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ECONOMY | May 24, 2012, 10:31 p.m. ET

# USDA Is a Tough Collector When Mortgages Go Bad

Article

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16 hours ago

**David Wilson** Wrote:



This is not the exception, it is the norm

8 Recommendations

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16 hours ago

**David Pearlman** Replied:



The US government shouldn't be making loans. Without even reading the text, you know that if they are, they're making them on terms that no one in their right mind would accept as lender (which is why THEY are making them; if the loans made any sense, private lenders would step in).

With that said, I can't say I'm displeased if they are a tough collector when the loans go bad. Surprised. Skeptical. But not displeased.

23 Recommendations

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15 hours ago

**David Wilson** Replied:



“DISCOVER THE TRUTH...  
JOIN THE CIA'S  
NATIONAL CLANDESTINE SERVICE.”

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**Slowdown Data,** 2:52

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2:27

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1. “Ms. Herring, you obviously...”

Indeed - like lawyers with non-paying clients, their first instinct is to go for the throat. Bad business. But they're bad people, so what's new

5 Recommendations

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4 hours ago

**Peter Warren** Replied:



David,

You're right; you didn't read it. It takes a pretty low IQ to comment on a story you didn't read.

The actual terms of these loans are unusually punitive as compared to almost all other mortgages. The USDA makes the borrower sign a document giving them recourse after foreclosure - even in non-recourse states! They garnish 100% of tax refunds, earned compensation, and - amazingly - even social security benefits.

If all mortgages worked that way, we would all be better off.

You've proven the old saying:

"Better to keep quiet and let people think you're ignorant than to open your mouth and prove that you are."

PW

1 Recommendation

[Link](#)

4 hours ago

**Clint Eastwood** Replied:



At 71, I would expect most of my life to be behind me. I probably wouldn't be working.

Who buys a home at age 71? Sorry, I meant, who takes out a \$100,000 loan for a house at age 71? Because at that age, it is generally retirement years, and let's face it, end of life is coming soon.

I feel sorry for they guy, I truly do.

He is the reason that I, at age 45, am doing all I can to pay my house off as quickly as I can. I'd rather be 71 with no mortgage.

2 Recommendations

[Link](#)

12 hours ago

**THEODORE BECKLEY** Replied:



As usual the WSJ doesn't state what the loan requirements are for the USDA e.g. percent down payment or percent of income for monthly payments.

- Marshall Levy  
179  
Recommendations

2. **“The public sector unions are a...;”**

- molly henick  
140  
Recommendations

3. **“A mutually beneficial transactio...;”**

- Chris Henry  
118  
Recommendations

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- William Lovin  
104  
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5. **“Thanks for this enlightening...;”**

- Mary Childs  
100  
Recommendations

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6 hours ago

**Frederick A. Green** Replied:



The reporting in the WSJ does, indeed, leave much to be desired. Either the editors are not doing their jobs or they don't know their responsibilities.

[Recommend](#)

[Link](#)

5 hours ago

**GUY WERNER** Replied:



"The USDA lets borrowers finance up to 102% of a home's value."

That sentence tells you everything you need to know. These loans are designed for people that wouldn't qualify for a loan from anyone else.

8 Recommendations

[Link](#)

5 hours ago

**Gerald Ference** Replied:



The guaranteed USDA loans generally have a zero percent downpayment, and closing costs are included in the total loan amount.

1 Recommendation

[Link](#)

4 hours ago

**Mike Jones** Replied:



Read between the lines and do a little analysis.

Loans are up to 102% of home value. So there is no down payment requirement and you can roll closing costs into the the loan.

This guy is on food stamps and social security. Looks like there is no income requirement.

1 Recommendation

[Link](#)

16 hours ago

**Ronald Mahan** Wrote:



OK, but the bigger question is why in hell would any agency of the US be lending money for home mortgages? We are doomed...

