

**Part 1 –
Employment & Real Estate:
Wisconsin in Context**

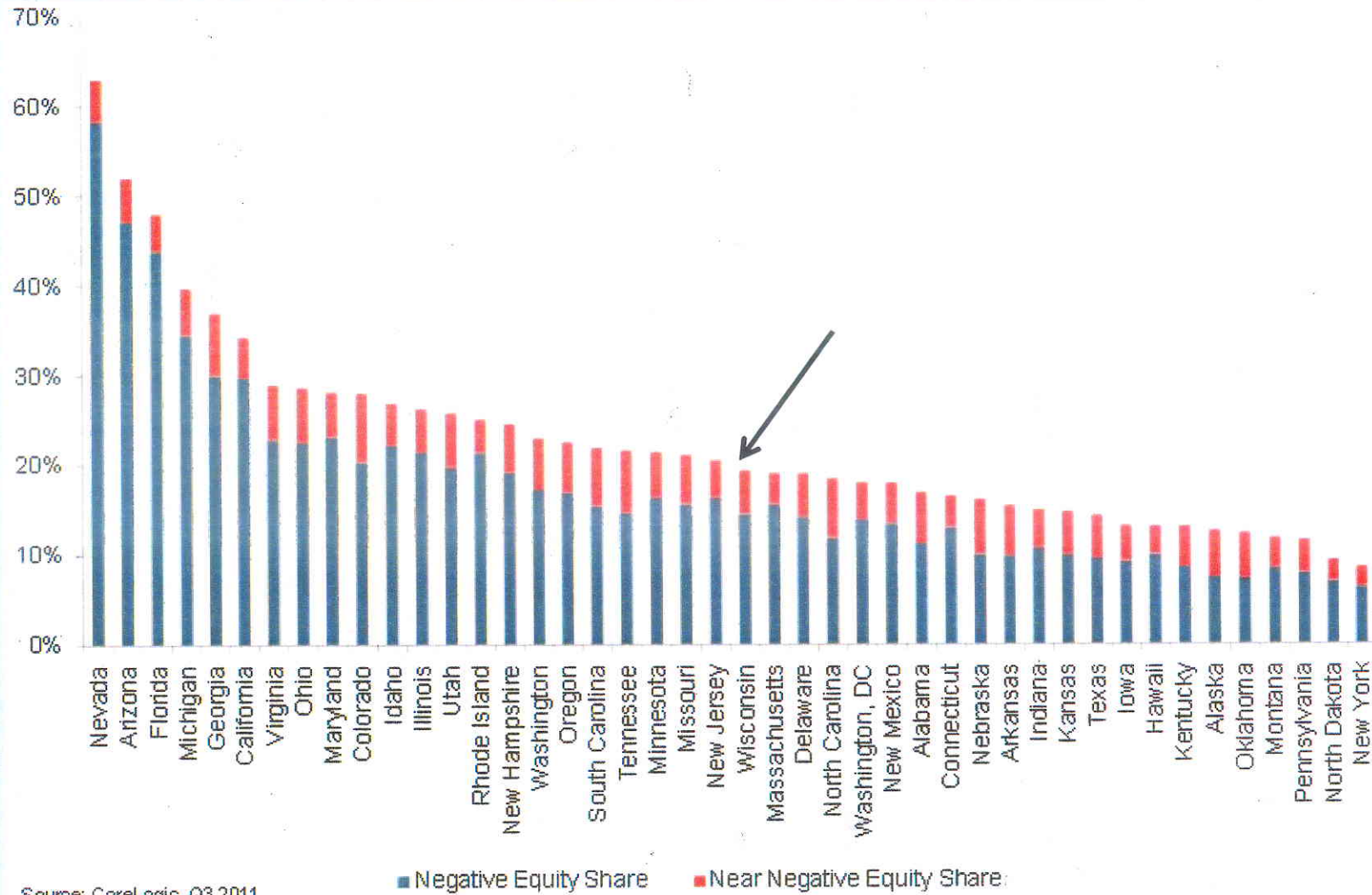
**Part 2 –
We Have to Grow**

**Dr. Anthony Pennington-Cross
Marquette University
College of Business Administration**

REAL ESTATE

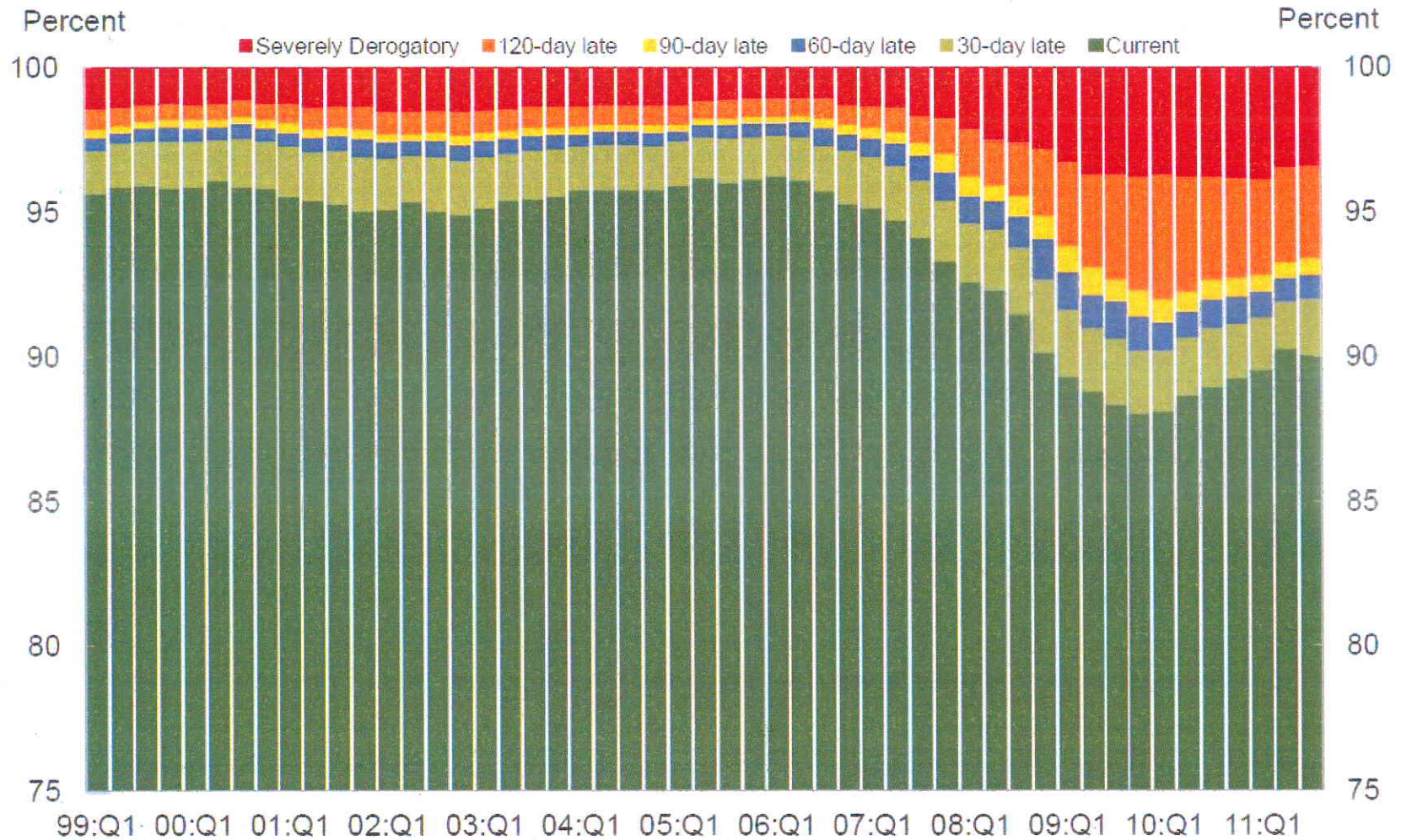
WHAT'S HAPPENING TO FORECLOSURE RATES?

INCENTIVES TO DEFAULT BIG SHADOW INVENTORY



BIG FUTURE INVENTORY

Total Balance by Delinquency Status



SPEED MATTERS

Share of Foreclosures Sales -- Acquired by third party

Alabama	14.9%	Montana	30.0%
Alaska	25.0%	Nebraska	15.5%
Arizona	15.5%	Nevada	13.5%
Arkansas	17.3%	New Hampshire	22.5%
California	16.6%	New Jersey	28.8%
Colorado	4.9%	New Mexico	8.5%
Connecticut	38.6%	New York	19.5%
DC	50.0%	North Carolina	22.2%
Delaware	75.0%	North Dakota	17.6%
Florida	15.3%	Ohio	12.5%
Georgia	15.7%	Oklahoma	19.2%
Hawaii	20.0%	Oregon	39.2%
Idaho	24.5%	Pennsylvania	14.4%
Illinois	14.9%	Puerto Rico	20.0%
Indiana	8.4%	Rhode Island	15.4%
Iowa	9.3%	South Carolina	20.2%
Kansas	10.3%	South Dakota	16.2%
Kentucky	15.1%	Tennessee	19.4%
Louisiana	16.7%	Texas	12.6%
Maine	14.3%	Utah	46.4%
Maryland	34.9%	Vermont	0.0%
Massachusetts	18.1%	Virginia	25.4%
Michigan	2.3%	Washington	40.0%
Minnesota	1.8%	West Virginia	9.8%
Mississippi	8.5%	Wisconsin	19.7%
Missouri	11.8%	Wyoming	0.0%
Weighted Total	13.2%		
Non-Redemption States	16.3%		
Redemption States	3.9%		

Source:

Crews Cutts and Merrill "Interventions in Mortgage Default: Policies and Practices to Prevent Home Loss and Lower Cost" in Borrowing to Live, Retsinas and Belsky Editors 2008

Freddie Mac Data

SPEED MATTERS

Appendix Table A1: Freddie Mac Analysis of Expected Optimal Statutory Timeline for Foreclosure By State

