A Shift from Thrift

In 1957, U.S. Senator Strom Thurmond was worried about dehydration. Having spent several days purging himself of fluids both through reduced intake and a series of sauna sessions, the segregationist South Carolinian took his place on the Senate floor with a stack of papers and a bowl of lemons for sustenance. And when he was recognized by the presiding officer, Thurmond stood up and began the longest filibuster in Senate history. More important, however, was what Thurmond was attempting to derail: civil rights legislation. He had already run against Harry Truman for president on the segregationist Dixiecrat ticket—and now this. Yet 40 years later, Thurmond would be known mostly for being flirtatious and, well, really old (he would retire from the Senate in 2002 at 100 years of age). When it came to race relations, he was a mentor to black media personalities, an employer of black Senate staffers, an appointer of black judges, and a supporter of both the Voting Rights Act and the Martin Luther King federal holiday. So what happened? In his eulogy at Thurmond’s funeral, Delaware Senator Joe Biden (a self-proclaimed Northeast liberal who ran for the Senate because of civil rights) noted that, “like all of us, Strom was a man of his time.” Thurmond’s shift on civil rights reflected a cultural shift in the South away from segregation and toward equality.

Brunt of Blame Aimed at Bevy of Sources

Another cultural shift has been occurring in the United States for several decades, though not with positive outcomes. The results of this shift can be seen clearly in the increasing spread of blame relating to our nation’s housing finance crisis. As they have from the beginning, lenders continue to be the main focus. Indeed, no less than the Sage of Omaha himself—Warren Buffett—has chosen to point blame at lenders. In his most recent letter to shareholders of Berkshire Hathaway, Buffett writes: “You may recall a 2003 Silicon Valley bumper sticker that imploded, ‘Please, God, Just One More Bubble.’ Unfortunately, this wish was promptly granted, as just about all Americans came to believe that house prices would forever rise. That conviction made a borrower’s income and cash equity seem unimportant to lenders, who shoveled out money, confident that house price appreciation (HPA) would cure all problems. Today, the nation is experiencing a widespread pain because of that erroneous belief. As house prices fall, a huge amount of financial folly is being exposed. You only learn who has been swimming naked when the tide goes out—and what we are witnessing at some of our largest financial institutions is an ugly sight.”

At the same time, homebuyers are starting to file lawsuits against their real estate agents, saying they obviously paid too much for their house and the agent is to blame. Several auction companies are being taken to court by prospective buyers who claim those companies used misleading marketing tactics to draw potential bidders.

Far from Frugality

Many of the stories in DS News talk about the need to use different thinking and better tools and how to better manage everything from vendors to borrowers. We talk about a flawed system that only caters to speculation for real estate transactions. What lies beneath all of this for those on the other side of the American dream? A cultural shift away from thrift.

A report was recently issued by the Commission on Thrift, explaining the ways in which America has shifted culturally from a nation with built-in mechanisms that encouraged thrift and has now evolved into one with those mechanisms...
As Everyone Seems to Be Talking About the Need for Change, Will the Servicing Industry Take the Lead and Keep the Pace?
Rather than the greedy lender or the boot-licking appraiser or the self-interested real estate agent or the foolish borrower to blame, a broad, economy-wide shift toward anti-thrift forces that fertilize the conditions necessary for foreclosure to occur is materializing.