27 Recommendations

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16 hours ago

**David Bell** Replied:

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Rural properties at 100% plus LTV????? No wonder we are going broke.

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12 hours ago

**austin deric** Replied:



Cash out refi then sue the bank for foreclosing!

3 Recommendations

[Link](#)

5 hours ago

**William Ledsham** Replied:



Because Barney Boxcars wants to roll the dice in favor of subsidized housing? See "What they said about Fan and Fred" published WSJ 2008.

1 Recommendation

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16 hours ago

**Terrence Daniels** Wrote:



If "greedy capitalist bankers" are part of the 1%, is the USDA part of the .5%? Who is this organization's boss, anyway? Some profligate venture capitalist sucking poor consumers in to bleed them dry?

11 Recommendations

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12 hours ago

**austin deric** Replied:



The president of the united states is the boss of the USDA.

12 Recommendations

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3 hours ago

**Terrence Daniels** Replied:



Smalls, you are killing me.

[Recommend](#)

[Link](#)

16 hours ago

**STEPHEN PROWS** Wrote:



Obviously the government is a predatory lender.

22 Recommendations

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15 hours ago

**Jack Hines** Replied:



The borrower can claim ignorance (or stupidity) but the terms are clear and the borrower got a loan he couldn't get from anywhere else, apparently. It is our money, after all, and I appreciate the fact that, like student loans, it's not easy to walk away from them. This is the way it has to be with loans of this type, don't you agree?

19 Recommendations

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11 hours ago

**rian davis** Replied:



True, it would be hard to have some administrator flat out decide which people should get "better terms" because then everyone would be claiming they want better terms etc.

These loans were probably made available by lawmakers representing rural districts in order to raise property values in rural areas, hence a bipartisan cause.

7 Recommendations

[Link](#)

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14 hours ago

**Jose Calabro** Replied:



Sounds like proper Capitalist behavior on the part of the government. Should they not attempt to recover to debt ?

4 Recommendations

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6 hours ago

**Andy Kushner** Replied:



Jose,

You missed the part that said the USDA doesn't have to play by the rules that other lenders do. I'm sure you were in a hurry.

3 Recommendations

[Link](#)

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11 hours ago

**rian davis** Replied:



When Mr. Beebe was laid off in 2009, the USDA gave him a two-year payment holiday. But when the term expired, the government raised his payments to \$669 from about \$150 so the larger mortgage could be repaid on time.

Yes, because 2 year holidays are the norm in the prvt sector.

7 Recommendations

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15 hours ago

**Evitzee D.** Wrote:



What part of the loan process doesn't the borrower understand? He borrowed and he is renegeing on it ..... default and get out of the house.

14 Recommendations

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15 hours ago

**Kirth Gersen** Wrote:



Why is the USDA even in the business of making mortgage loans ?!

Next we'll learn the USDA has helicopters & machine-gun toting SWAT teams, ready to rappel in ...

Any chance the NY Times or "Occupy" mobs will complain about Gov't "predatory lending" ... nah.

27 Recommendations

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13 hours ago

**JOSEPH NEWBERRY** Replied:



Quote: "Unlike private firms, the USDA doesn't need permission from a court to start collecting on unpaid debts."

The important thing to remember, government shouldn't have deal with messy things like "trial by jury" in courts, or a Constitution which makes it difficult for an unaccountable, totalitarian ruling class to put an iron boot on people's throats so everyone can enjoy a "blissful utopia."

Tell Democrats to reduce the deficit by eliminating the following Amendments:

8th - Prohibits excessive fines (like the EPA vs Sackett family, \$37,000 per day)

4th - Prohibits unreasonable search and seizure; warrants must be judicially sanctioned and supported by probable cause. (Q: Does desire to travel on aircraft qualify as "probable cause"?)

10th - Powers of Federal Government limited to those delegated by the US Constitution. (Adage: "Power corrupts, and absolute power IS LOTS OF FUN !!!")