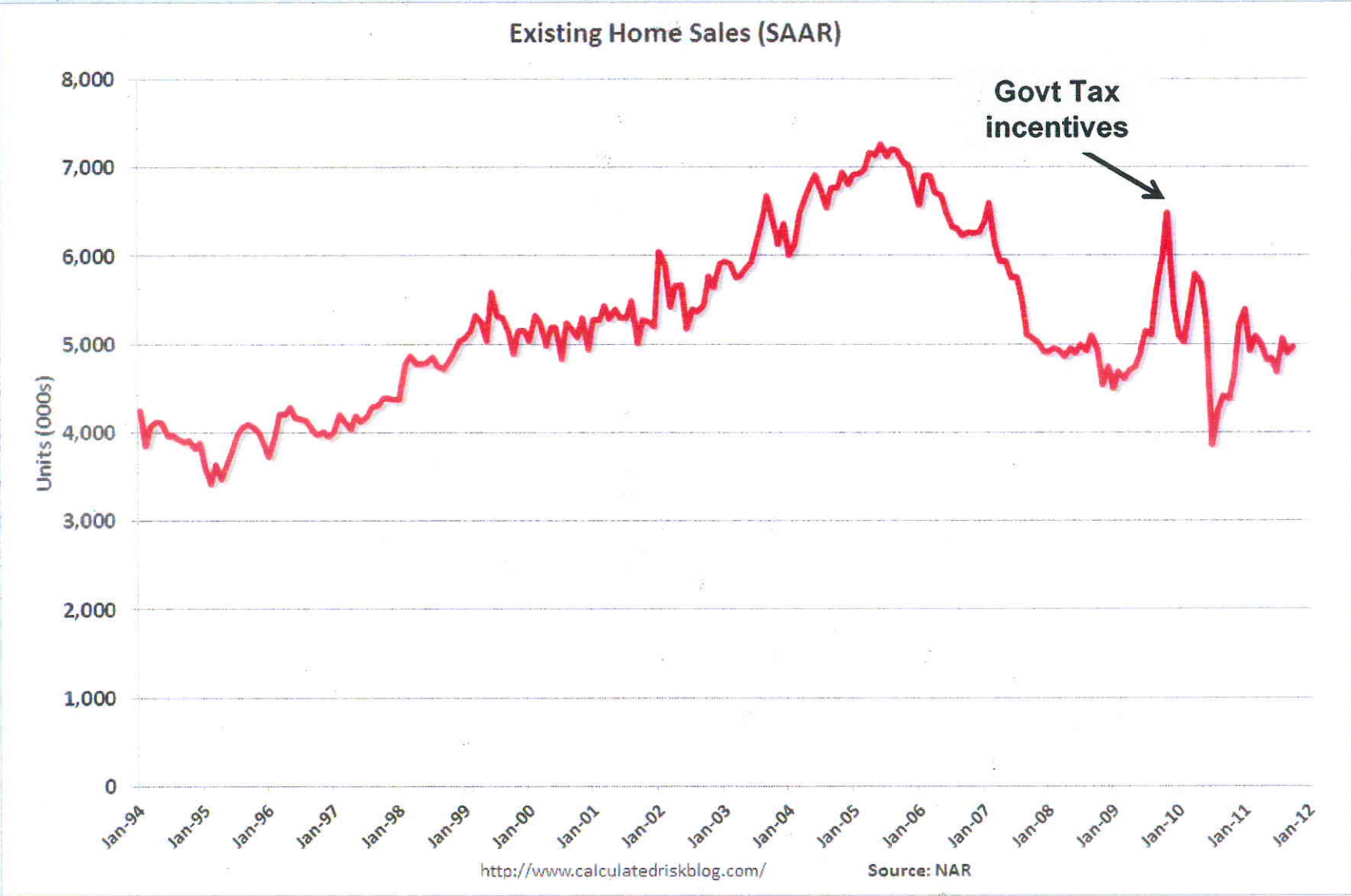
State	Foreclosure Type	Step	Description of Step ¹	Expected Optimal Statutory Timeline			Actual Average Time from DDLP to Finalized FCL Sale ²	Actual Average Cost From DDLP to FCL Sale Relative to US Average ³		
				Days in Step after FCL Referral	Total Days Since FCL Referral to Sale	Number of Days in Post-Sale				
				Redemption Period	Confirmation Period	Total Days from DDLP to Finalized FCL Sale including Post-sale Redemption Period ⁴				
Virginia	Statutory	1	Foreclosure Referral - Attorney sends FDCPA letter with contact information	3						
		2	Title Work and Substitution of Trustee is filed	5						
		3	Notice of Sale is sent to Mortgagee and all Interested Parties at least 14 days prior to the sale	14						
		4	Publication of Sale: 4 consecutive weeks. The sale cannot occur earlier than 8 days after the first publication and the no more than 30 days after the last advertisement.	14						
		5	Foreclosure Sale		98	none	none	186	213	63%
Washington	Statutory	1	Foreclosure Referral - Attorney sends FDCPA letter with contact information	3						
		2	Title Work - Trustee Sale Guarantee and Substitution of Trustee is filed	5						
		3	Notice of Default (NOD) is recorded and mailed to all Interested Parties at least 30 days before setting a foreclosure sale	30						
		4	Notice of Trustee Sale is mailed to Mortgagee and all Interested Parties. Foreclosure Sale cannot occur until 90 days have elapsed	90						
		5	Publication of Notice of Sale: 2 times in the month before the sale. Runs concurrent to the Mailing of the Notice of Trustee Sale	Concurrent with step 4						
		6	Foreclosure Sale		128	none	none	278	299	98%
West Virginia	Statutory	1	Foreclosure Referral - Attorney sends FDCPA letter with contact information	3						
		2	Title Work and Substitution of Trustee is filed	5						
		3	Notice of Sale is sent to Mortgagee and all Interested Parties at least 20 days prior to the sale	30						
		4	Publication of Sale: once a week for 2 - 4 consecutive weeks (depending on the county)	Concurrent with step 4						
		5	Foreclosure Sale		98	none	none	188	277	44%
Wisconsin	Judicial	1	Foreclosure Referral - Attorney sends FDCPA letter with contact information	3						
		2	Title Work	5						
		3	Summons and Complaint are Filed	1						
		4	Service of Process	30						
		5	Entry of Final Judgment	20						
		6	Six month preforeclosure-sale redemption period. Can be shortened to 1 month if property is vacant/abandoned	180						
		7	Publication of Sale: once a week for 3 consecutive weeks	21						
		8	Foreclosure Sale		280	none	14	424	458	140%
		9	Confirmation of sale							

WI: 6 month pre foreclosure redemption period

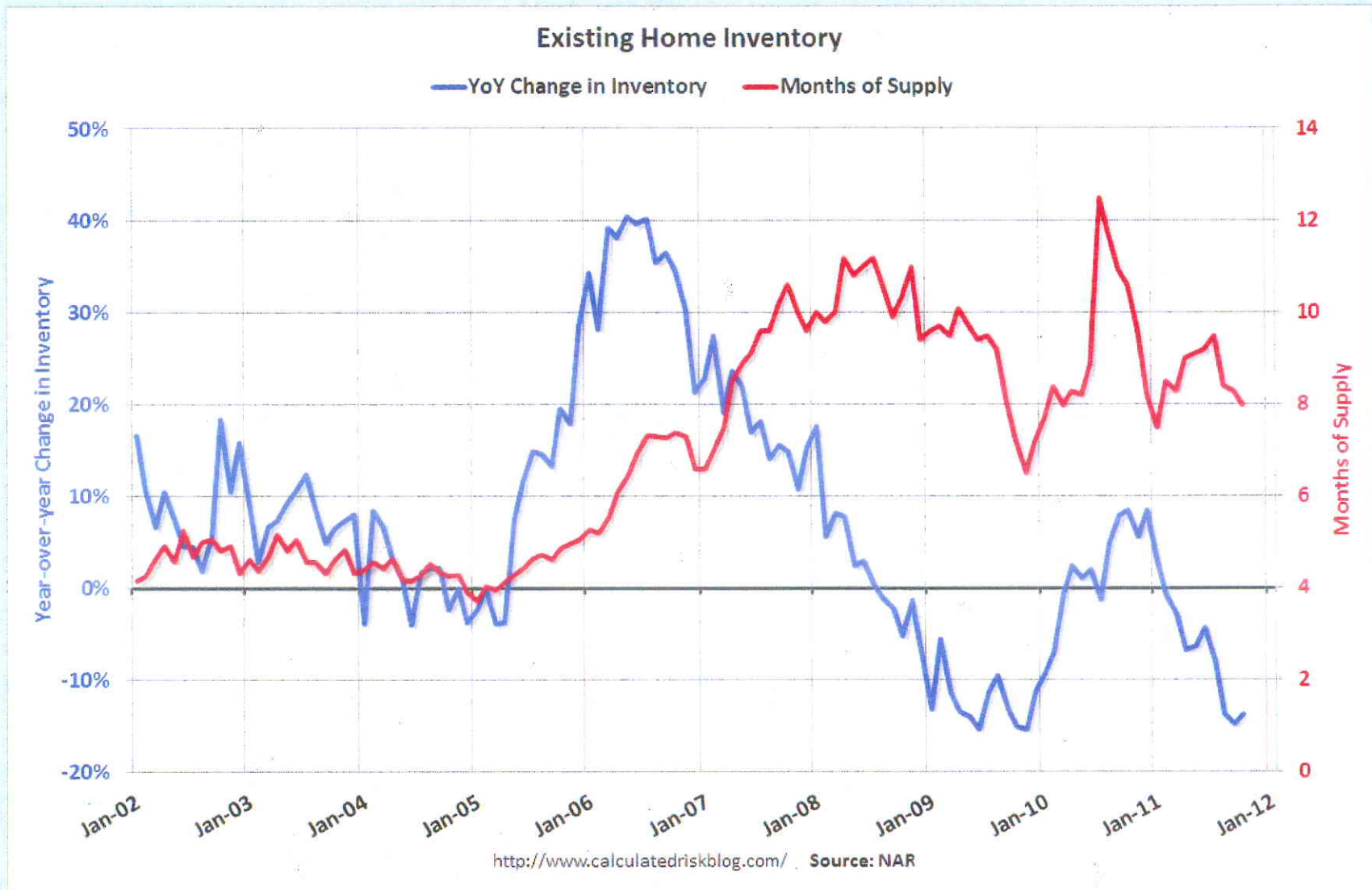
Source:

Crews Cutts and Merrill "Interventions in Mortgage Default: Policies and Practices to Prevent Home Loss and Lower Cost" in Borrowing to Live, Retsinas and Belsky Editors 2008

SUPPLY OF HOUSING



SUPPLY OF HOUSING



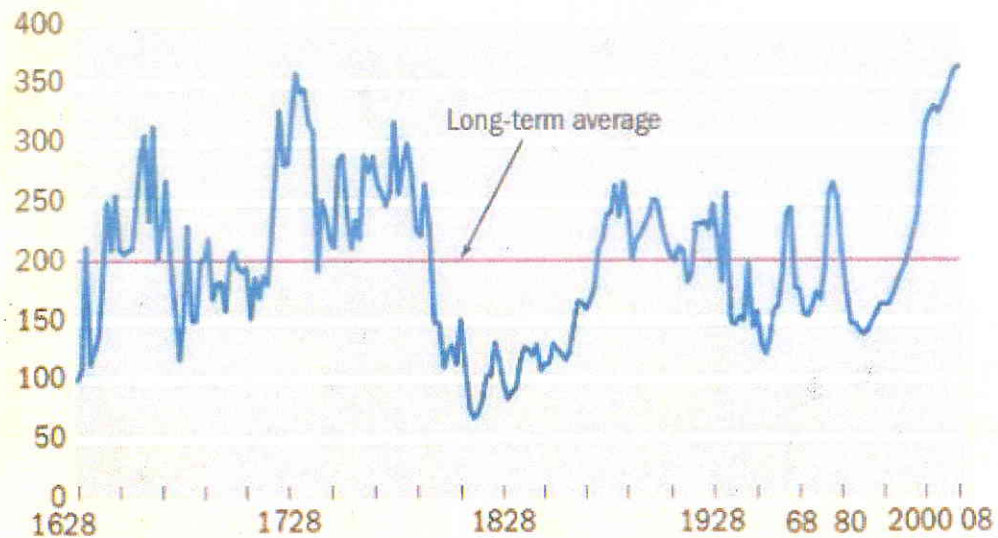
WHAT'S HAPPENING TO HOUSE PRICES?

WHAT'S HAPPENED TO REAL HOUSE PRICES? ALMOST 400 YEARS IN AMSTERDAM

Chart 1
The long view

Between 1628 and 2008 house prices in the Herengracht neighborhood rose and fell, but on average the real price doubled.

