

**KayTek: Manufacturing
Housing and Livelihoods in
Haiti**
TheCaseSolutions.com

TheCaseSolutions.com





KayTek: Manufacturing Housing and Livelihoods in Haiti

TheCaseSolutions.com

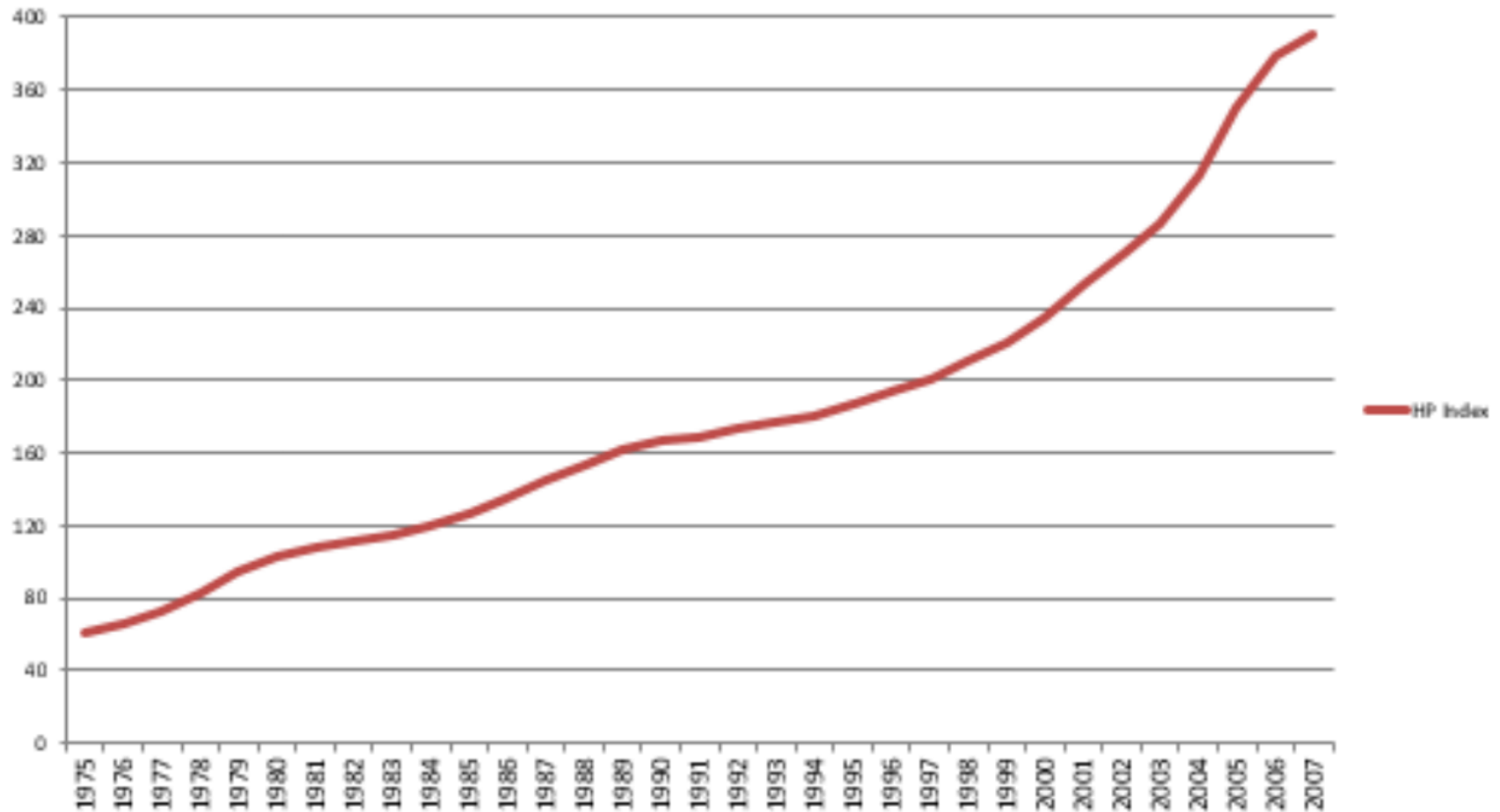


Thecasesolutions.com

- Back in 2001, Agencies such as Fannie Mae (a GSE) had a bully feeling about the housing market
- Fannie Mae's motto was "Our Business is the American Dream"
- Average pricing house grew steadily since 1975

Thecasesolutions.com

HP Index



Thecasesolutions.com

American Housing and Global Financial Turmoil

- Predictions coming from Dean Baker, the co-director of the Center for Economic and Policy Research claimed a housing bubble ready to burst with potential losses of 2-3 trillion.
- Others explained the housing prices to be a product of the low interest rates
- Developers were contradicted. One of them , Bob Toll disagreed. He said, “Why can’t the real Estate just have a boom like every other industry? Why do we have to have a bubble and then pop?”

Home Finance Before 1990

Thecasesolutions.com

- “Traditional” Fixed 30 year mortgage
- Saving and Loan Association (S&L)
 - HOLC
 - After WWII Banks and S&L started creating 30 years Mortgages. It eventually resulted in the S&L crisis from 1980
 - Creation of GSEs (1938 and 1970)
 - Government cap loans at \$417,000.00 for GSEs (2006)
- Credit Problematic people would apply to lenders insured by FHA.

Innovation in Mortgages

Thecasesolutions.com

- In the 1990s new firms started borrowing to sub prime lenders.
- List for these type of lenders went from 63 in 1993 to 205 in 2005.
- Subprime has higher interest rates and fees.
- Subprime required less documentation. Loans were based on “stated income” and “stated value”
- Arms Loans – teaser rates

Changes in the Secondary Market for Mortgages

Thecasesolutions.com

1995	28% of subprime loan were sold in the secondary market
2005	73% of mortgages classified as having high interest rate were sold
2006	Total US residential mortgage debt was \$11 trillion



The Rise in Foreclosures

Thecasesolutions.com

Foreclosure is a legal process in which a lender attempts to recover the balance of a loan from a borrower, who has stopped making payments to the lender, by forcing the sale of the asset used as the collateral for the loan.

