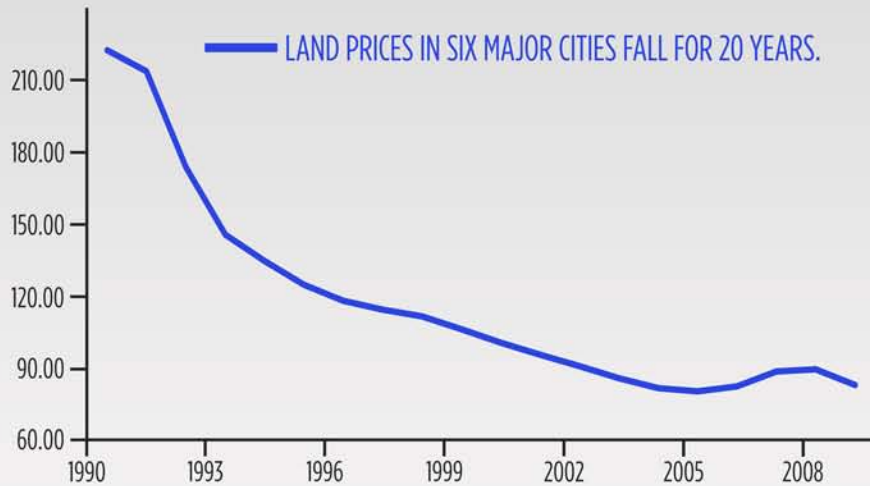
## IRISH BANKS & BALANCE SHEET BLARNEY



**6. FINANCIAL CRISIS DEFINED/IRISH BANKS & BALANCE SHEET BLARNEY:** The troubles have returned. The banks borrowed at a truly extraordinary level and the political leadership for some reason wants to take responsibility for paying back these debts. This is the slave mentality of a potato people. If Irish banks borrowed at 400% of GDP, as suggested by this chart, and now the government is taking over payments on the note, it is like a school bus driver buying a \$10 million castle. I hope and pray the Irish people will wake up and kiss this debt goodbye. After that is done banks near and far will fall down dead. A new financial crisis will be triggered. Current buyers of US property may be dragged into an unwieldy new pessimism towards real estate. And Ireland can get back down to business. To my friends in Ireland: Screw the banks not yourselves.

## JAPANESE DEATH WISH LIVES

JAPAN'S PROPERTY FALLS 64% OVER 20 YEARS.  
THEY CAN'T MAKE MORE OF WHAT'S UNWANTED.

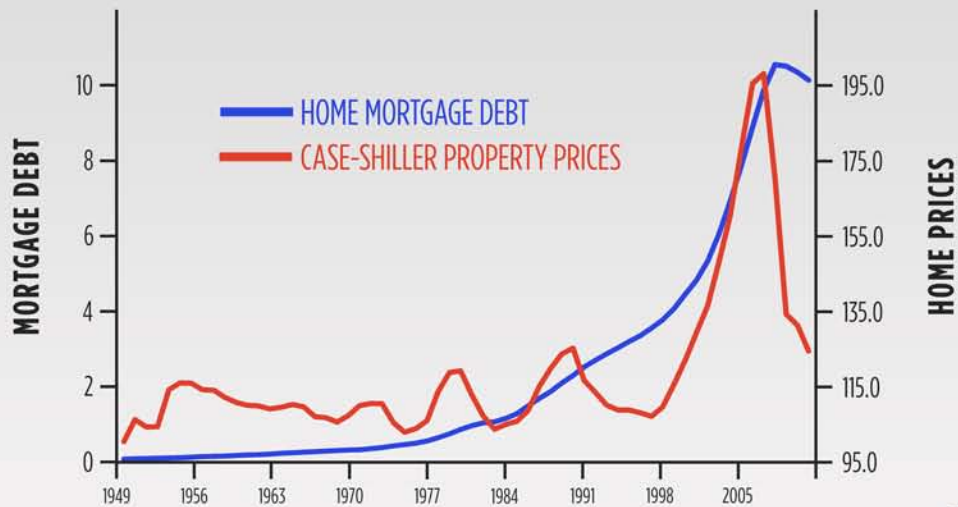


**7. FINANCIAL CRISIS DEFINED/DEATH WISH LIVES:** Japan's Property Falls 64% over 20 Years: Sometimes you don't recover from your mistakes. Japan's bubble was far worse than ours. By failing to write off bubble debt they have condemned themselves to no-growth zombie-dom. (Source: Global Property Guide)