(1628 = 100)

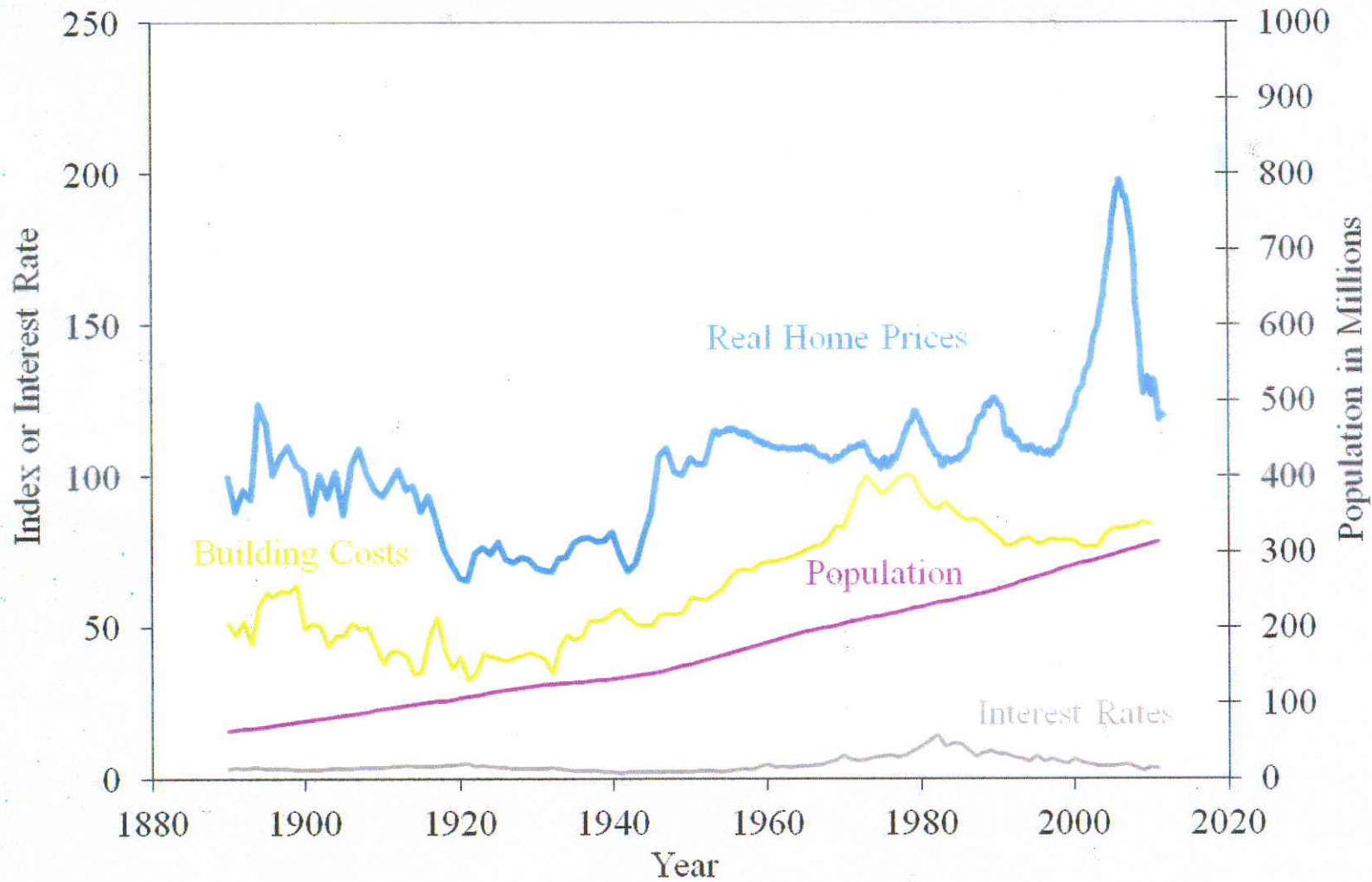


Source: Eicholtz, Piet M.A., 1997, "The Long Run House Price Index: The Herengracht Index, 1628-1973," *Real Estate Economics*, updated to 2008 by Eicholtz.

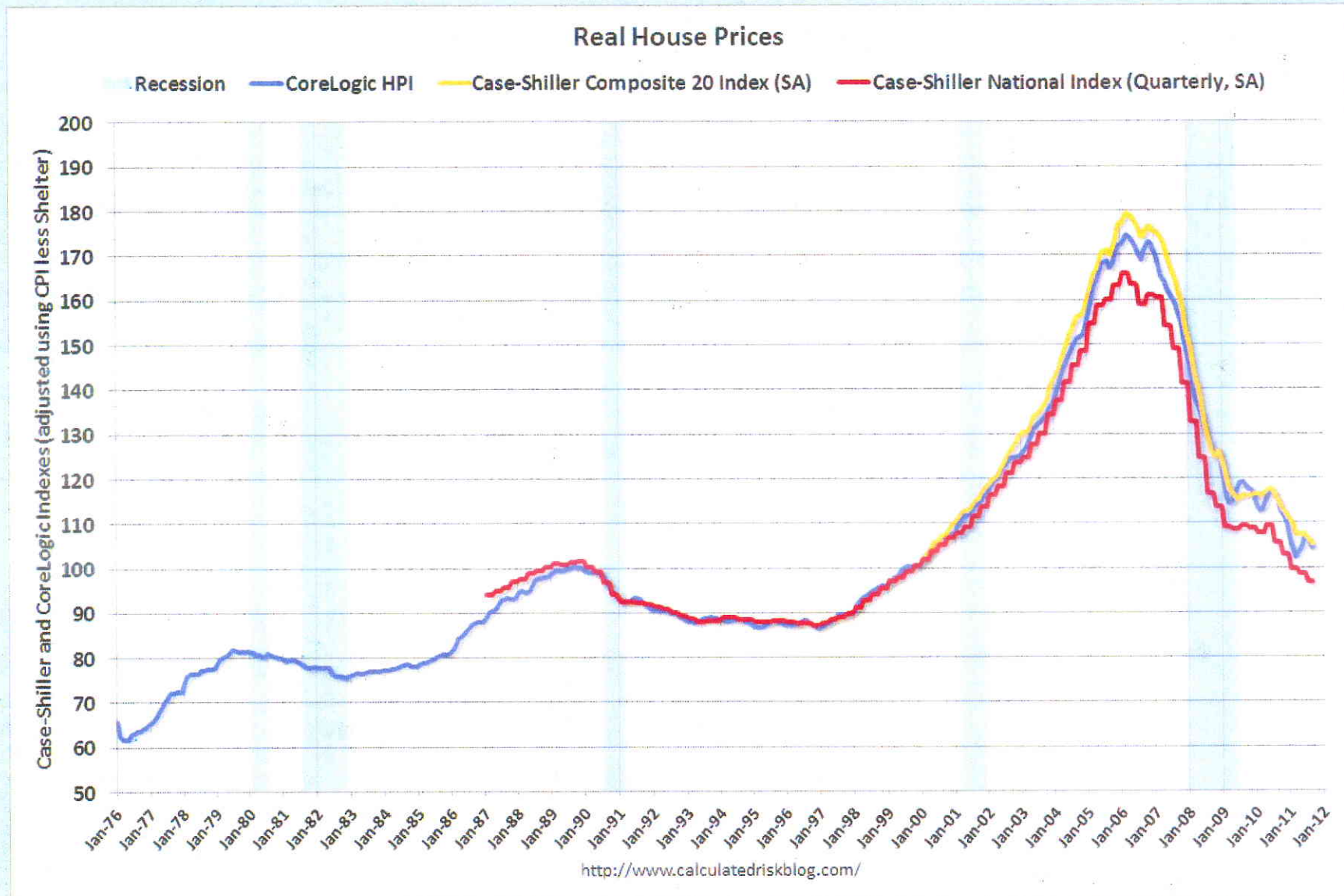
WHAT'S HAPPENED TO REAL HOUSE PRICES?

130 YEARS IN THE US

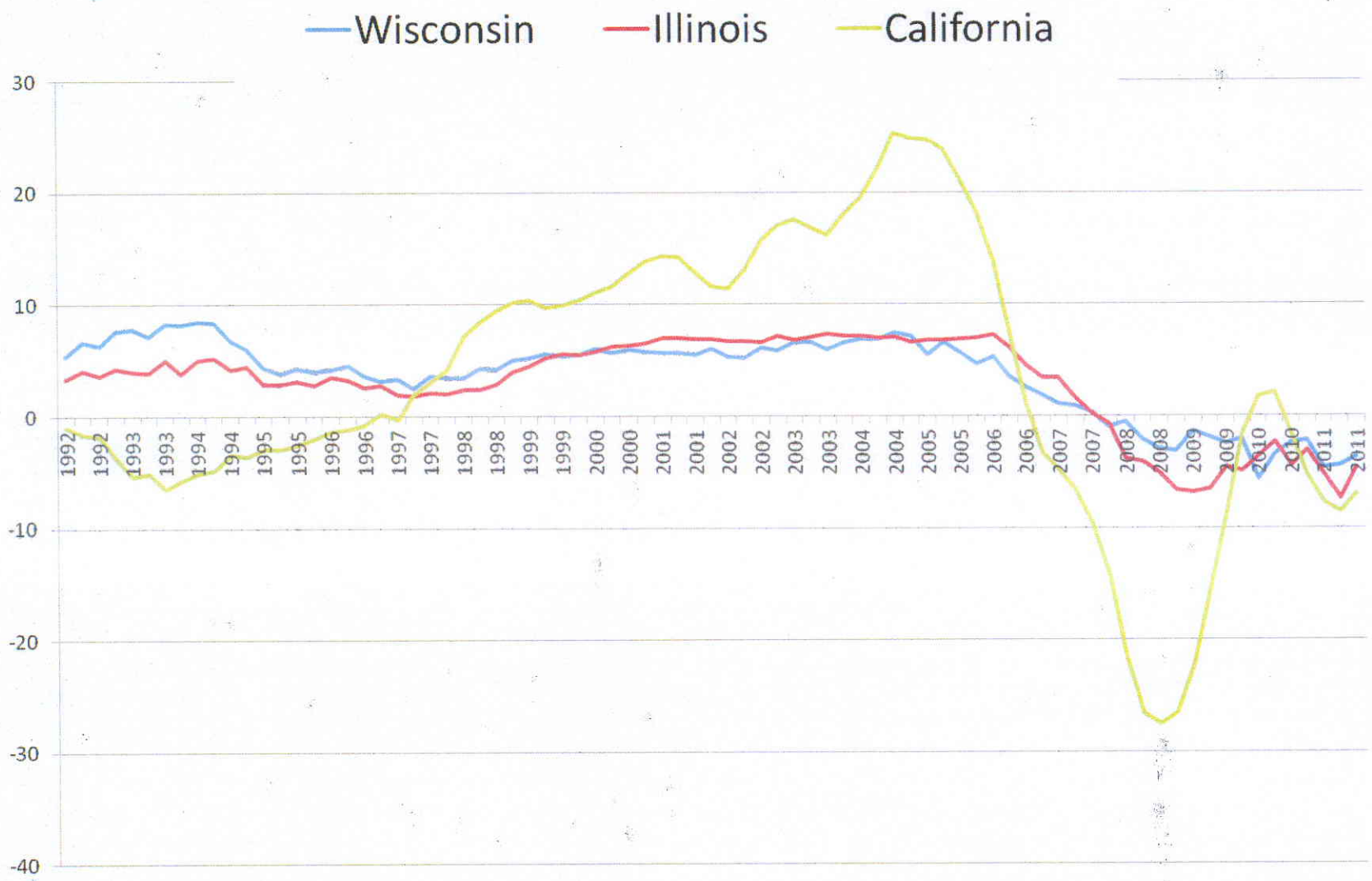
Source: <http://www.econ.yale.edu/~shiller/data.htm>



WHAT'S HAPPENING TO REAL HOUSE PRICES?