<end sarcasm>

10 Recommendations

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6 hours ago

**Frederick A. Green** Replied:



Starve the beast!

5 Recommendations

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[Link](#)

14 hours ago

**Alan Antrim** Wrote:

Farm purchase and rural housing loans were a scam for decades. In the mid-eighties only one of fifty states did not have an Executive Order rather secretly in place forbidding foreclosure on such loans. The 1996 law was passed for a reason.

5 Recommendations

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12 hours ago**Matthew Rawlins** Wrote:

So where are all the bleeding heart 99% groupies on this thread? Shouldn't they protesting the government as blood-sucking vampire capitalists?

Nah, didn't think so.

14 Recommendations

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4 hours ago**Peter Warren** Replied:

Matthew,

Why would anyone protest? The borrowers signed an agreement to the actions taken and couldn't reasonably expect otherwise.

PW

1 Recommendation

[Link](#) [Track Replies to this Comment](#)

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3 hours ago**Kirth Gersen** Replied:

That hasn't stopped various grievance groups from protesting against B of A, Chase, etc, when those banks signed "0% down" loans with their customers. They were happy to take the easy money, but balked when they realized they actually have to pay it back. A lot like the Greek Gov't today :-/

Recommend

[Link](#)

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11 hours ago**Richard Sullivan** Wrote:

The Federal Government has no business being in business. Not banking, not insurance, not a thing. Their job is to handle what individual States cannot. Treaties, war, international affairs, and the like. A serious reining in of good intentions run amok, is long overdue.

29 Recommendations

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8 hours ago

**Tom Topar** Replied:



But Richard if they did what you propose government would be smaller and more efficient. You have to stop these silly ideas.

7 Recommendations

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7 hours ago

**joel rath** Replied:



Well put sir, but that would return the role of government to the original intent of the founding fathers...look at the devastation that would ensue:

- A lot of federal freebies to deadbeats would disappear
- The federal government could actually balance its budget within a decade
- there would be on threat to the SS fund
- An awful lot of bloodsucking bureaucrats would have to find real employment and stop feeding at the gov't trough
- people would have to "gasp" work for any gov't assistance (handouts)...(perish the thought)
- The days of federal government providing for all would end...
- the gov'y might actually get real work done...
- gov't payrolls would be drastically reduced. (such a waste - actually reducing gov't payroll) etc...

6 Recommendations

[Link](#)

4 hours ago

**David Soto** Replied:



And you wouldn't be able to post your silly ramblings on the Internet because it would not exist- being a GOVERNMENT invention...

1 Recommendation

[Link](#)

11 hours ago

**Neil Cunningham** Wrote:



Who's at the top of the organization chart for all United States Federal agencies? The fish stinks from the head.

9 Recommendations

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10 hours ago

**Douglas Crist** Wrote:



Throughout this whole mortgage debate, articles like this have appeared on a regular basis. The incidents in these articles (and the people) cited are the exception, not the rule. Most people, regardless of who lends to them, pay their obligations.

6 Recommendations

[Link](#) [Track Replies to this Comment](#)

6 hours ago

**Steven Tilly** Replied:



Didn't you read the article?

"The USDA lets borrowers finance up to 102% of a home's value. About 12% of its guaranteed loans and 17% of direct loans are delinquent or in foreclosure."

That is astronomical. No private firm could run a loan program like that.

12 Recommendations

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2 hours ago

**Evitzee D.** Replied:

9 hours ago

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**Europe** **Auto**

3:06 **Sales** 2:27

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1. "Ms. Herring, you obviously..."



It is up to the borrower to decide what is best for him. Why do you want to blame somebody else? No one forced him to take this loan, he was ignorant, greedy or just too lazy to do what was best for him. Quit trying to put the blame on everyone else.

1 Recommendation

[Link](#)

**Frank Seldin** Wrote:



Next we'll find out that the USDA charges \$5 per month for a debit card...