## MORTGAGE DEBT MONSTER

VALUES FALL HARD DEBT STILL IN FULL BUBBLE

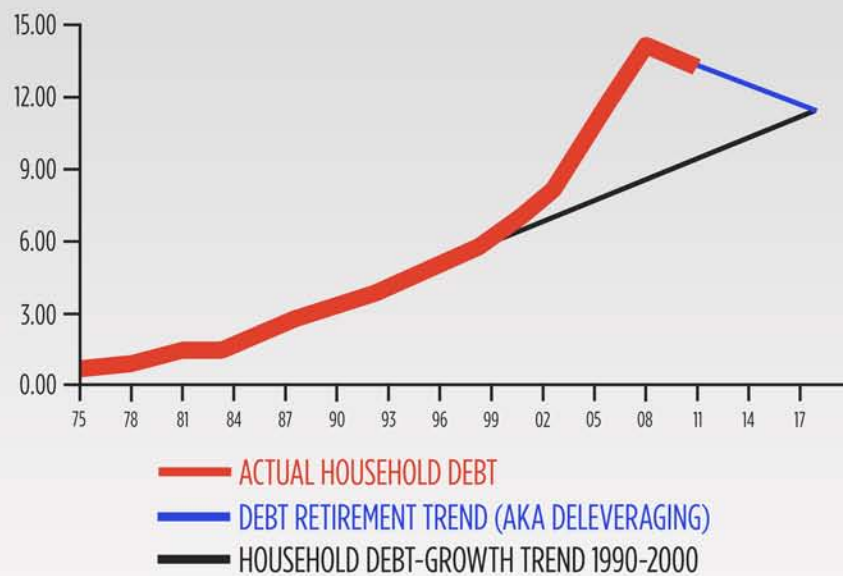


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**8. FINANCIAL CRISIS DEFINED/MORTGAGE DEBT MONSTERS:** Isolate your concentration on mortgage debt (blue line) and you will see what chartists refer to as the Proud Brontosaurus. Two ways are known to kill this beast. A meteor which blocks the sun for a thousand years or a full-Monty national bankruptcy. The current administration is running and hiding from this difficult choice. Do you really blame them?

## DEBT NORMALIZES IN 2018

7 MORE YEARS OF TRIVIAL GROWTH



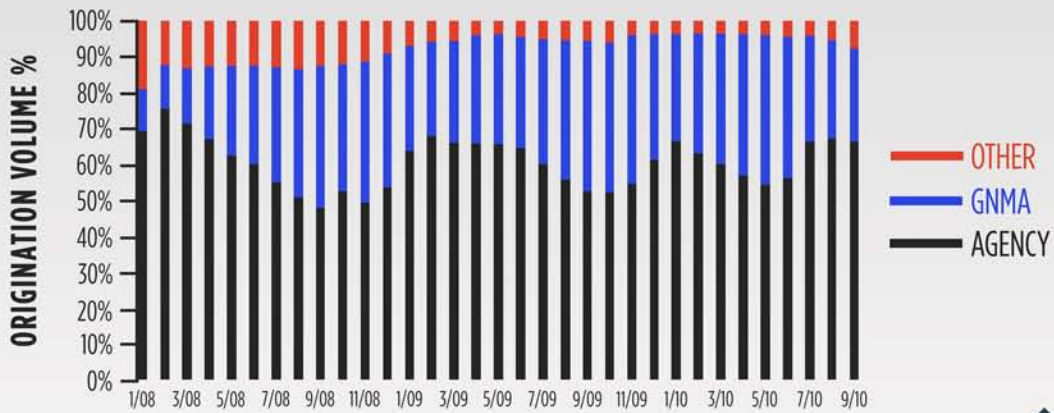
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**9. FINANCIAL CRISIS DEFINED/DEBT NORMALIZES IN 2018:** A post-credit-bubble economy is slow and lazy due to not-borrowing-and-spending and due to paying-off-debt-and-saving. This chart estimates seven more years of slow growth beyond the current years of famine. This is the definition of the “New Normal” – an idea widely reported, promulgated by the experts in credit bubbles with hard and deep research, and always ignored by a herding financial press.

# THE UNITED STATES MORTGAGE COMPANY

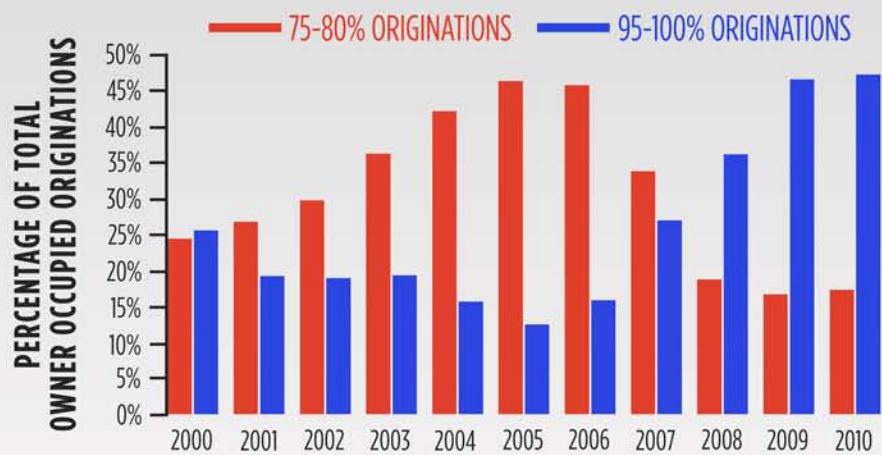
GOVERNMENT BACKED LOANS REPRESENT 95% OF ALL NEW LOAN ORIGINATIONS

### ORIGINATION BY INVESTOR



**10. GOVERNMENT INTERVENTION/THE UNITED STATES MORTGAGE COMPANY:** When the Feds and the Treasury throw an alphabet-long list of programs at a financial crisis who can comprehend it? It can only be done in bits and pieces which allow us to guess at the magnitude of the whole. In this chart we see that the United States Government Mortgage Company owns and funds 100% of the market. Kill the United States Mortgage Company dead and the price of real estate will fall 50 percent after over and above the current fall of over 30 percent. Is that your buy signal? (Source: Lender Processing Services)

## LEVERAGE LIVES



**11. GOVERNMENT INTERVENTION/LEVERAGE LIVES:** An excessive use of leverage aka an excessive use of debt used to purchase assets is the definition of a credit-driven financial crisis. Do you think we stopped doing that in 2008? In the world of buying homes we describe this phenomena as no-money-down. How strange is it then that no-money-down mortgages now account for two or three times what bankers shoveled out in the bubble? Down payments are for suckers. No-money down is every other new mortgage originated today. Here we return to our constant theme: “Lord what fools these mortals be!” (Data Source: CoreLogic)