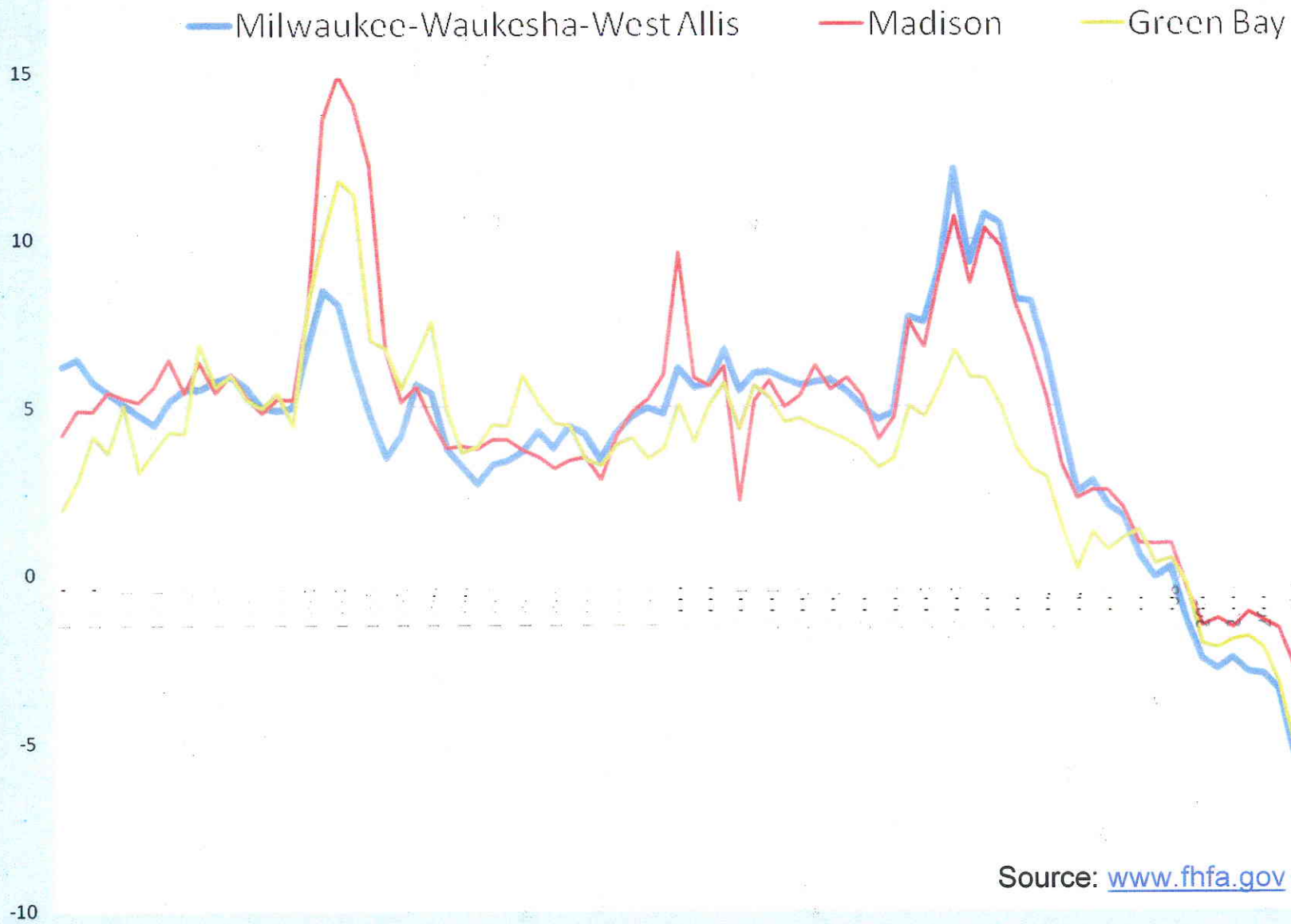


4-Quarter House Price Appreciation



Source: www.fhfa.gov & P-C

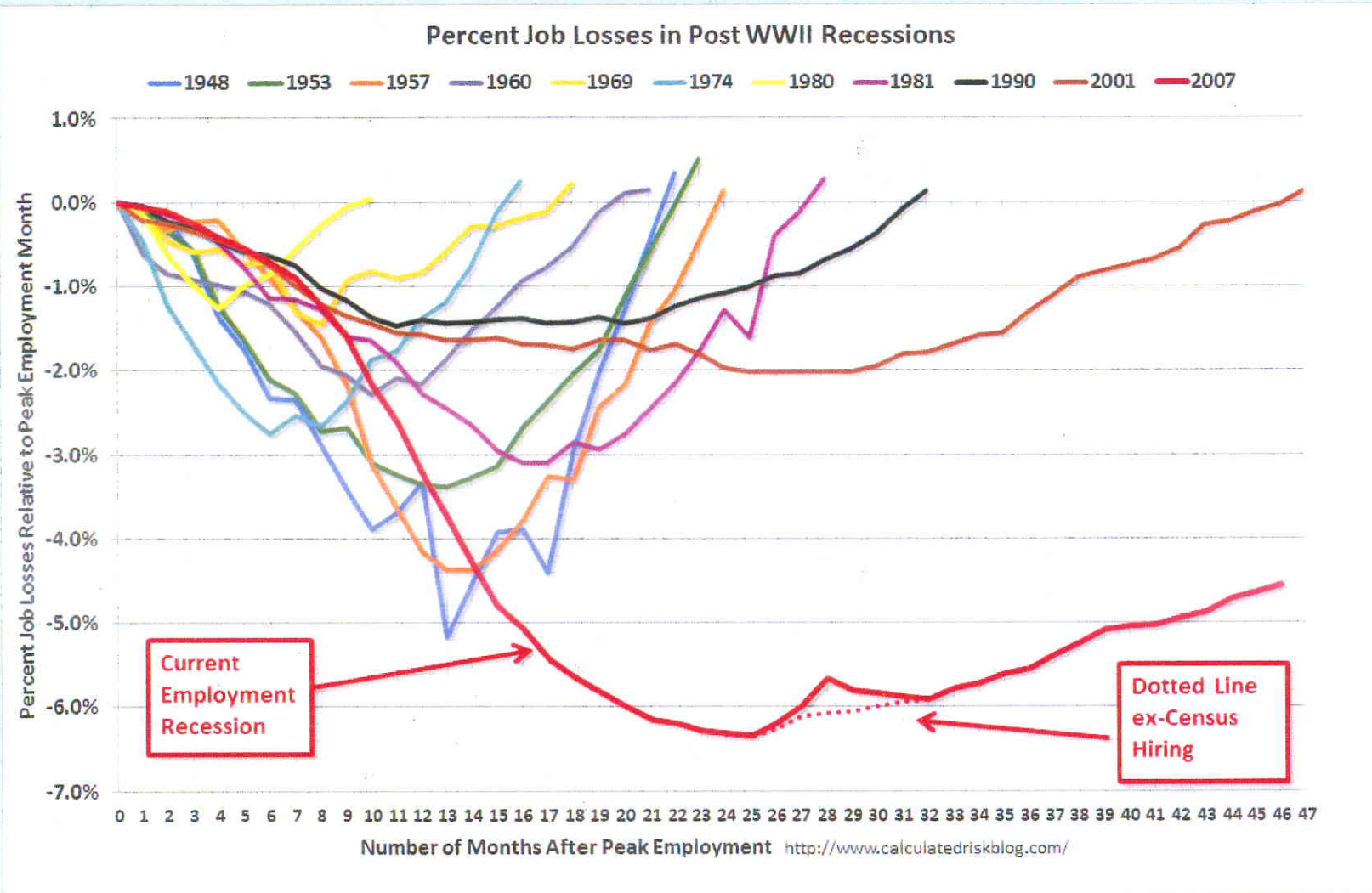
4-Quarter House Price Appreciation



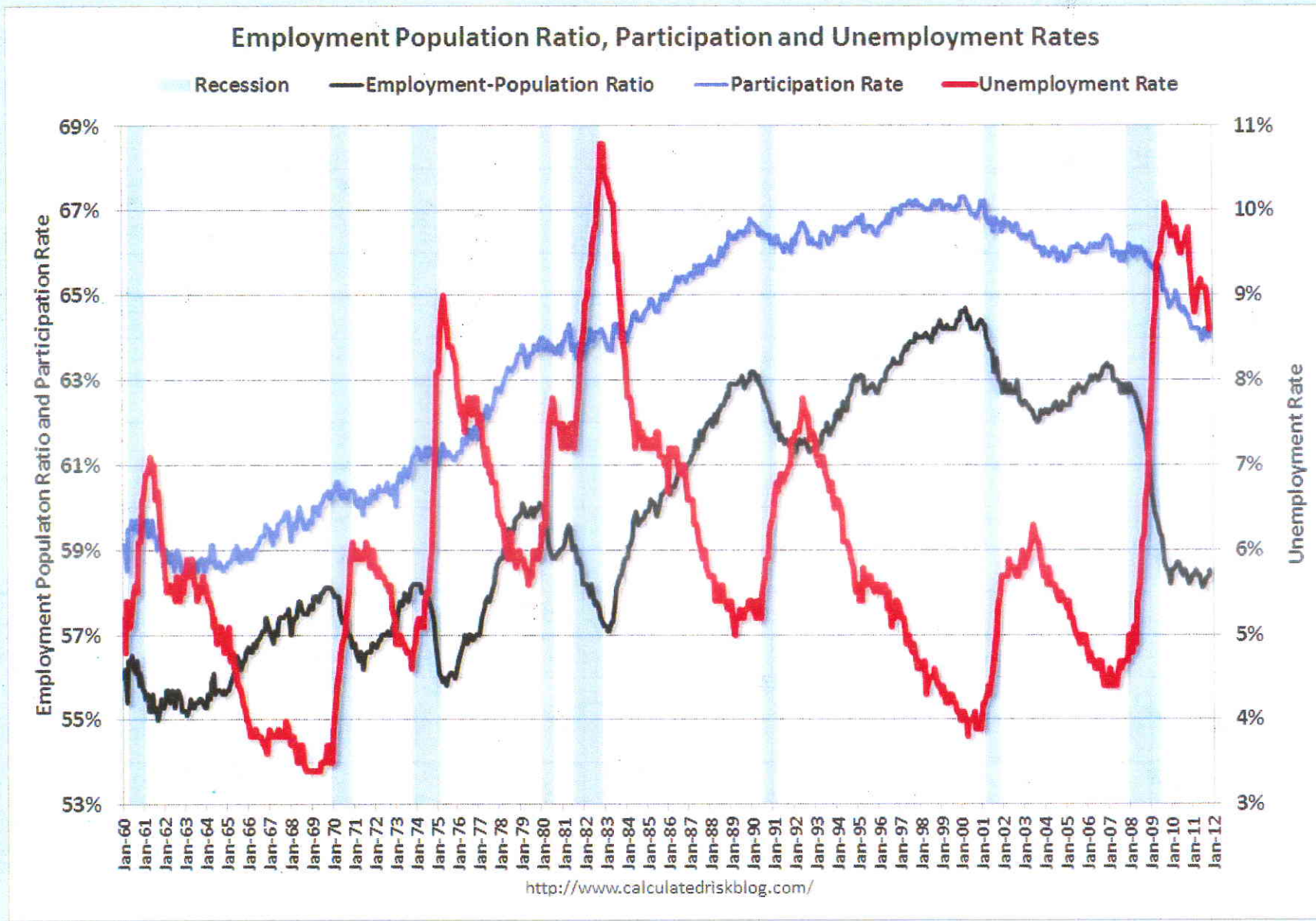
Source: www.fhfa.gov & P-C

WHAT'S HAPPENING TO JOBS
&
HOW LONG IS THIS GOING TO TAKE?