6 Recommendations

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9 hours ago

**Arleen Zank** Wrote:



The fundamental question is why is USDA in the mortgage business to begin with?

13 Recommendations

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4 hours ago

**Lee Phelps** Replied:



It started as a way to finance rural housing but it morphed into doing more suburban housing. here in Florida what was considered rural one decade became subdivisions the next and after subprime loans blew up, USDA became the loan of choice.

1 Recommendation

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8 hours ago

**John Costas** Wrote:



Private Equity doesn't seem so bad ...does it Barack?

5 Recommendations

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8 hours ago

**JOHN GILLIS** Replied:



The only thing worse than being behind in mortgage payments to a bank, is to be behind in payments to a robotic federal agency with the force of Congressional law to force money out of your hide.

7 Recommendations

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4 hours ago

**Peter Warren** Replied:

- Marshall Levy  
178  
Recommendations

2. **“The public sector unions are a...;”**

- molly henick  
140  
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- Chris Henry  
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- William Lovin  
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JOHN,

Why, JOHN? The borrowers agreed - in writing - to pay and to accept garnishment if they don't.

No one forced them to buy the property or to sign the document.

All mortgages should work this way!

PW

2 Recommendations

[Link](#)

8 hours ago

**richard biocca** Wrote:



Let's see.....USDA. Agriculture. Is there a mission statement within the Federal Governments grasp?

6 Recommendations

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4 hours ago

**Peter Warren** Replied:



richard,

In Constitutional law, it's called the General Welfare Clause.

PW

[Recommend](#)

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1 hour ago

**Gerald Ference** Replied:



Peter: please define "general" vs. "specific".

USDA loans are not available to the general public, but are restricted to certain rural areas and to people whose incomes do not exceed certain amounts.

[Recommend](#)

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8 hours ago

**MICHAEL H SERAFIN** Wrote:



I don't get it. Bankruptcy is the path to go thru if you simply can't pay. It wipes the debt and stops the banks from pursuing you. I don't understand why people don't understand that. You are not going to get a free ride. You are not going to get a "break" or a "deal". Go see a good bankruptcy attorney, pay their fees, file. And don't forget that if you don't your lender can and will come after you later down the road.

4 Recommendations

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5 hours ago

**William Ledsham** Replied:



Chapter 7 does not allow you to discharge some debts under current bankruptcy law. Student loans are one example. Taxes from recent years are another. Apparently these may fall under the same exclusions. Yes, get a good lawyer, but do not expect all debts to disappear.  
<http://bankruptcy.findlaw.com/chapter-7/>

2 Recommendations

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8 hours ago

**Michael Mcallister** Wrote:



When will we finally thin the herd?

6 Recommendations

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8 hours ago

**Robert Jones** Wrote:



Pigford Vs. Sec. of Ag....read about it....\$50M per applicant plus attorney fees. Billions in settlements!

2 Recommendations

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8 hours ago

**Glen Surbey** Wrote:



One standard for private industry and then another standard for the government is the standard for our political elite. The powers that the IRS and USDA have to collect debt vs the limits put on private industry remedies is vast. Then the standard for health care and other benefits for congress is much higher than legislated for the rest of us. How about all the exemptions for labor laws given to congress and then the standard for private industry? There are many special things for the political class including exemption for insider trading given to members of Congress.

So, while Mr. Class Warfare rails against private banks, venture capital vultures, and the rich he does nothing for poor rural home owners at the mercy of a government agency under his direct control. Just typical of Obama.