## INVENTORY IN MONTHS



**12. INVENTORY IN MONTHS:** Inventories have increased to the equal or near-equal of the worst phases of the housing crash. Sell don't buy. Run for the exits. (Data Source: Core Logic)

## BUBBLE IN VACANT UNITS

3 MILLION EXCESS

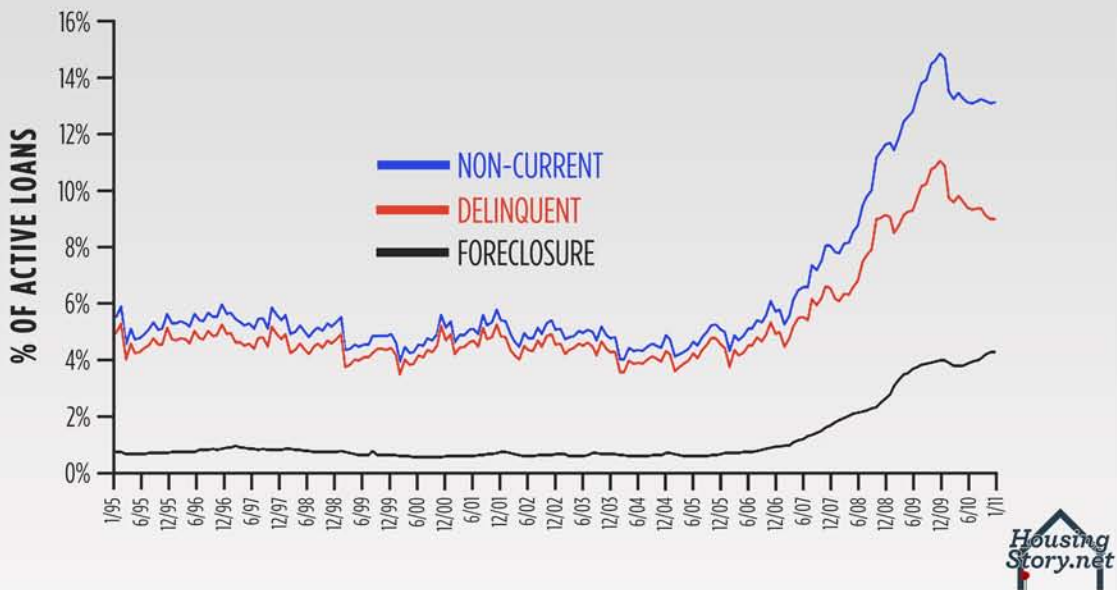


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**13. INVENTORY/BUBBLE IN VACANT UNITES:** With Realtor data now exposed as fraudulent, census data on vacancies is a worthy substitute. It shows the growth of vacancies has stopped. The market appears severely overbuilt by 3 million units when comparing 18 million vacancies to the 20-year average of 15 million units.

## FORECLOSURE CALL

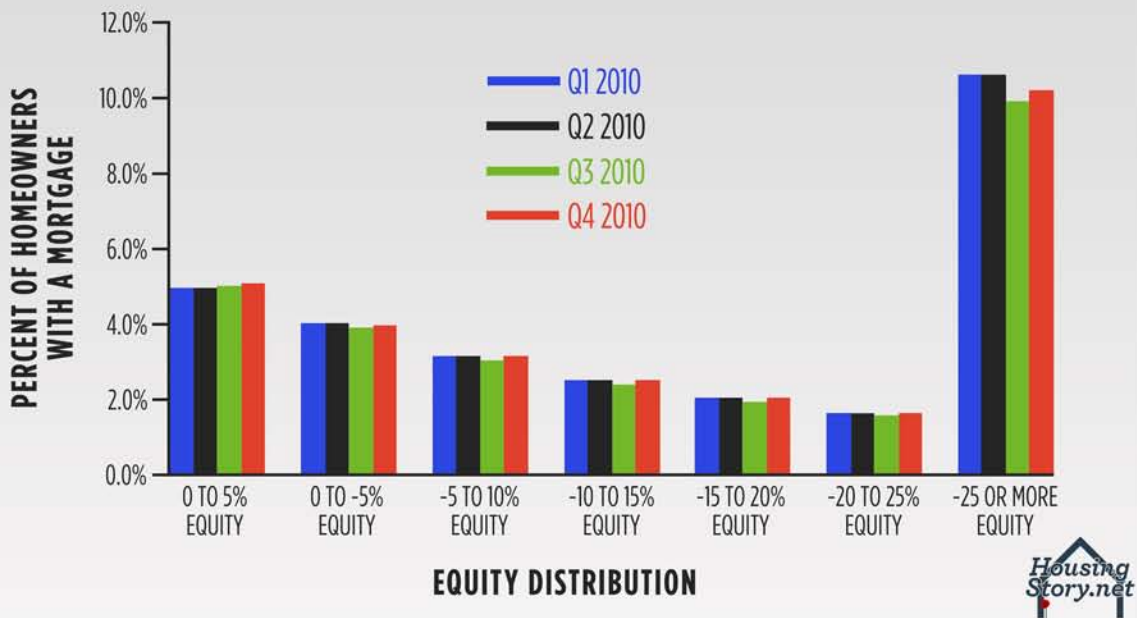
TOTAL DELINQUENT AND FORECLOSURE RATES BY MONTH



**14. MORTGAGE DELINQUENCY/FORECLOSURE CALL:** The amount of foreclosures is equal to EIGHT TIMES the historical average. (Source: Lender Processing Services)