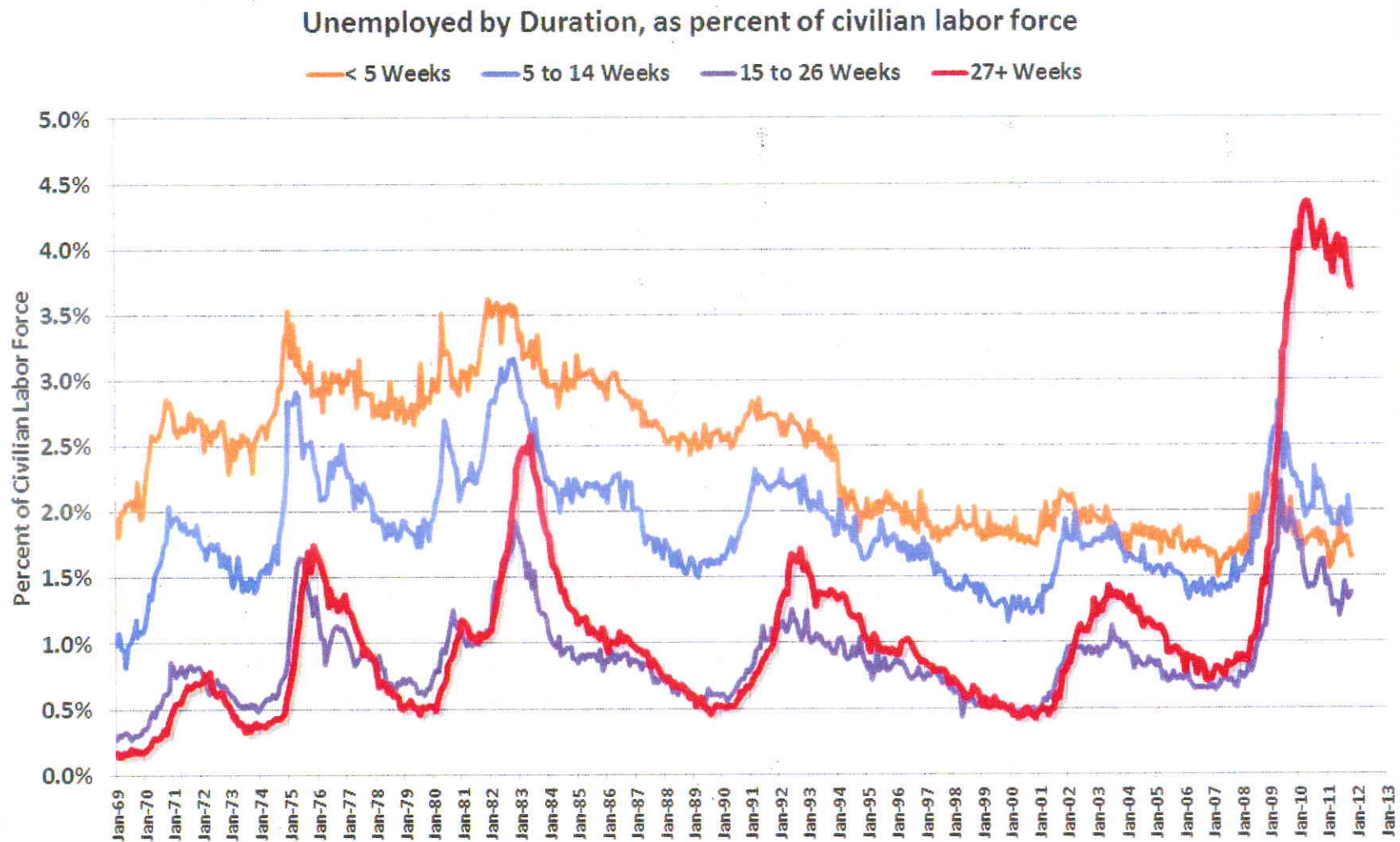
EMPLOYMENT LEVELS



1983 LABOR FORCE PARTICIPATION



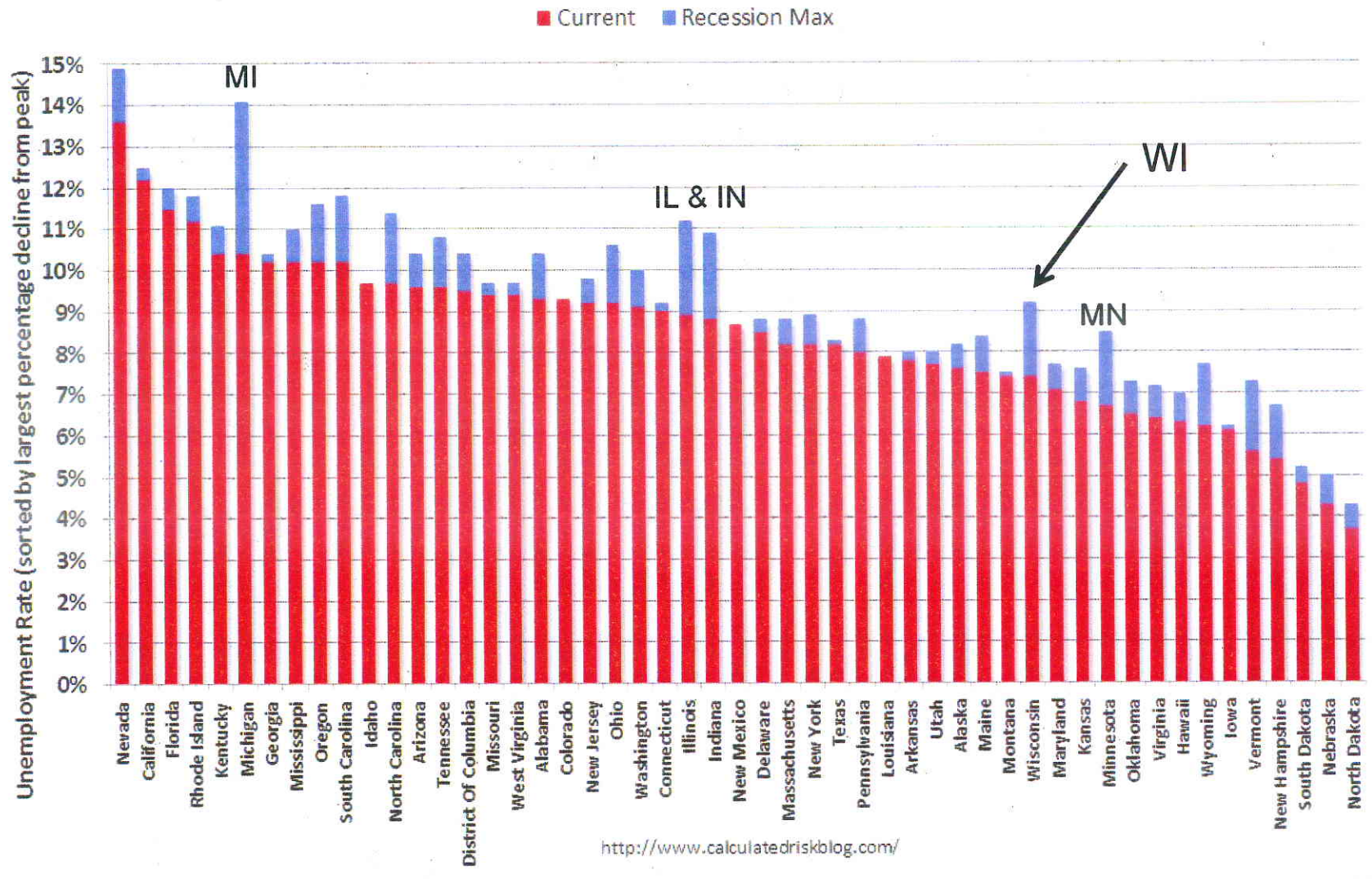
LONG TERM UNEMPLOYED PROBLEM



<http://www.calculatedriskblog.com/>

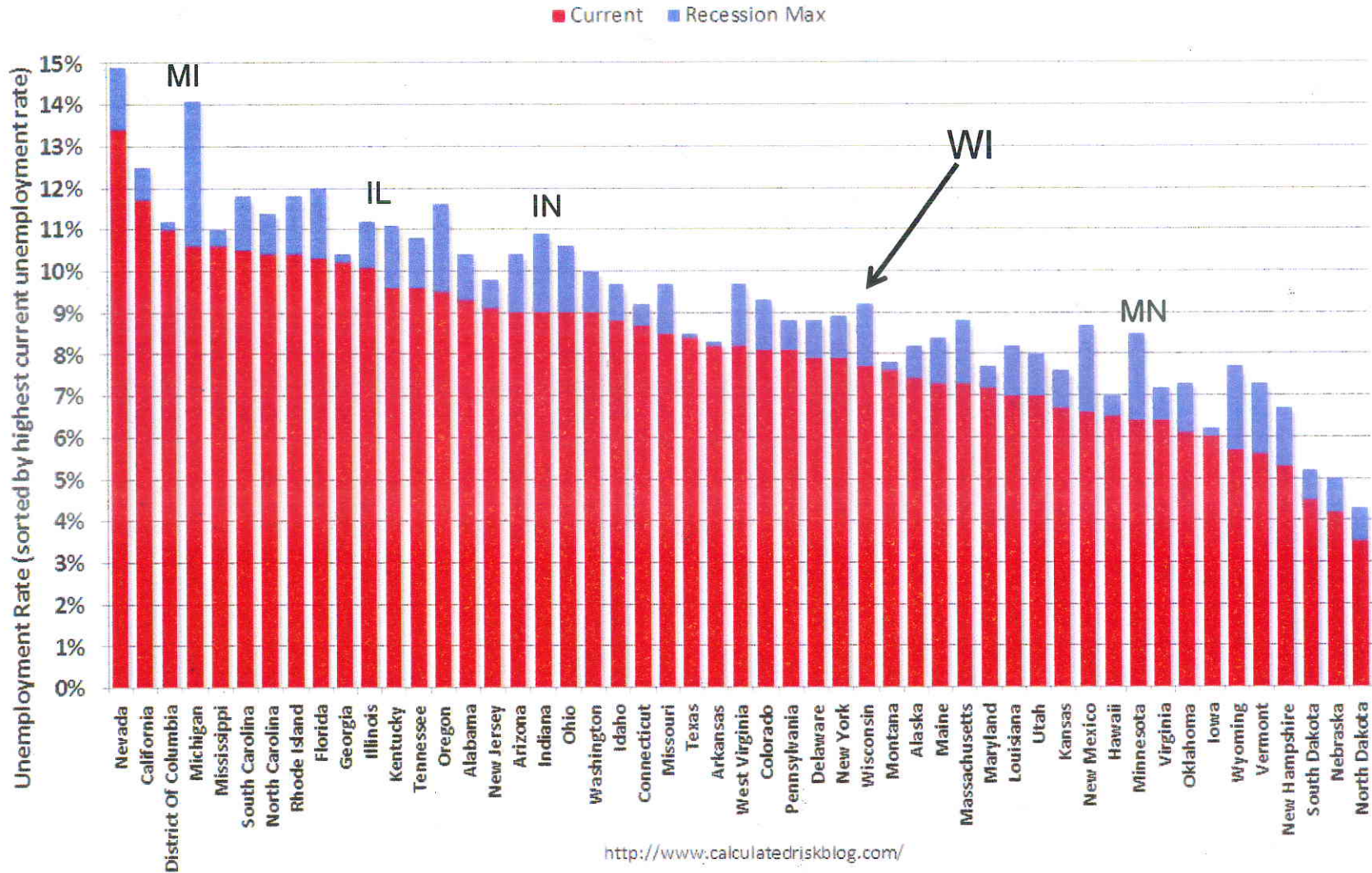
DOING BETTER THAN MOST - LAST MAY

State Unemployment Rate: Current Rate and Max for 2007 Recession

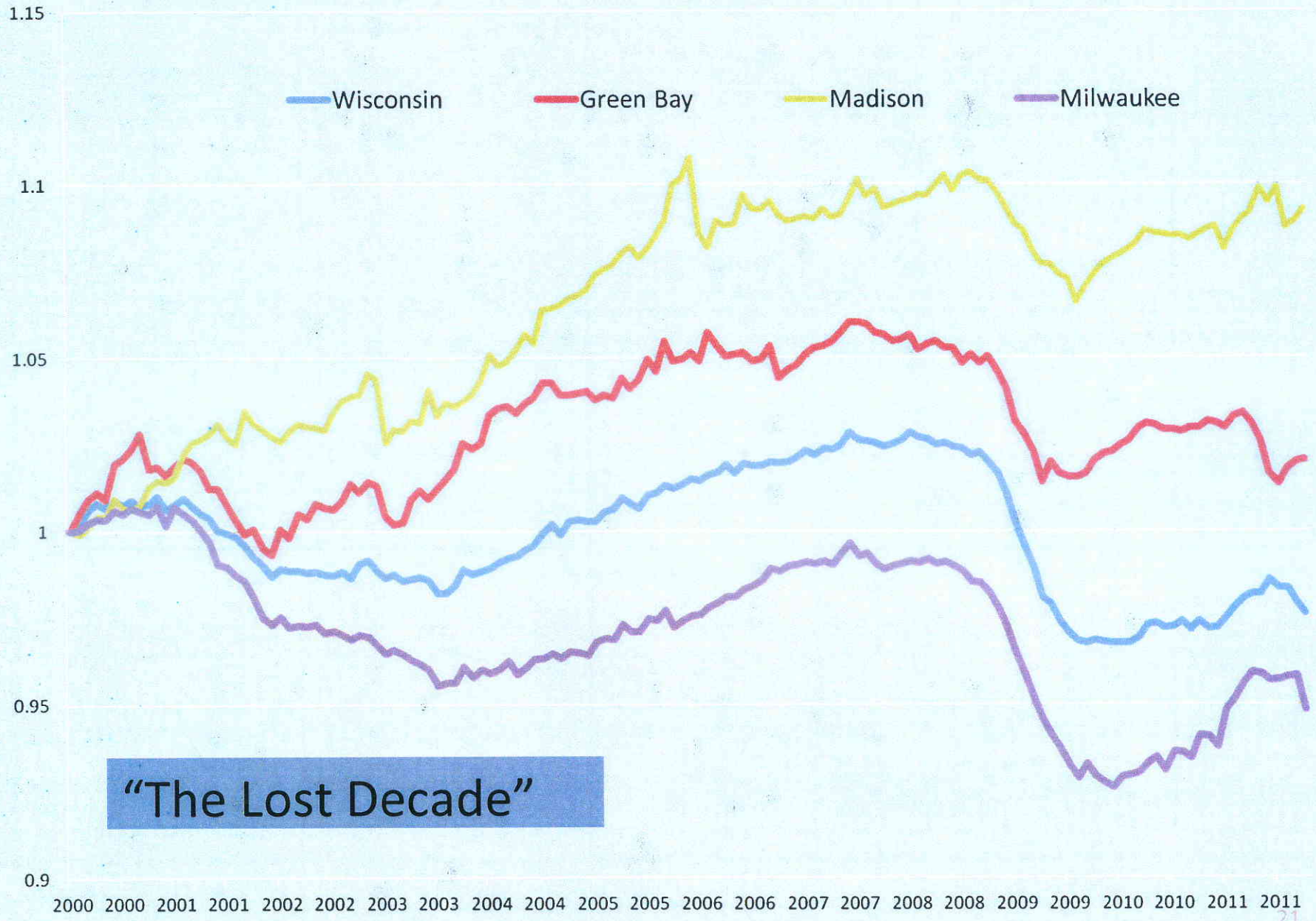


DOING BETTER THAN MOST - TODAY?

State Unemployment Rate: Current Rate and Max for 2007 Recession



Wisconsin Employment Trends – The Lost Decade



“The Lost Decade”