5 Recommendations

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7 hours ago

**Doug Hall** Wrote:



I am an attorney in a smallish NC town/county near Charlotte. I have done real estate closings, foreclosures, and bankruptcy for 17 years. I can tell you that the number of 100% LTV loans, where people don't have the money for minor closing costs, have not decreased, they have simply shifted from WaMu and Countrywide et al. to USDA. These are young couples who can barely afford the house and as soon as the water heater fails or the roof leaks, it is a financial disaster for them. They also have little commitment to a

house they have no "skin" in, and when one spouse cheats or they decide they would rather have a new F350 dually than a house, they abandon the house and the loan and move in with family. They are being pushed into houses with government backed loans to mop of the foreclosure supply. Nothing has changed, my friends.

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**Frederick A. Green** Wrote:  
 The federal government is the most dangerous threat to this nation.  
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JAMES F KOHLWEY Replied:  
 Amen!  
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**Stephen Borsher** Replied:  
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**Douglas Thompson** Replied:  
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**Christopher Crowne** Wrote:



**CONFESSIONS FROM A MORTGAGE GUY:** I am guilty - I offer USDA loans to clients. Here's why: In some situations, 100% financing makes sense (Footnote: the "102% financing reference in the article is mis-leading: the 2% over purchase price represents financed mortgage insurance). Here's the 'makes sense' piece of the puzzle: if the borrower has savings and the mortgage payment is truly affordable (i.e.; resembles the rent payment they were making before) and they have the ability to set aside funds to maintain the property, I recommend the product. If they don't meet these requirements, I tell them they need to continue renting. It may be paternalistic and there may well be a mortgage lender down the street who will happily pocket a commission on their deal, but I'm not willing to exacerbate the crisis in mortgage lending for a couple thousand dollars in commissions.

5 Recommendations

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**Greg Liautaud** Replied:



Tenth amendment issue.  
The federal government has no right to be in this space.

8 Recommendations

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7 hours ago

**AMY GRAZIOSA** Replied:



Sure.

1 Recommendation

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**William Ledsham** Replied:



I would prefer the government not to be Greg, but there are some commerce clause claims as to its ability to be so.

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2 hours ago

**Mike Mai** Replied:



I love how a client can "finance" mortgage insurance. It's like a terminally ill person taking out a loan to buy term life insurance.

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**SCOTT FRANKLIN** Wrote:

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1.



How many federal mortgage programs are there? Does every agency write mortgages?

I know almost a million mortgages must seem like chump change, but this is an \$84 billion portfolio of mortgages that should have been written by the private sector.

8 Recommendations

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**Mike Mai** Replied:



The answer to your second question is clearly "yes."

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**KATHLEEN SLOCUM** Wrote:



And this, boys and girls, was the reason for making virtually all new student loans FEDERAL loans from your good ol' big-hearted Uncle Sam.

2 Recommendations

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**Audrey Malloy** Wrote:



Holy smokes, taking a 74-year old's Social Security check, after his wife has died of cancer. Hey, government, you missed that baby over there with candy!

1 Recommendation

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**JEFFREY CONBOY** Replied:



Do not mix emotion with sound policy. Although I feel sorry for the guy, there isn't an unlimited amount of resources to keep each and every individual alive with severe diseases/illnesses. Finally, comparing a baby with someone who is merely knocking on death's door is not even close to the same thing.

1 Recommendation

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**Mike Mai** Replied:



This used to be the area where private charities, faith based or not, would step in. Of course, now that the government acts at the overindulgent parent to everyone with a problem, everyone is shocked when they actually show some "tough love."

1 Recommendation

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- Marshall Levy

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- molly henick

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**SHERIDAN ERICKSON** Wrote:



The government running mortgage operations (or any business operations whatsoever) is strictly and irrevocably unconstitutional. The USDA, SBA, HUD, Fannie, Freddie, the list goes on and on must be broken up and sold along with the Postal Department. Borrowers from those agencies don't even know the nightmare they are getting into when they initially do the borrowing. Far worse than private sector foreclosure. In fact, only government can mortgage your social security and take it or part of it when you reach 65. No private bank or mortgage company can do that. In the immediate next generation, there will be about 40-50% of social security people who will have their social security taken from one government agency or another simply because government has increased its lending by 4 times as much. Pathetic.

