CONSUMER BANKRUPTCY

My Clients with Second Mortgages were Brainwashed

How the banking industry fleeced America with euphemisms

By Craig D. Robins

When I ask my clients how many mortgages they have they almost always reply that they have only one. Then, upon further questioning, they tell me they also have a home equity loan.

"So you do have two mortgages," I say.

"No we don't!" they say. "We only have one mortgage! The other debt on the house is just a HELOC."

These clients and so many others have been the victims of one of the largest brainwashing schemes in the history of modern mankind. So pervasive was this effort to hoodwink society that it was a major contributing factor to the national recession that we are currently experiencing.

When I was growing up, mortgages were sacred. As a child in the 1960s, I recall homeowners in my old neighborhood in Hauppauge having mortgage-burning parties to celebrate having made the final payment of their mortgage debt.

Many of these homeowners had relatively humble pasts, having moved to the suburbs from small apartments in the boroughs of New York City. They worked very hard to buy a home to shelter their family and provide them with a better lifestyle.

Several years ago, an essay in the *New York Times* discussed this phenomenon, noting that in 1975, Edith and Archie Bunker torched their mortgage on *All in the Family*; two years later, the Walton family burned theirs on *The Waltons*.

During that age, the thoughts about mortgages were that you paid it, you paid it on time, and you never messed with it. Getting a second mortgage? Not a chance. That just wasn't done except for some kind of financial emergency. You paid off your mortgage and the equity in your home became your nest egg for retirement.

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However, the banking industry changed all that primarily in the 1980s and 1990s. Looking for new ways to make money, they devised an ingenious way to persuade American homeowners to borrow more.

Banks spent billions of dollars with ubiquitous advertising campaigns to encourage homeowners to borrow, borrow, borrow. Their objective: to make it socially acceptable to incur more debt. As a result, many tens of millions of American homeowners traded in their hard-earned equity for easy credit – enabling consumers to purchase items that they *wanted*, rather than *needed*.

The words, "second mortgage" were out; the concept of cashing in one's home equity, as if the house was a piggy bank, was in. These advertising campaigns successfully created a new consumer attitude for obtaining additional real estate financing. Citibank urged consumers to take out second mortgages, proclaiming, "There's got to be at least $25,000 hidden in your house. We can help you find it." Banco Popular developed a series of "Make Dreams Happen" ads. Their slogan: "Need Cash? Use Your Home." Fleet Bank enticed homeowners by asking, "Is your mortgage squeezing your wallet? Squeeze back." Another ad harped: "The smartest place to borrow? Your place." CIT Financial boasted: "You don't have to sell your home to get $10,000, $30,000 or even more in cash. You don't even have to walk out the door." PNC Bank came out with a print ad campaign picturing a wheelbarrow - the catch phrase? "The easiest way to haul money out of your house."

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Of course, the problem is that the homeowner, enticed by the proposition of easy money, failed to realize the long-term implications and consequences of borrowing a large sum secured by their most valuable asset. These included making regular payments, incurring significant interest and the possibility of losing one's home if payments were not made. After all, getting a "second mortgage" was a no-no, but "accessing one's equity?" Well, that's smart planning.

Spurred on by such sugar-coated advertising previously reserved for selling products like cars, borrowing became seen as a right and sense of entitlement, as opposed to a responsibility. The banks changed Americans' attitudes towards incurring additional real estate debt.

So while homeowners were swayed by the bank's grandiose advertising euphemisms that they were coming out ahead by "getting their equity out" with "home equity loans," in essence, all they were actually getting was a very large debt. Not only did these homeowners have to pay back the money that they "got out of the house," but an awful lot more in the way of interest, especially since second mortgages have higher rates of interest.

American homeowners have thus been taken in by these euphemisms created by advertising agencies to borrow more, and encourage them to live beyond their means.

Many of my bankruptcy clients have lamented that refinancing was too easy; they could not resist the opportunity for "free" money. Now, some of these homeowners with the granite kitchens and fancy large-screen TVs are trying to save their homes from foreclosure while those with Formica kitchens are enjoying home ownership.

Homeowners with second mortgages are twice as likely to find themselves in foreclosure. When I meet with clients and they tell me they don't have a second mortgage, when in fact they really do, I have to set them straight - they've been brainwashed.

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