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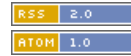
- [auctions \(3\)](#)
- [buying tips \(4\)](#)
- [condos \(4\)](#)
- [fannie mae \(2\)](#)
- [flat fee listing \(2\)](#)
- [florida luxury homes \(2\)](#)

- [foreclosures \(10\)](#)
- [housing crisis \(3\)](#)
- [listing tips \(2\)](#)
- [martin county \(2\)](#)
- [mls search \(2\)](#)
- [mortgage info \(4\)](#)
- [port st lucie \(2\)](#)
- [reos \(10\)](#)
- [selling tips \(6\)](#)
- [seniors \(3\)](#)
- [short sales \(12\)](#)

#### ☐ Archives

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- [June 2008 \(4\)](#)
- [May 2008 \(41\)](#)
- [April 2008 \(35\)](#)





## Florida at the Precipice of Depression

I was going to call this "Banks March Us Into Depression," or maybe more fitting is . . . "Complete Collapse of US Banking System." Folks, that is what we are looking at. I don't see any way around it. What we're seeing here in Florida, is your crystal ball. And what happens here, is coming to a town near you . . . soon.

This past week I didn't write anything, because what I am seeing unravel is disturbing to the point I had to question what I was seeing and hearing. So I decided to take as much time as I needed to digest it all, and then put something together for you. So here goes . . .

I could prepare volumes of spread sheets with Bernankesque numbers. I could talk about commodity prices and oil and third world politics and a dozen other metrics that all lead to the same conclusion. But let me give you a ground zero look. That's what I do best. I will leave the manipulation of the numbers to the folks on Wall Street that do it best. The same folks that have created the precipice they will soon push us off.

I spend a great deal of time dealing with Asset Managers hired by banks stuck with REOs. So as not to re-hash the events leading to the housing crisis, I will not discuss the free-money policies of the past, and I will not discuss the absolute lack of accountability in making the bad loans of the past. Let's just deal with how the banks are attempting to recover.

Unfortunately, banks are not making a realistic effort to address the crisis. That may be because they cannot. As the banks and builders have announced write down after write down, my mantra has been . . . and continues to be . . . NOT ENOUGH - NOT ENOUGH - NOT ENOUGH. I still believe that. The builders and the banks have underestimated the magnitude of the problem, and they continue to do so. Analysts continue to look at the rear-view mirror and attempt to manipulate numbers based misguided historical assumptions. NAR and the economists continue to twist the numbers, lie and then slip in prior-month adjustments without actually comparing apples to apples. But that is another article. The bankers and the fat cats on Wall Street sit back and watch the carnival, collecting fees from everyone they can snooker.

I have recently started turning away REO properties from banks and asset managers, even though hundreds of thousands of real estate agents nationwide are lined up waiting for these listings. I made the decision because we have reached a point where these listings are costing us money, and the asset managers are squeezing harder and harder . . . because they can. There are GREAT asset managers and there are incompetent ones. The majority fall into the incompetent bucket, but we eliminate them quickly. The banks, on the other hand, continue to throw away money with the bucket of incompetent managers. It seems like the mortgage brokers that pushed funny money for the last six years are now starting asset management companies. We still work with a number of asset managers and banks directly, but the list of asset managers is growing smaller as properties fail to sell. When that happens, properties are bundled up and sold in bulk or at auction. This puts further downward pressure on markets because of lower prices and the inventory was not absorbed . . . it just changed hands.

Banks cannot afford to take 50-75% hits on mortgages, and that is exactly what is happening. The precipice is here, and we are on it. Recent reports about home sales rebounding are insignificant, because no one is accurately describing the growing inventory build-up. Banks simply don't have the margins to deal with this crisis. And for that reason, we will see massive bank failures and this will snowball into a complete economic meltdown. If you have an argument against this scenario, I'd love to debate you on a live conference call. We deal with the banks. We know what is going on before the numbers show up at the Fed or any analysts desks. We deal with the public, so we hear the desperation at all levels. I listen to grown men cry about how to explain to their families that they are losing everything. I listen to people that I fear are on the verge of suicide. I read about people committing crimes simply to put food on the table. Spend a week with me, and you'll understand why there is no feasible way to avoid a Depression.