5 Recommendations

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**William Ledsham** Replied:



The Post Office is specifically enumerated under the Constitution. Article 1 Section 8 "7: To establish Post Offices and post Roads;"

I have no argument about the unenumerated powers creep you talk of.

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**Don Staples** Wrote:



do you need any more proof the the US Government is incompetent and evil?

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**Geraldo Bustone** Wrote:



More of obama's compassion....

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**AMY GRAZIOSA** Replied:



I wonder what a private equity guy would do? Just saying.

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**Gregory Zito** Replied:

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Well that is easy, foreclose as fast as possible. sell the house at auction and get the looser off the books and move on. The home owner turns back into a renter and their life moves on. Then the Private capital guy cleans up the rest of the balance sheet and sell the company for a profit. Easy! Oh and if president hopefully get government out of the mortgage business ASAP.

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**KATHLEEN SLOCUM** Replied:



You keep asking questions. Eventually you will learn.

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**Gregg Larson** Wrote:



Another story reminding us why doing business with the federal government is a bad idea.

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**RONALD HARRIS** Wrote:



The agency is lenient, I disagree with your headline. I think giving 2 yrs. with no payment required is very accomodating.

4 Recommendations

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**William Ledsham** Replied:



Except that they deal with it as if it were an option arm with zero payments.

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ECONOMY | May 24, 2012, 10:31 p.m. ET

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**Jimminy Wheeler** Wrote:



To me it is a question of whether the borrowers knew the USDA was going to be guaranteeing their mortgages when they initially took out the loan and were made aware of the potential actions that could be taken if they defaulted. I am guessing the USDA guarantee either bought them lower interest rates or allowed people to qualify for loans who otherwise could not. If so, it does not seem unreasonable that they could have additional rights under a default vs a traditional lender.

However, I agree that the government should not be in the mortgage business to begin with. It only leads to problems, much like the debacle the country is currently in.

4 Recommendations

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**Marshall Dillan** Wrote:



Buyer beware - know what you sign before you sign on the bottom line. The USDA should not be in the mortgage business in the first place. The government has too many irons in the fire.

12 Recommendations

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**Mary Childs** Wrote:



"I'm from the government and I'm here to help you". These words should make anyone hearing them run for cover as fast and far as they can.

5 Recommendations

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**ANTON WAGNER** Wrote:



Is this a sob story for those people who were unjustifiably given loans, a sob story for the private lenders who don't have the totalitarian authority of the United States Federal Government, or just an attack on the USDA's "cruelty" for expecting its loans to be repaid? Seriously, I'm curious. It seems to me that people are unwilling to openly confront the problem at hand: high-risk loans are being lent out by mandate!! Come on, man! We cannot be so foolish as to be unaware that when you give someone a loan that will in two years require payments double what the borrower currently spends aggregate/mo., and that borrower has no marketable or professional skills, then that borrower will probably NOT be able to satisfy the loan payments. It's common sense. STOP giving out loans to people who obviously won't be able to pay them back. I am of course sympathetic to the case studies in the article, but few of the examples above could've supported their loan payments BEFORE they lost their jobs, much less after. Where has the integrity in this country gone. Certainly not Europe.

5 Recommendations

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2 hours ago

**Mike Mai** Replied:



I am pretty sure that a real estate search in the communities enumerated in this column would turn up some houses that are far more affordable for the consumers who lost their homes.

There should be more accountability on those that offered and approved some of these loans. Certainly, there are instances that cannot be foreseen, like the loss of a job or a serious medical illness, but actuarial statistics would give the agency a good probability of these likelihoods. But some of these cases don't make sense - who sells a house over \$100K to a 68-year old man whose only source of income is SS and food stamps?

1 Recommendation

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**Road Runner** Wrote:



What is a person doing taking out a mortgage in their 70s and on social security? Add to that no money down and a loan guarantee of more than a house is worth. A prescription for disaster.