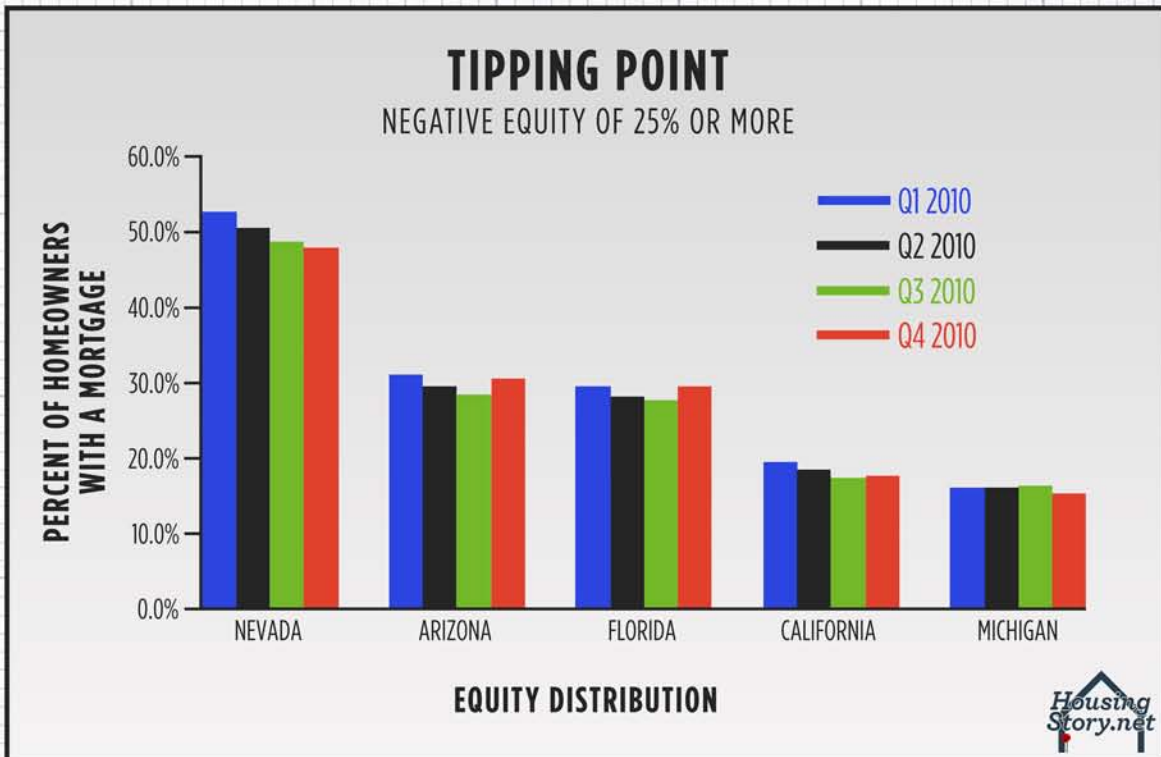
## FULL METAL JACKET

### THE SEVERITY OF NEGATIVE EQUITY



**15. MORTGAGE DELINQUENCY/FULL METAL JACKET:** Ten percent of borrowers (the column to the far right) are locked in a full-metal jacket of negative equity. Default, foreclosure, and moving on will be just fine, thank you. "Go ahead and make my day Mr. Sheriff." (Data Source: CoreLogic)

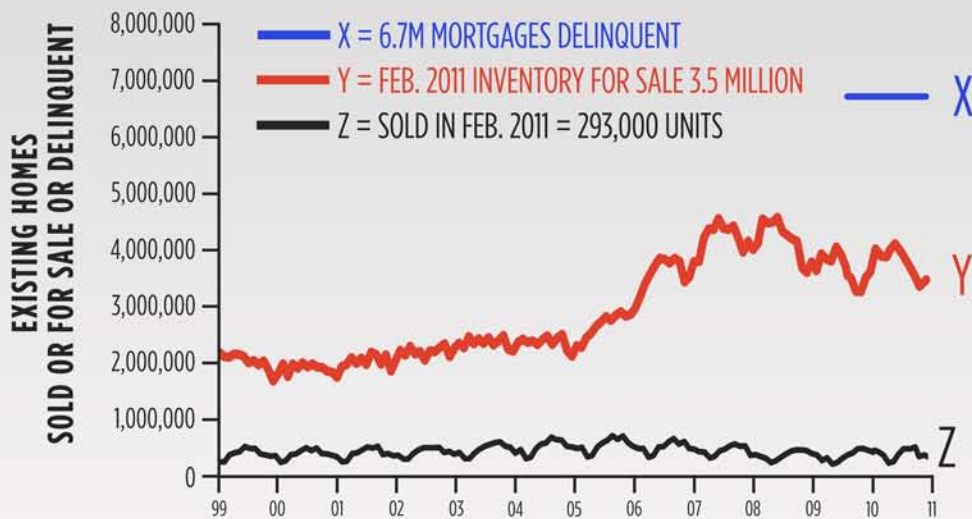




**16. MORTGAGE DELINQUENCY/TIPPING POINT:** I have read of times in history when all we believe of what is worthy and right is undone and abused and laughed at. Surely here we see an inflection point in certain states. Imagine having a mortgage equal to 125% of the value of your house -- a house value of \$200,000 and a mortgage balance of \$250,000. Now imagine, as in Nevada, that every other person on the block shares the same bad-debt trip. Try a little empathy and you will find yourself open to rape-and-pillage or at least burn-and-abandon. How far can values fall in these neighborhoods? Much more than a prudent buyer would want to risk. (Data Source: CoreLogic)

## DELINQUENCIES COULD OVERWHELM SALES

DELINQUENT MORTGAGES VS. UNIT SALES



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**17. MORTGAGE DELINQUENCY/DELINQUENCIES MASSIVE COMPARED TO SALES:** Current mortgages delinquent of 6.7 million units are a massive FOURTEEN TIMES greater in number than the average monthly sales of existing homes. This mismatch can without question produce a devastating fall in values – a possibility dismissed by 99 of 100 experts.