Source: Current Employment Statistics ,seasonally adjusted payroll, www.bls.gov

EMPLOYMENT & HOUSING TOGETHER SAY ...

THE MILWAUKEE ISSUE

2000 THROUGH Q3 2011

-- Employment

- Down 5.2 %

-- House Prices

- Up 35%

-- CPI (excluding food and shelter)

- Up 33%

**** Real house prices & jobs can't move in opposite directions ****

** Less obvious housing bubble in Milwaukee**

*** The market will continue to correct the imbalance ***

** In the very long run, real house prices constant at best**

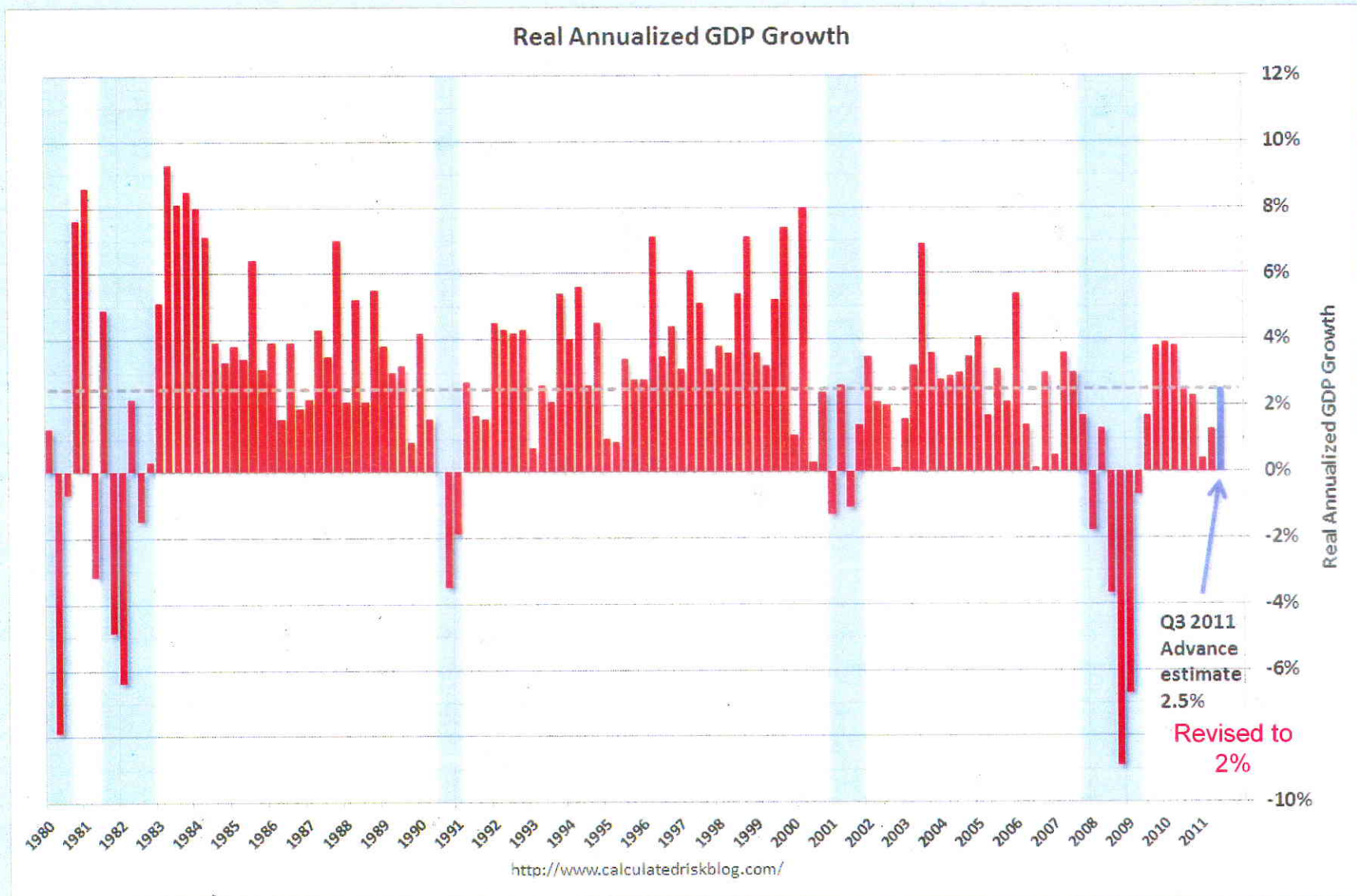
Part 2 --

We have to grow

...

