

Walk Away From Your Mortgage? - 12-03-2009

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<http://thethinpinkline.com/2009/12/03/walk-away-from-your-mortgage/>

From my quiet desert town of Tucson, Arizona - what a storm!

Earlier this week, a professor of law at the University of Arizona just minutes down the road from me wrote an academic paper about the shame of the upside-down loan circumstances in which many American homeowners are drowning. Shame on the nation's banks was his point.

Professor Brent White says these over-extended homeowners (estimated to be about 15 million Americans) *would be better off financially* if they walked away from their upside down mortgages. He says they don't because their moral compass won't allow it; that it makes them ashamed to do it.

Professor White respects that moral value but says many people are ashamed to walk away from their mortgage because they/we live a double standard. A double standard that expects *moral* norms for Main Street and accepts *market* norms for Wall Street. Banks operate to maximize profits. Banks think about their interest(s) and look out for themselves. Banks do this often at Main Street's expense. Professor White believes this double standard is what scares American homeowners into meeting to the *market norm* mentality that puts them in this upside-down home, negative equity situation.

I think he's got a point. And to me, the point is: think about what's in *your* best interest.

Professor White isn't advocating anyone walk away from their mortgage *unless* they feel its right for them. White is saying American homeowners must act on economic *self* interest and determine what financial decision given their circumstances - is right for them. And, he concludes, since shame doesn't work for banks, it shouldn't work for homeowners who are considering walking away from their homes.

This is a mind over money matters decision. This is one of those situations where your mind over your money - matters. If you choose to do this, know that there will be consequences. Mortgage lenders are outraged and say it's unethical. They remind you - correctly - that this decision to walk away from your mortgage will stay on your credit report for 5 to 7 years.

But advocates of this option say - your credit is already battered, you'll have to take the steps to rebuild it anyway. What you pay, the bank will solely benefit because you can't keep up with the growing debt. And to get in front of it now - is impossible. Why throw money at a market mentality that is morally irreverent?

It's your money - take it personally. Everyone's situation is different. There are 15 million Americans facing this right now. It might be ok for you (or any one of them) to walk away from an upside down mortgage if it's in your (their) best interest.

Here's to your health and wealth.

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