## UNCLE SAM PAYS YOUR INTEREST

WHEN RATES RISE WHAT HAPPENS TO PRICES?



**18. MORTGAGE RATES/UNCLE SAM PAYS YOUR INTEREST:** So desperate to avoid a new crash or a complete crash or a total crash, Uncle Sam will write you up a mortgage and pay your interest too. Now who can pass up that deal? I have insider information and know for a fact that they will throw in a Brooklyn Bridge time-share if you go along with the program.

## USA HOUSE CRASH PATTERN

JUNE 2006 HIGH TO DEC. 2010



**19. PRICE TRENDS/USA HOUSE CRASH PATTERN:** June 2006 High to December 2010: In the last five years of Case Shiller's 10-City index please note that 2006 2007 & 2008 are the crash years. 2009 & 2010 we hung in there and stayed dry. For those who have been wanting to sell, get the deal done and don't hold out for pennies which will make you pound foolish.

## A SUMMARY OF 2010 HOUSING PRICE TRENDS AND OUR FORECAST FOR 2011



TOTAL YEARS IN DATA SET	AVERAGE OF FOUR DATA SETS	CASE-SHILLER 121 YEARS	CORELOGIC 35 YEARS	FHFA 36 YEARS	FREDDIE 41 YEARS
<b>A</b> FORECAST OF TOTAL FALL	<u>33%</u>	48%	36%	20%	26%
<b>B</b> CURRENT FALL FROM PEAK	<u>24%</u>	37%	32%	11%	17%
<b>C</b> PRICE FALL STILL AHEAD	<u>11%</u>	17%	7%	11%	11%
<b>D</b> LOSS IN 2010	<u>4%</u>	5%	6%	1%	4%
<b>E</b> DECLINE FORECAST FOR 2011	<u>9%</u>	15%	7%	6%	7%
<b>PERCENTAGE OF TOTAL FALL ALREADY LOST</b>	<u>72%</u>	79%	87%	54%	66%

**20. PRICE TRENDS/A SUMMARY OF 2010 HOUSING PRICE TRENDS:** HousingStory measured a loss of four percent in 2010 and estimates a fall of nine percent in 2011.

# SELL & LOSE 10 TIMES MORE

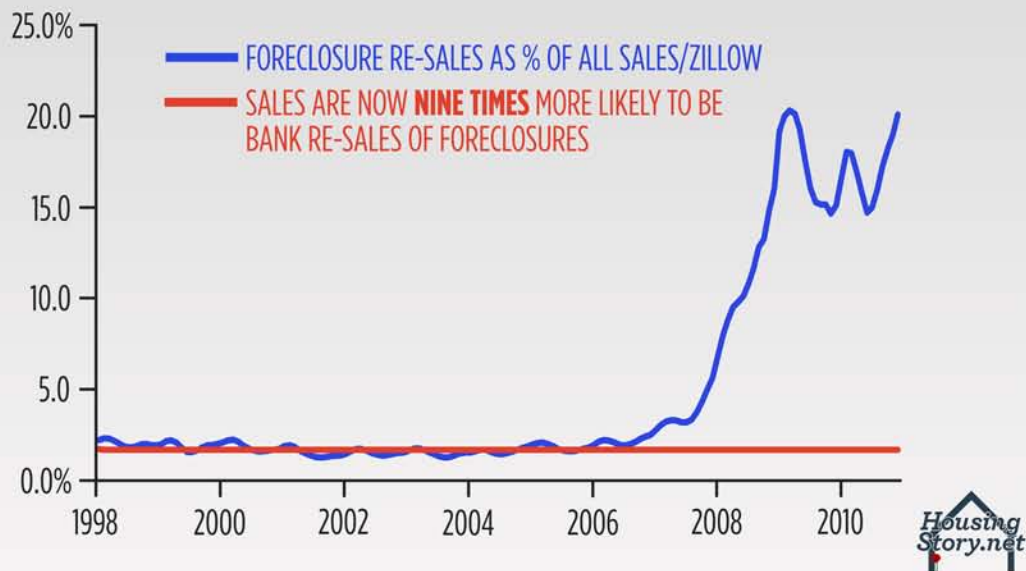
HOMES SOLD FOR A LOSS



**21. PRICE TRENDS/SELL & LOSE:** Homeowners are now ten times more likely to take a loss on the sale of their home. Does anybody have confidence this problem is over-and-done-with? If yes, then go ahead and buy your dream home and send me the name of your pharmacist.

