

FOR IMMEDIATE RELEASE

Contact: Dawn Page at (480) 619-9263 dpage@liuna.org or Jacob Hay at (202) 942-2285, jhay@liuna.org

New Report Says More Housing Market Problems Coming in 2010 and 2011

Many Subdivisions are Ticking Time Bombs Waiting for Interest Rate Resets

Angry Homeowners Tell Corporate Home Builders to “Fix This Mess”

Los Angeles, CA (August 7, 2008) -- Today the Laborers' International Union of North America – LIUNA – released a report detailing the implications for homeowners and the nation's economy when five-year adjustable rate mortgages (ARMs) reset in 2010 and 2011.

The report was released during a news conference outside of the headquarters of KB Home in Los Angeles. LIUNA was joined by six homeowners from a KB Home development in Buckeye, Arizona as well as religious leaders and community representatives who believe the worst is yet to come in the housing and mortgage crisis.

The report, *The Ticking Time Bomb: Adjustable Rate Mortgages and Depreciating Home Values in New Subdivisions* examines mortgages originated between 2005 and 2006 in Maricopa County, Arizona by the lending subsidiaries of three of the nation's largest corporate home builders: Richmond American, Lennar, and KB Home. Report findings reveal that more than one third of all the mortgages are five-year ARMs that will reset in 2010 and 2011.

The report indicates that many homeowners with five-year ARMs will be trapped in their loans and unable to refinance before their interest rates reset due to high loan amounts and decreasing home values. According to the report, home values in the area have declined an average of more than \$50,000 in just the last year with the value of Lennar homes declining \$61,600, KB homes by \$55,600 and Richmond American homes by \$49,500.

“We need real and immediate action to help struggling homeowners, to bring the creation of good jobs back to the construction industry, to protect our retirement security from tainted investments and to stabilize the mortgage and housing industry,” said LIUNA General President Terence M. O’Sullivan. “Since just last year, foreclosure activity has more than doubled, 493,000 construction workers have lost their jobs and we have an economy that is spiraling towards recession. Congress and regulators must scrutinize those who helped cause this crisis – including corporate home builders – and consider action to both defuse this ticking time bomb and prevent a recurrence.”

Case Study: the KB Home Santarra Development in Buckeye, Arizona

The problems resulting from the mortgage and housing crisis threatens entire communities. The case of the KB Home Santarra development in Buckeye Arizona is an example:

- Fifty-five percent of the mortgages are five year ARMs.
- Sixty-three percent of the purchases had a first and second mortgage.
- Home values have decreased \$78,800 in the last year alone.

Many new subdivisions, like the Santarra development, now have an unhealthy number of vacant homes due to foreclosures and speculators who purchased homes intending to flip them. This glut of homes exerts a downward pressure on home values and each new foreclosure brings values down even further. Although the greatest threat looms in 2010 and 2011 when the largest number of loans will have their interest rate reset, many homeowners are currently facing foreclosure or have already lost their homes.

Caught in a Trap

When Joni Lynn bought a KB Home in the Santarra subdivision in 2006, she said she told the Realtor that she wanted a conventional mortgage with a fixed rate and without "bells and whistles."

When Lynn closed on her home in 2006, Countrywide KB gave her two mortgages. Although she is retired and her income is from Social Security and a pension, the first mortgage is an interest-only ARM with an initial interest rate of 6.5 percent. After five years the interest rate can go as high as 11.5 percent.

Although Lynn is current on her mortgages, she is struggling and is worried about what will happen when her interest rate increases. She now owes about \$204,000 between the first and second mortgages. Meanwhile, the Maricopa County tax assessor has lowered the value of Lynn's house from \$210,000 to \$148,800 since just last year.

LIUNA Calls for Action to Help Homeowners and Stabilize the Industry

LIUNA was instrumental earlier this year in stopping corporate home builders from receiving billions of dollars in tax breaks under a provision of the Foreclosure Prevention Act being considered by Congress. LIUNA exposed the role that home builders played in creating the current crisis and successfully persuaded Congress to remove the corporate home builder bailout from the final housing bill.

The union is now calling on Congress to take the next step in confronting the housing and mortgage crisis. Lawsuits and whistleblowers have revealed numerous cases of bad lending practices on the part of America's largest home builders. For example, former Countrywide-KB Home Loans Regional Vice President Mark Zachary has said in court that KB Home pressured its lending joint venture to engage in systematic mortgage fraud to drive sales, including encouraging inflated appraisals, assisting buyers in supplying false income information, and approving loans without review or documentation.

LIUNA is also calling for agencies which buy or securitize mortgages, including Fannie Mae, Freddie Mac and HUD, to exercise greater scrutiny of mortgages originated by corporate home builders or by lenders which home builders control.

###

The half million members of LIUNA – the Laborers' International Union of North America – are on the forefront of the construction industry, a powerhouse of 10 million workers who build America.

*For copies of **The Ticking Time Bomb: Adjustable Rate Mortgages and Depreciating Home Values in New Subdivisions**, please contact Dawn Page at (480) 619-9263, dpage@liuna.org or Jacob Hay at (202) 942-2285, jhay@liuna.org.*