The banks will fail, just as they failed in 1929 . . . but worse because this time some of this leverage is as high as 40:1. Insurance? Where is that going to come from? There is no insurance that can cover the cost of the coming bank failure, unless we just print more money. We are two generations removed from 1929. I am talking about Biblical 40 year generations. And when you look at who we were in 1929 and who we are now, you'll realize just how ugly it is going to be. In 1929 there was a stronger base of family values. There was a work ethic

that we don't see today. The generation from 1929 - 1969 grew up with a totally different set of values than the generation from 1969 - 2009. The first generation worked their way out of the Depression. Today's generation doesn't understand work. We only understand creative financing and how to live off the next generation. And sadly, that is where we are today. We are at the precipice, and we are going to push our children over the edge because we lived so far above our means and ignored all of the warning signs. We lived just like the Romans in their final days.

#### 6 Comments on Florida at the Precipice of Depression

Harsh? Like I said, spend one week with me, and you will go home with a new outlook about life. Mike Morgan, J.D., REO, GRP on 06/05/2008 [Comments \(6\)](#) [Reply](#)  
 Mike Morgan, J.D., REO, GRP on 06/05/2008 [Comments \(6\)](#) [Reply](#)  
 You will go home with a new feeling in the pit of your stomach. Guaranteed.  
 I can't find the data to back it up but it is my opinion that just Florida is the worst state in the country. I don't know when it will turn but right now the only homes selling out REOs and short sales.

The next generation? I would like to think we will eventually build ourselves out of this Depression with nuclear plants, solar and wind farms, seawater desalination plants new roads, bridges and state of the art cars and trucks. Unfortunately, when someone's hands deck their house history down, what do you manage for \$50,000 today?!!  
 generation? It will be a much tougher recovery, because we have lost the fundamentals that made us the greatest country in the world.

Everybody is upside down.

NOTE: If interested in additional information visit my institutional website at [www.Morgan-Florida.org](http://www.Morgan-Florida.org) or my consumer website at [www.Treasure-Coast.us](http://www.Treasure-Coast.us) If you would like to be added to our distribution list, please email me at [Mike@MorganFlorida.com](mailto:Mike@MorganFlorida.com). If you have any opportunities for REOs that need selling in Pompano, let me know.

This is a very good post! Folks need to take the rose tinted glasses off and look at reality. Reality bites!!

But.....this too shall pass.

06/05/2008 04:40 PM by [Bryant Tutas-Tutas Towne Realty, Inc](#)

Thanks Bryant. I know it is a depressing post, but it has been bothering me for the last few weeks. When I speak to the bankers, they are either hiding under their desks or retiring. When I speak with consumers, it is downright chilling. Yes, this too shall pass, but I have an eery feeling this will be a much more violent Depression than 1929 in financial terms and in physical violence, crime and maybe worse.

06/05/2008 04:47 PM by [Morgan Florida Real Estate TEAM](#)

This was a deeply insightful analysis. It's not easy to confront the truth, but that is the only hope that we have of dealing with this crisis. Thank you for a well written perspective of this situation.

06/05/2008 05:15 PM by [Lola Audu](#)

Thanks Lola. I only scratched the surface. I could write a 50 page report on the foundation of the crisis from restaurants closing to loss of critical state jobs because of the loss of taxes and real estate transfer fees, as well as shutting down fire departments, schools, libraries, medical care, etc. . . and the ones that get hurt are the one that cannot afford it. The builders and bankers that made billions off of this, will make even more money on the other side.

06/05/2008 05:25 PM by [Morgan Florida Real Estate TEAM](#)



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