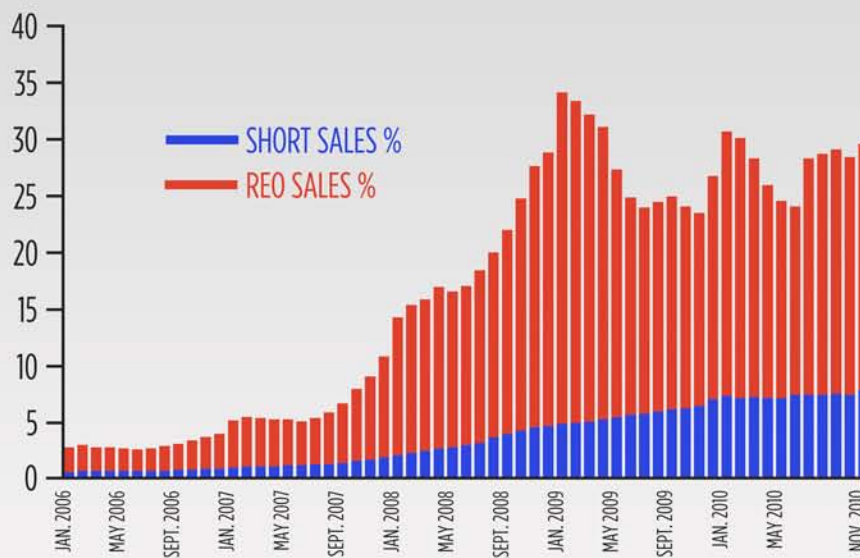
## VAST FORECLOSURE-WING CONSPIRACY

1 OF 5 SALES IS A BANK LIQUIDATION.  
900% HIGHER THAN AVERAGE FROM 1998-2005.



**22. SALES DISTRESSED/VAST FORECLOSURE-WING CONSPIRACY:** Distressed sales are a great contributor to falling prices. RealtyTrac estimates foreclosures sell at a discount of 28% compared to a patient ordinary sale. LPS says properties in foreclosure are EIGHT TIMES greater than normal. Here Zillow shows a huge one-of-five sellers are banks unloading high-discount high-distress foreclosures – a rate we estimate to be NINE TIMES greater than ordinary.

## WALL OF DISRUPTION

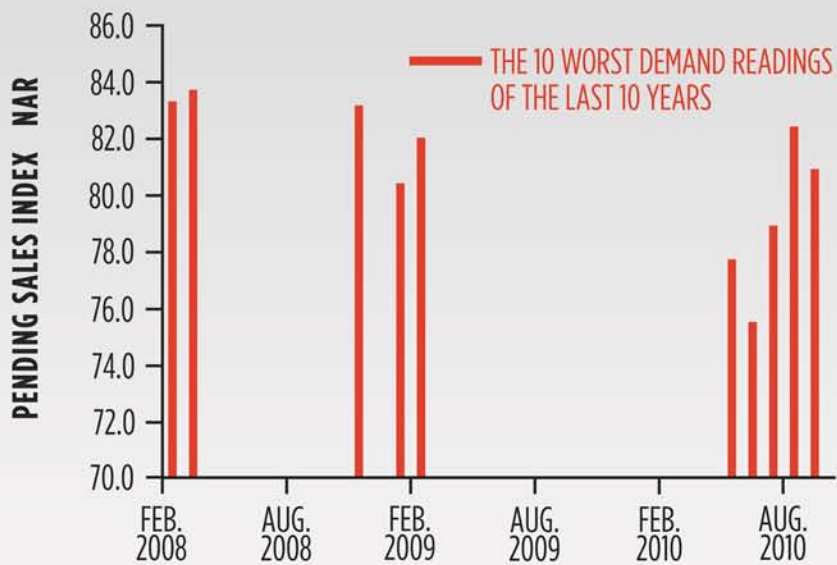


**23. SALES DISTRESSED/WALL OF DISRUPTION:** Beginning in 2009 we have been consistently experiencing major disruptive high-stress sales which attack retail prices. MBA says the current number of foreclosures is a record high. The data here shows a solid 25% or one-in-four sales is either a short sale or a bank-sale of a foreclosure. That's a price destroyer. Are you the kind of person who loves buying into a falling market? (Data Source: Core Logic)



## DISTRESS SIGNALS IN PENDING SALES

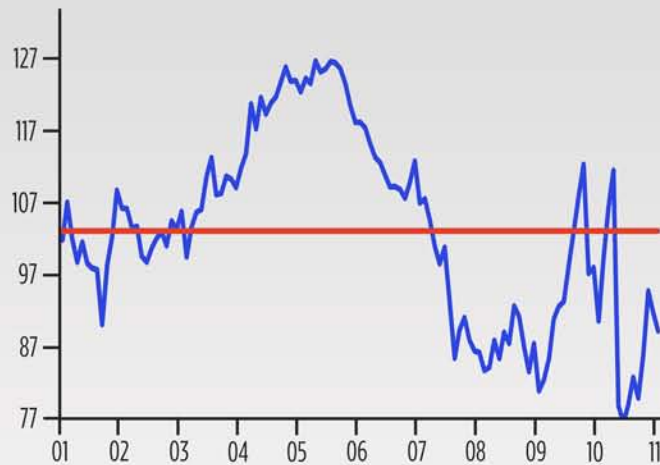
2010 HAS **FIVE** OF THE 10 WORST MONTHS OF THE LAST 10 YEARS



**24. SALES PENDING/DISTRESS IN PENDING SALES:** Demand for existing homes continues to flirt with the worst crash numbers. Five of the ten worst readings on pending sales are from 2010 (May, June, July, August, September). Can you say “The aftermath of the government down-payment tax credit.”?