9 Recommendations

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4 hours ago

**JEFFREY CONBOY** Replied:



Exactly. What I don't understand about this is that the loan is clearly high risk. Let's be honest here, this guy could have died during the two year teaser rate with a loan that exceeded the value of the home.

1 Recommendation

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5 hours ago

**JIM NOVEROSKE** Wrote:



Lets see--USDA=US Dept of Agriculture. If we eliminate the Dept of Agriculture, it will eliminate one agency of the federal government dolling out mortgages. Side benefit--it would eliminate farm subsidies.

3 Recommendations

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5 hours ago

**Mike Jones** Wrote:



What a great government.

The government is the guys only form of income: social security and food stamps. We then let him borrow more money than the home is worth and assume the risk of his loan. Meanwhile we let the brokers earn their commission and the servicing company earn their fees.

Everyone is a winner except the taxpayer.

4 Recommendations

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4 hours ago

**JEFFREY CONBOY** Replied:



Exactly.

1 Recommendation

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4 hours ago

**Marty Smith** Wrote:



Maybe this program has outlived its usefulness. However, 45 years ago it was a big success for my family. Dad was a factory worker, 8th grade education, 5 kids, WWII vet, barely getting by. He arranged a Farmers Home Adm loan to buy an old abandoned handy man special in a small Midwestern town. He and I gutted that house, and completely renovated it in about 6 months while holding down 2 full and 2 part time jobs between us. Our own four hands did all the work. Both my parents lived there until they died. My 4 younger sibs all graduated from high school while living there. My sister still lives in that house, now fully paid for. Two years later I took out a FHOA loan to build a modest new home in the country in a few miles away. It was an owner completion project. Again, Dad and I did all the finish work. My wife and I later sold that house to move out of state for a job transfer and we paid

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the mortgage in full. The house is still there on its 3rd owner and looks great.

What's the punch line? Both Dad and I knew that when we signed the papers for the loan that we WOULD pay back the money. Not IF we could? Not IF things went well. No ifs, ands or buts. In fact, we would have paid back the loans even without the paper work.

The commenters above make me queasy and very unsure of the US's future. It seems you spend more time with hate and finger pointing than on what matters. My word is as good as any legal doc. It appears I am an old fuddy duddy and a dying breed in this country/society. Walking away from a legal/moral obligation is now easy and the fashion and society spends all its time finding reasons to justify doing so or who to blame.

That is one of the best indicators that this society is nearing the end of its run.

My wife and I have moved to a remote part of the US and spend our time and money helping others. The rest of you out there, good luck, you will need it.

4 Recommendations

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2 hours ago

**Mike Mai** Replied:



Great story and I agree with you on many points. The problem today is that there aren't nearly enough people who have the skills to do what you and your father did while still negotiating the myriad of local and federal building codes to make it happen. What you did in 6 months would probably take two years in today's world with monthly visits by someone from a local government building department.

Recommend

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4 hours ago

**William Penn** Wrote:



OK...let's put the USDA in charge of Fannie and Freddie. They can sell all the houses, clear the market, hit the "re-set" button on the economy, and, destroy everyone's property values and millions of lives in the process. That would be the tough medicine that people are talking about....this looks like the only agency that will do it.

After that...let's shut down USDA and get the government out of the mortgage business. When the re-set button is hit and the economy corrects, federal "revenues" (I hate that word), i.e. taxes coming in will go down...fine. Let's go to a balanced budget in that year....cuts across the board to make it happen.

Let's then institute term limits. Let's then learn from the ills of government doing what it should not do, waste corruption, etc. and NEVER DO THOSE THINGS AGAIN as a country.

The longer we wait, the tougher the medicine will need to be. USDA has got one right.

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**JOHN OLSTAD** Wrote:



The one housing solution every politician rejects is allowing a no penalty withdrawal from a deferred (401K) account to pay of a mortgage. They simply don't want Americans to have the liberty of owning their own homes.