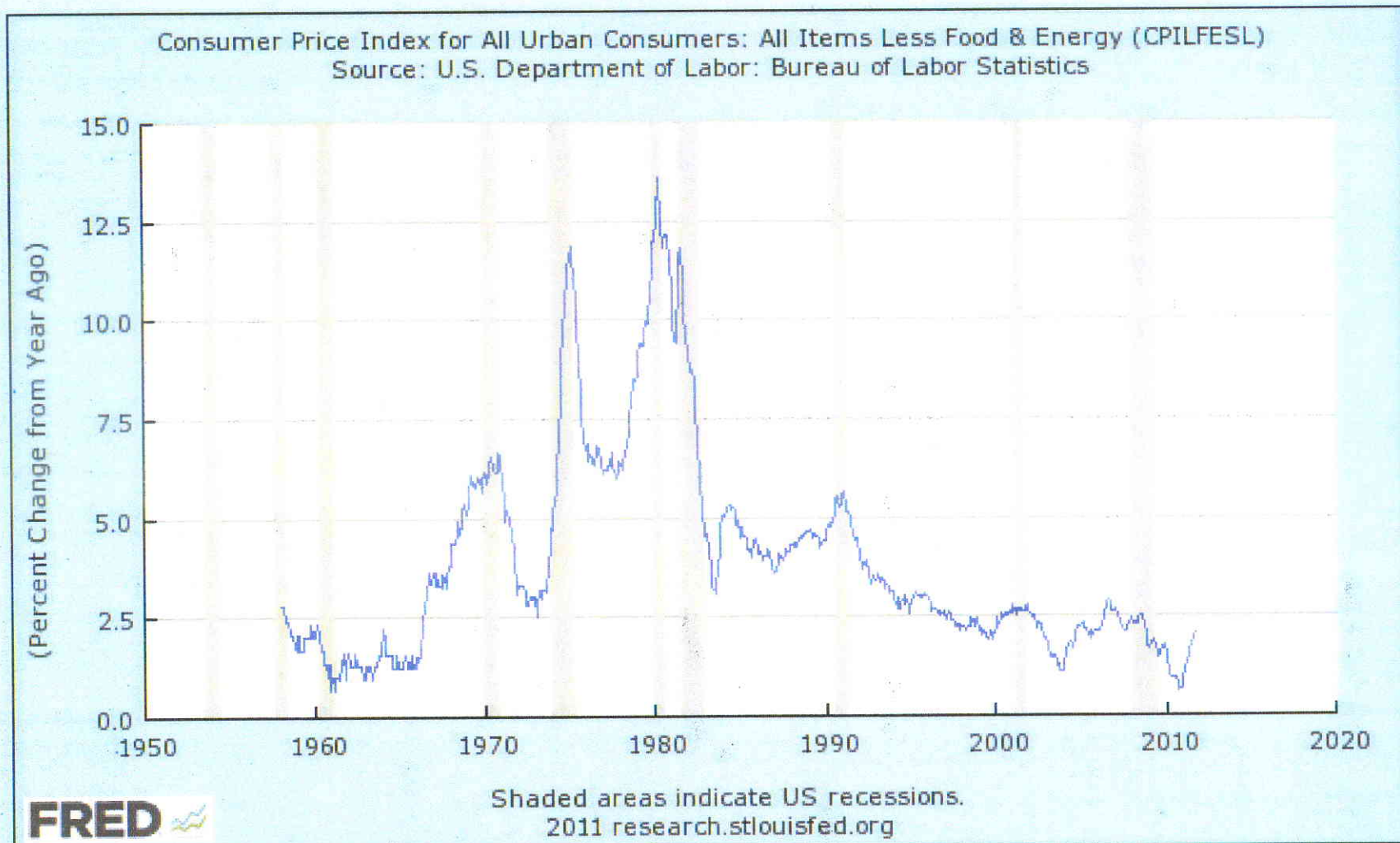
It's the only solution

GDP Growth Is Pretty Good

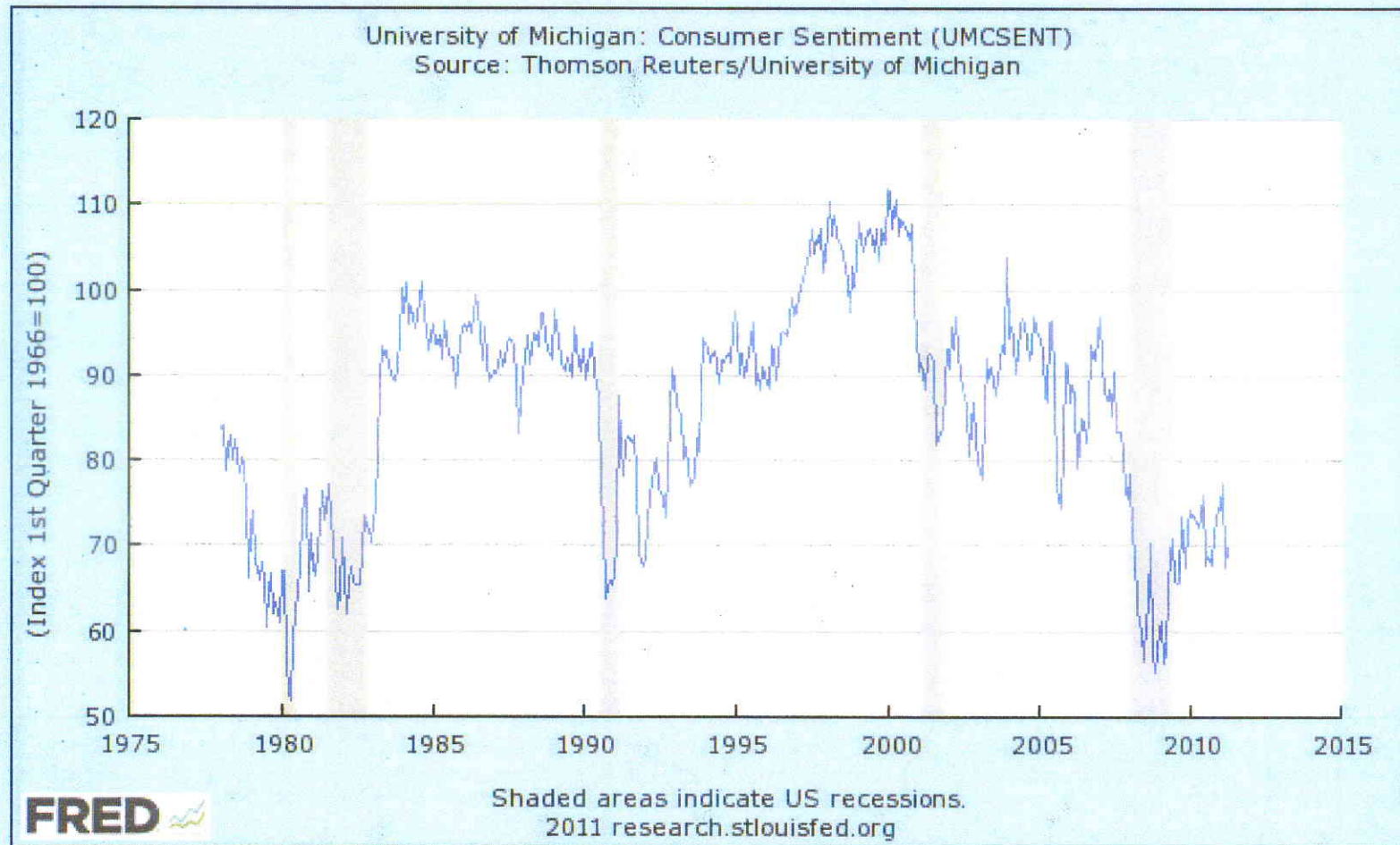


Is Inflation Coming Back?

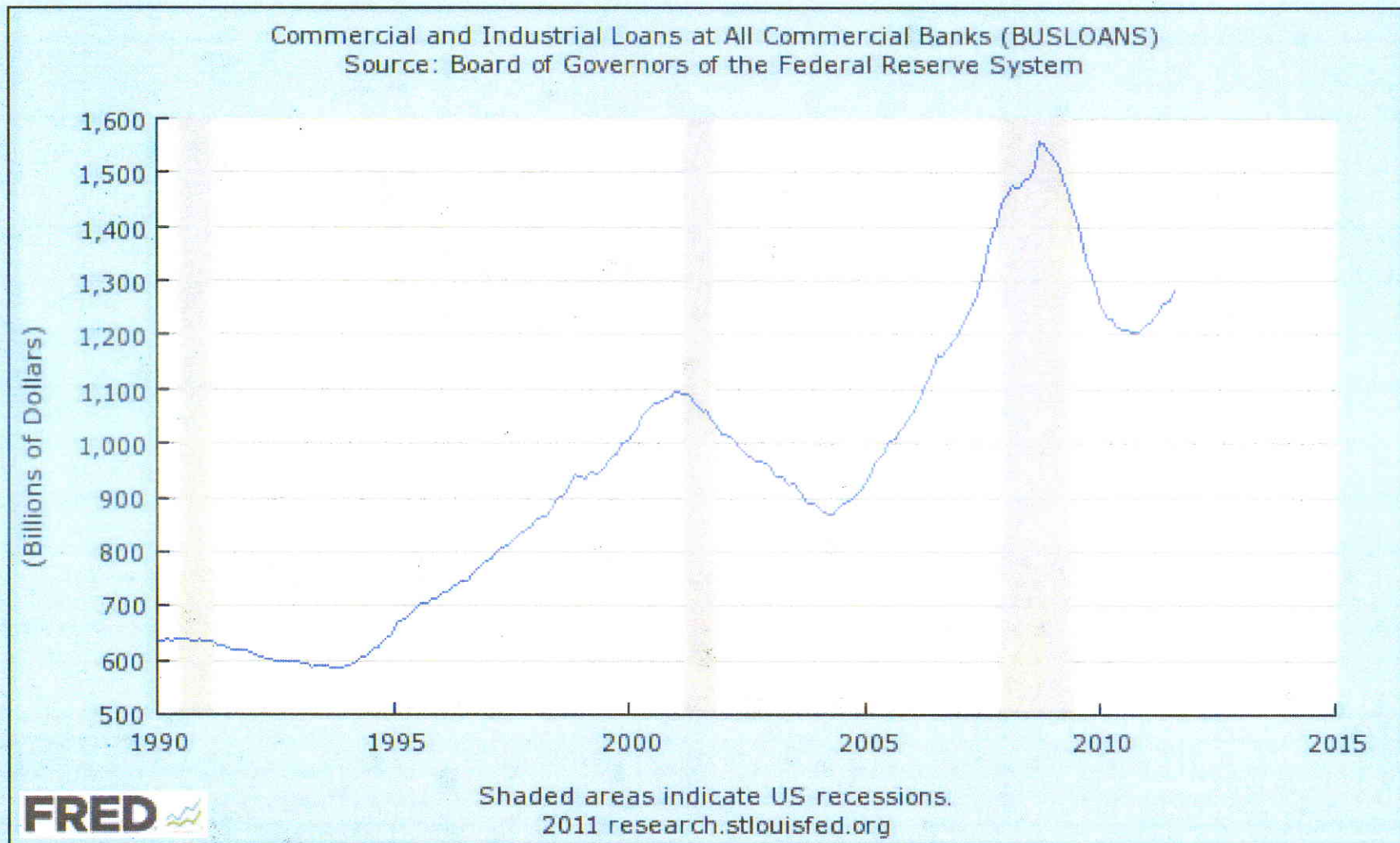
QE1, QE2, mortgage mkt $i = 4.125\%$, $i_{rf} = 0$, negative equity refi