## PENDING HOME SALES WEAK

4 OF 5 READINGS ARE BETTER



— PENDING HOME SALES JAN. 2011 = 89

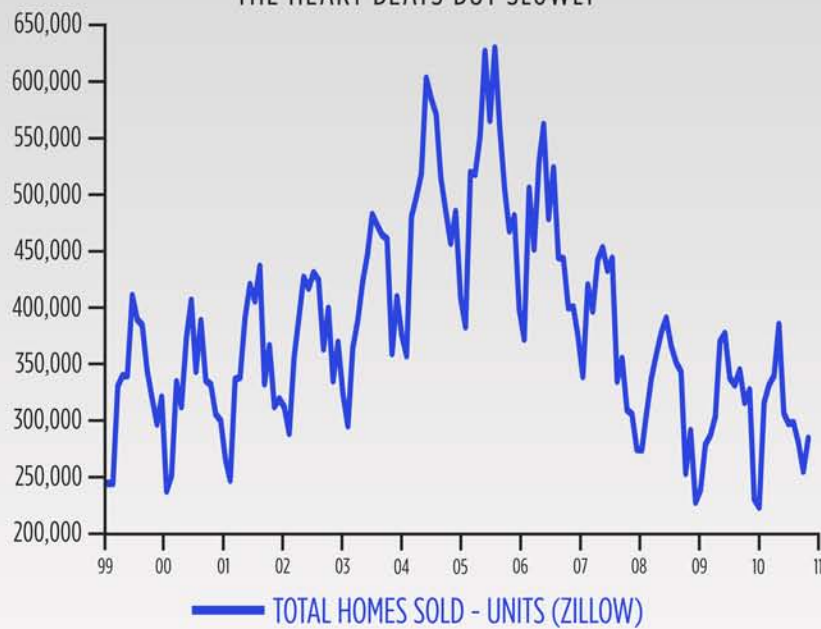
— INDEX 10-YEAR AVERAGE = 103



**25. SALES PENDING/PENDING HOME SALES WEAK:** There has been some recovery in demand based upon contracts signed with buyers hoping to close, but this is Realtor data so who can say it's worth anything?

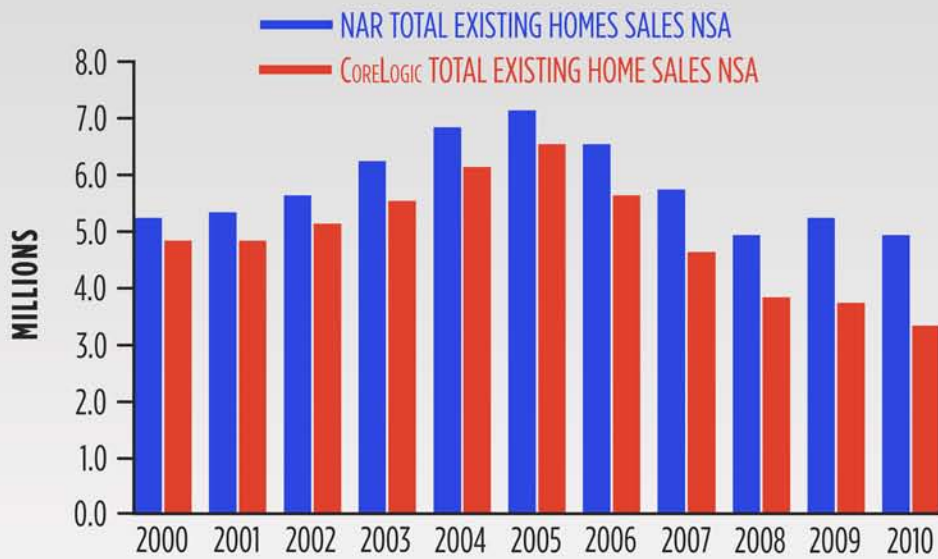
## TOTAL HOMES SOLD - UNITS

THE HEART BEATS BUT SLOWLY



**26. UNIT SALES ACTUAL/TOTAL HOMES SOLD:** Take notice of a depressed pattern in 2008, 2009 & 2010 with a major fall at the end of 2007. There's no sign in actual unit sales of a healthy break upward toward high prices.

## NATIONAL ASSOCIATION OF REALTOR FRAUD



SOURCE: CORELOGIC AND NATIONAL ASSOCIATION OF REALTORS (NAR) NON-SEASONALLY ADJUSTED (NSA) EXISTING HOME SALES.



**27. UNIT SALES/NATIONAL ASSOCIATION OF REALTOR FRAUD:** The divergence of hard facts on existing home sales is obvious in this chart. CoreLogic says Realtor data is off by 15% to 20%. The Realtors say they will adjust their numbers, but they have been issuing bad data without warning users of its falsity. If they can't get unit sales right why trust any of their numbers?