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Robert Rapoza Wrote:



May 25, 2012

To The Editor:

Ruth Simon's recent article raises serious concerns about USDA's debt collection practices. In our opinion, however, two conflicting statutes have led to this problem. The Housing Act of 1949 provides USDA with substantial authority to aid borrowers in distress, while the Debt Collection Act authorizes the agency to aggressively recover taxpayer money. As the article demonstrates, at least in some cases, the agency has not sorted out these responsibilities in favor of the borrower.

While we believe that USDA should do a better job of assisting borrowers who have fallen behind in these very difficult economic times, this issue should not obscure that fact that the Section 502 program has been extremely successful in serving families with



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modest means in America's small towns and farming communities. USDA borrowers simply could not gain access to decent, affordable housing without direct homeownership loans provided by USDA.

Over its history, some 2 million rural families have received loans from USDA to build, acquire, and repair a home. The families who borrow under this program are among the poorest of all those receiving some form of federal assistance to own a home, with an average annual income of \$27,000.

While Ms. Simon notes the default and foreclosure rate of the Section 502 direct program, she fails to put this figure in context. First, it is well known that the unemployment rate is too high, with the rural rate even higher than the national, and when people with limited means lose their job they often fall behind on their mortgages. While this is true for families with USDA mortgages, USDA's loan program – in terms of delinquency and foreclosure -- performs on par or better than other loan portfolios serving higher income borrowers.

The Section 502 Direct Loan program significantly outperforms the private subprime market. Despite serving borrowers with lower incomes, only 5 percent of Section 502 Direct borrowers are currently in foreclosure, compared to 14.45 percent in the private market. Likewise, the Section 502 program has a significantly lower delinquency rate. Only 12 percent of Section 502 borrowers are delinquent, compared to 21 percent of private market subprime borrowers.

Likewise the Section 502 Direct Loan program performs on par with other federal direct lending programs, including the Federal Housing Administration. While Section 502 Direct Loan borrowers earn less than 80 percent of the area median income, the FHA program has no income limits. Yet, the programs' combined foreclosure and delinquency rates are substantially similar at 16 and 17 percent, respectively.

Sincerely,

Robert A. Rapoza

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6 minutes ago

**THEODORE BECKLEY** Replied:



**BANK LOANS & MORTGAGES**

The Fed rates effect would have been minimized if Congress had not lowered the lending standards.

Both the Republicans and Democrats have gradually decreased the regulation standards over the past 30 years. The problem now is that there are no laws or regulations to legally do anything but grin and bare it. These have been replaced by guidelines that are not legally mandated. None of these people will ever be barred from anything.

Update Fanny Mae, Freddie Mac, FHA, HUD and Dept of Agriculture regulations to:

If the banks had followed these basic requirements there wouldn't have been a housing foreclosure and financial disaster.

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New laws are not needed for home mortgages or commercial loans. Just change in underwriting standard regulations back to what they were before so called "affordable housing" manipulation by congress occurred.

- 20 % minimum down payment on any purchase
- Monthly payments no more than 25 % of taxable income
- Monthly payments no more than 5 % of taxable income on other loans
- Total Income verified and notarized.
- No 2nd mortgage for down payment
- Subsidies and tax benefits not figured in meeting above requirements
- No loan if receiving Low Income Energy Assistance Program (Leap) or Food Stamps
- No more than 80 % of buyer's principal for a mortgage loan
- Eliminate Robo signing,
- Eliminate adjustable rate mortgages
- Eliminate interest only payments

Small businesses must have receivables and equity exceeding 125 % of their liabilities by the amount of loan they are requesting.

- The bank to maintain 10 % capital.
- No bank loan(s) to any customer should exceed 10 % of the banks assets.
- Banks not allowed selling or bundling their loans and mortgages for investment sales.

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