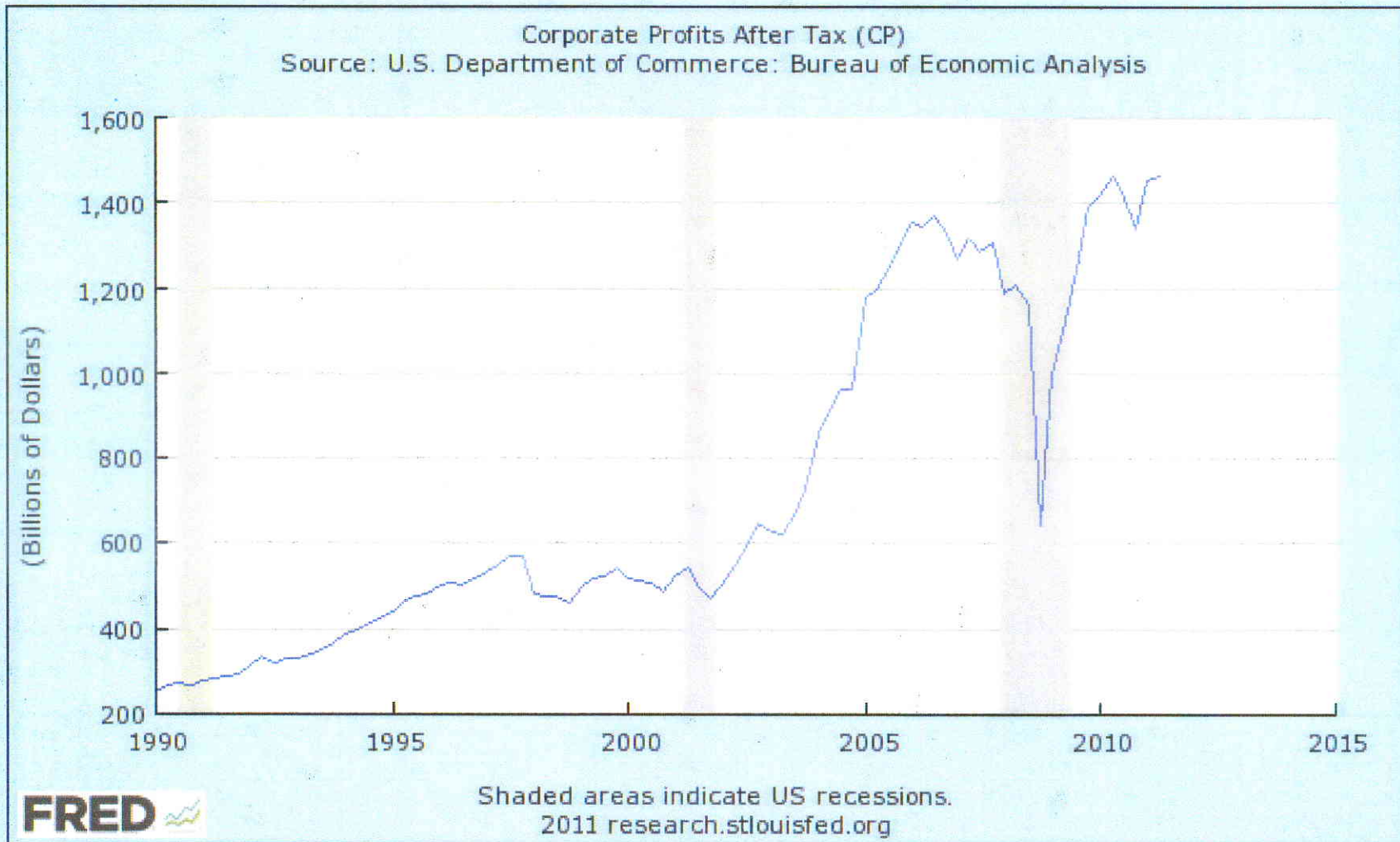
Consumers Are Still Depressed



Loans are Being Made



Profits Are High



Corporate Balance Sheets & Cash

“In Europe . . . **cash** on corporate balance sheets is almost a third higher than at any point in the last economic cycle “

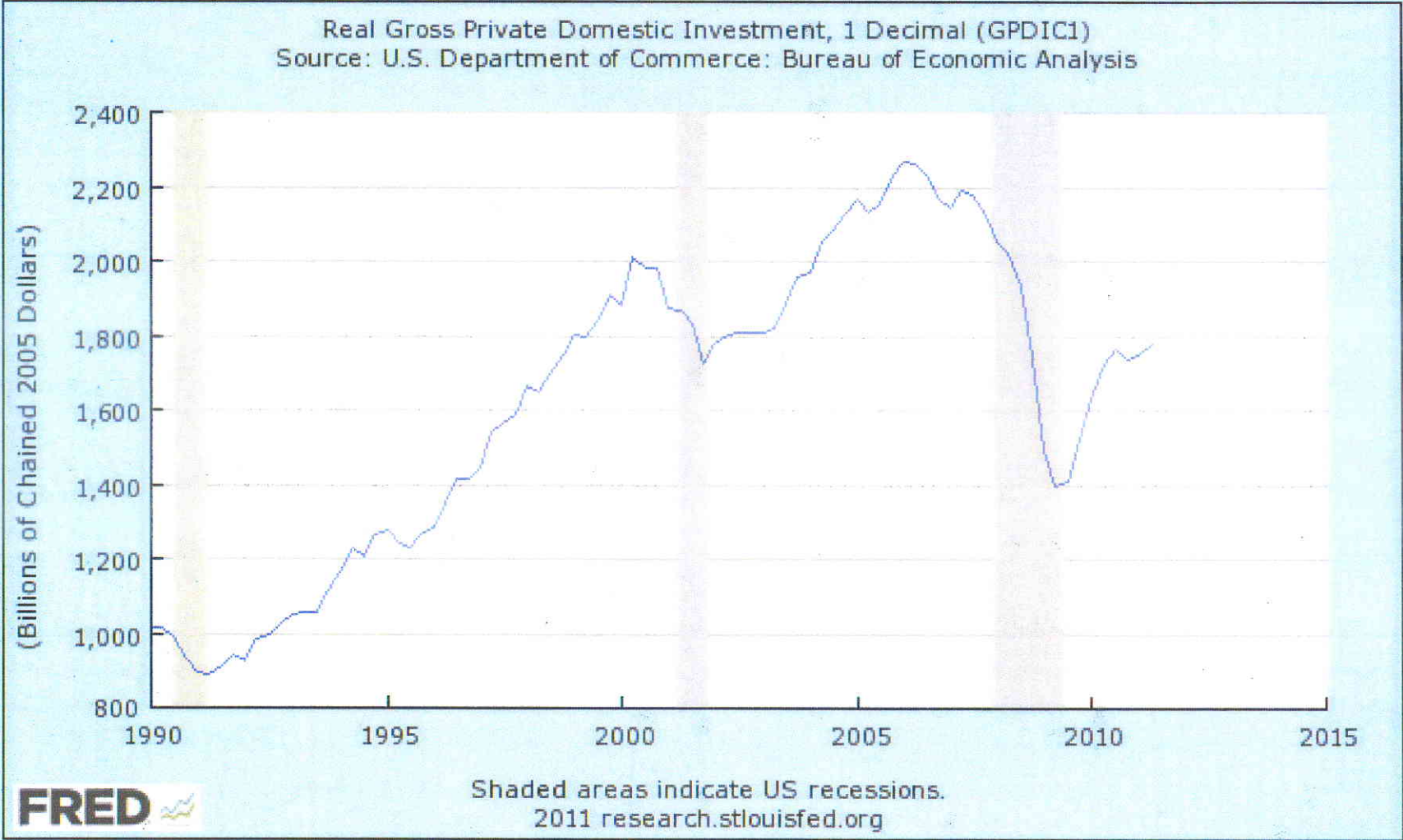
“. . . . in the US, the proportion of net debt to equity is the lowest for half a century”

“. . . . **cash** represents the biggest proportion of total assets (approximately \$2 trillion) in the US than at any time in the past half century “

“. . . . official interest rates in the US and UK are at or close to record lows, meaning the **returns on cash are close to zero**, providing a powerful incentive to use that money.”

efinancial News September 14, 2011, (affiliate of the *Wall Street Journal*) and *Financial Times*, Corporate Finance: Rivers of Riches, Richard Milne and Anousha Sakoui, May 22, 2011.

Investment Not Increasing



**The
Economist**

AUGUST 13TH - 19TH 2011

Economist.com



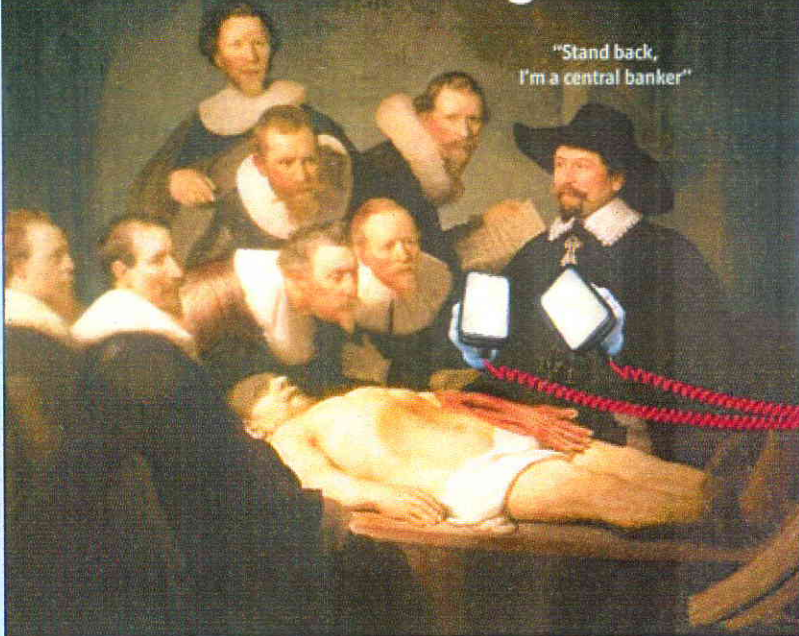
**Anarchy in
the UK**
Britain's riots

The Arabs gang up on Syria

The science of false confessions

Reviving the world economy

"Stand back,
I'm a central banker"



**The
Economist**

JANUARY 15TH - 21ST 2011

Economist.com

The euro crisis: time for Plan B

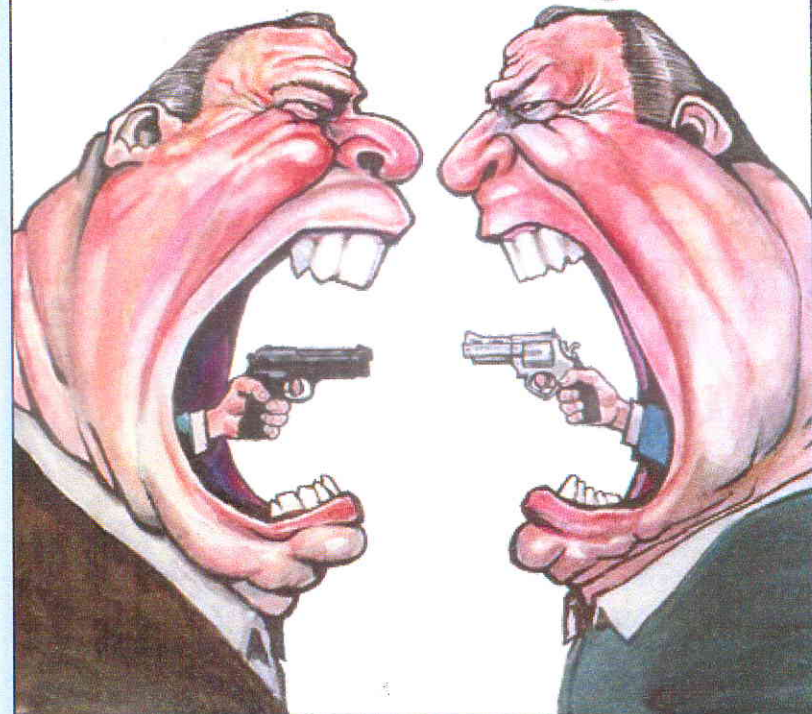
China's charmless offensive

Tougher times inside Iran

Happy birthday, Wikipedia

British vanity and "The King's Speech"

America's blame game



Summary

- **Employment** is going to take time
 - Milwaukee Metro Area – Weak Employment
- **Output** is growing
- **Housing Market** still sucks
 - Lots of foreclosures to come
 - Don't expect solid price appreciation
 - Milwaukee is still out of equilibrium
 - Government run mortgage market?
- Please no **inflation** problems
- Please no more **negative shocks**
 - Oil Disasters, Wars, Natural Disasters, Euro & ER, etc...
- A little **compromise** ask Alexander Hamilton
 - Gov't Debt, Gov't Spending, etc...