## THE PHANTOM MENACE

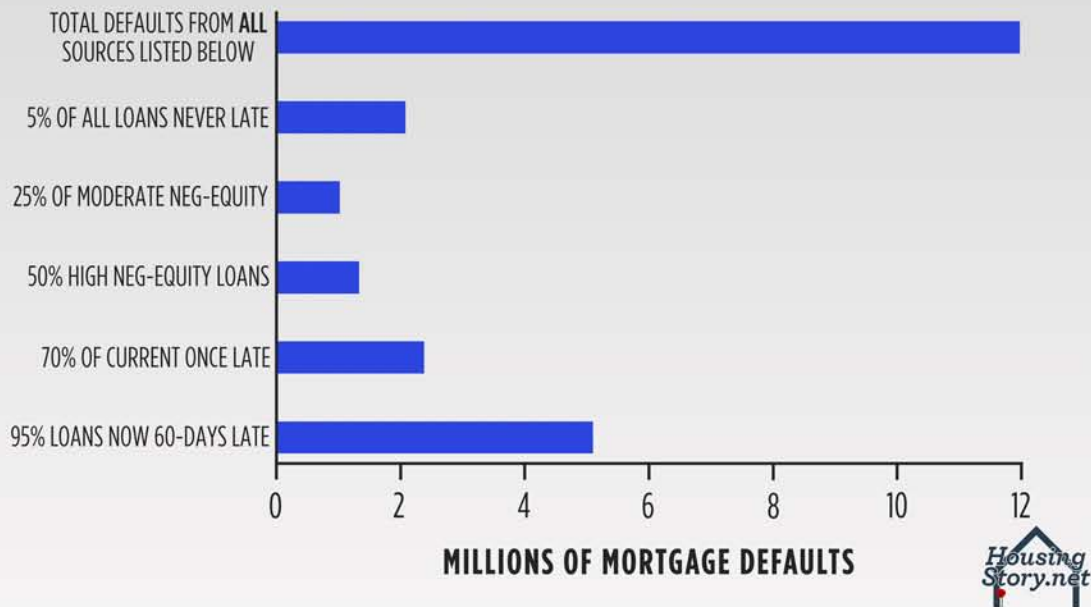
FORECLOSURE SALES VS LOANS STAYING IN FORECLOSURE



**28. INVENTORY OF FORECLOSURES/THE PHANTOM MENACE:** Given that 6.7 million mortgages are delinquent and that the cure rate is near zero once a loan goes 60 days late, a mystery of the current market is that mortgage lenders own only 500,000 or 600,000 units. If banks are in cahoots and keeping houses off the market in a pray-it-gets-better scheme or a I-can't-sell-or-I-will-break-the-bank dilemma, what should happen if all discipline is lost? This chart shows a massive failure of banks to convert foreclosures to collateral which can then be sold. If they figure it out or are forced to finish the job prices would be destroyed. (Data Source: Lending Processing Services)

## ONE OF FIVE MORTGAGE BORROWERS DEFAULT

LEADING MORTGAGE GURU SEES DARKNESS AT END OF TUNNEL



**29. MORTGAGE DELINQUENCIES/ONE OF FIVE MORTGAGES WILL BE LOST TO DEFAULT:** A leading guru of mortgage investments, Amherst Securities Group LP, has predicted that 20 percent of mortgages will go bad in this cycle. I am unaware of data from past cycles which can help us predict the price fallout from this radioactive forecast. The authors of the report said in October 2010: "If governmental policy does not change, over 11 million borrowers are in danger of losing his or her home (1 borrower out of every 5). Politically, this cannot happen." These are desperate words. You have a mortgage-investment professional who cannot believe their own facts. If you buy a home and if 20% of current mortgages fail expect to lose 10% or 25% or 50%.

## HOUSE PRICES FALLING 50%?

CASE-SHILLER HAS FALLEN 37% FROM TOP



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**30. PRICE TRENDS/LOOK OUT BELOW:** This ubiquitous icon of the crash is eminently worthy of its pre-eminence. If there is any valid methodology by which to forecast, this data is the best. Just going back to trend implies a loss of 17 percent from today – in addition to the 37% already gone by this measure. Make sure before you buy that you know bubbles are known to over correct. And if you read and study these 30 charts we have just reviewed, surely you have evidence of the possibility of a severe irrational over correction. That's why I say: Don't hold. Sell. Don't buy. Rent. Don't walk. Run for the exits. And don't look up you God damned fool: The radioactive sky is falling.

# ARE YOU READY TO BUY?

**1<sup>OF</sup>4**

MORTGAGE BORROWERS HAS NEGATIVE EQUITY AND ZERO UPSIDE TO A SALE.

**1<sup>OF</sup>5**

MORTGAGES OUTSTANDING TODAY IS LIKELY TO DEFAULT.

**1<sup>OF</sup>10**

MORTGAGE BORROWERS IS IN SERIOUS UNBREAKABLE NEGATIVE EQUITY.





# ARE YOU READY TO BUY?

CONSUMERS HAVE SEVEN MORE YEARS OF DEBT RETIREMENT AND MODEST CONSUMPTION TO RETURN TO A NON-STEROIDAL BALANCE SHEET.

***THEY CANNOT SUPPORT A NEW RUN UP IN REAL ESTATE PRICES.***

THE U.S. GOVERNMENT MUST CONTINUE TO FUND EVERY NEW MORTGAGE OR THE REAL ESTATE MARKET WILL COLLAPSE **COMPLETELY, TOTALLY, EXTREMELY.**

***IT MAY DO THAT ANYWAY.***

# ARE YOU READY TO BUY?

DELINQUENT MORTGAGES ARE

**14 X GREATER**

IN UNITS THAN AVERAGE MONTHLY SALES.

CURRENT FORECLOSURES ARE

**800% GREATER**

THAN AVERAGE.

BANK SALES OF FORECLOSED HOMES HAVE

**INCREASED 900%**

AND HAVEN'T SCRATCHED THE SURFACE OF NONPAYING MORTGAGES.



# ARE YOU READY TO BUY?

PRICES HAVE FALLEN **37%**

AND MUST FALL AN ADDITIONAL **17%**  
TO HIT THE LONG-RUN AVERAGE.

HOMEOWNERS ARE NOW  
**10 X MORE LIKELY**  
TO TAKE A LOSS ON THE SALE OF THEIR HOME.

THESE ARE NOT THE STATISTICS OF A DIFFICULT MARKET.  
THESE ARE THE STATISTICS AND FACTS OF A MARKET THAT IS  
**HYSTERICALLY SCREAMING "CRISIS!"**

**FLY AWAY FROM THIS HELL IF YOU CAN.**



# THE END

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CHARTS BY VERVOR DESIGN