

# ENQUIRER JOURNAL

## Local experts say ARMs not solely to blame for crisis

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Adjustable rate mortgages have been widely blamed for the current housing crisis, but blaming them solely might not paint the whole picture.

“In theory, adjustable rate mortgages are good,” local property appraiser Margaret Desio said.

An adjustable rate mortgage sounds good because it gets young people, often young couples, into their first homes. As is common with young couples, husband and wife both work at entry-level positions and do not make a large amount of money but are interested in growing their worth and want to invest in a house.

When the economy is good, that couple has a reasonable expectation to make career advances and have a higher joint income after a few years. That income increase, in theory, will be enough to cover the higher mortgage rate after it is adjusted.

The problem, however, comes when the economy is bad and the pay raises are not enough to cover the bill increase, or, even worse, if the husband or wife loses his or her job, the joint income is halved and the couple can no longer make the payments.

Local real estate agent James Kerr pointed out a compounding negative effect that can have when the problem is widespread across the nation.

That same couple that moved into a house worth about \$120,000 was given an adjustable rate mortgage with little or no money down at closing. When the market went down, so did the value of that house. The couple that bought it still potentially owes \$110,000 on the house, but it is now worth only \$90,000.

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