Don’t Pay Your Debt: A Page from the Fed’s Playbook

By The Mogambo Guru

02/10/09 Tampa Bay, Florida Frosty Wooldridge, writing at NewsWithViews.com, has the same kind of attitude I do, and has titled a recent essay, in all-capital letters, “BAILOUTS: A COMPLETE FRAUD AGAINST THE AMERICAN WORKER” which is certainly attention-getting… But, alas, lacks the requisite proper punctuation, which in this case I judge to be two exclamation points, at least. Probably three.

Anyway, he provides a quote from Dr. Adrian Rogers (1931–2005) where he says, “You cannot legislate the poor into freedom by legislating the wealthy out of freedom. What one person receives without working for, another person must work for without receiving. The government cannot give to anybody anything that the government does not first take from somebody else. When half of the people get the idea that they do not have to work because the other half is going to take care of them, and when the other half gets the idea that it does no good to work because somebody else is going to get what they work for, that my dear friend, is about the end of any nation. You cannot multiply wealth by dividing it.”

The reason that this resonated with me is not, as you would think, because I am outraged at being sick and tired of being taxed at every freaking turn so that the combination of local, state and federal taxes now consumes almost exactly half of all incomes, and the teensy-weensy little bit of depreciating fiat dollars that the taxman or the rapacious insurance companies don’t get is gobbled by one’s wife and children to pay for their stupid medicines and food, which is not to even mention people collecting for “good causes” and, of course, the rising costs of playing golf.

Instead, the reason that struck me is that I had just read, “Got a Mortgage or Credit Card? Don’t Pay Them” by Marygwen Dungan.

Normally, I just ignore these kinds of appeals because I know what happens if you don’t pay your mortgage or your credit cards, and that is why most people pay them. But perhaps I am just a stupid guy who cannot see that he is being handed a terrific opportunity, as Ms. Dungan agrees, “Finally something that we can all get behind: Don’t pay your bills. It’s not my idea, although it has appeal. It’s the Fed’s and it’s the cornerstone of the new Homeownership Preservation Policy.”

At the news that this is a plan pushed by the Federal Reserve, my ears instantly prick up and my Keen Mogambo Senses (KMS) bombard my brain with the message “Alert! Alert! Ahh-oogah! Ahh-oogah!”

Sure enough, I was right, as she goes on, “To qualify for aid, the homeowner must be at least 60 days past due on his or her mortgage payments”!
This is fabulous! I can do this! I can stop paying! I’m good at it, in fact! And now I can stop paying, but instead of the sheriff coming over here one day after the expiration of the Termination Notice and dragging the pitiful pile of crap that I call “clothing and furniture” to the curb, now the government gives me money! Whee!

I’m all a-twitter with excitement, but she cautions me about my irrational exuberance and says, “This program is for mortgages acquired from Bear Stearns and AIG rescues. Another program begun in December 2008 required that the homeowner be 90 days late” which is even better, because I can be 60 days late with my mortgage payment, or 90 days, or even late for years at a time! Hahaha! I love this!

But apparently it is not a true bailout, and I still have some responsibility, albeit smaller, because, “At the same time, the mortgagee must be able to make a reduced monthly payment, therefore, must have some income, presumably a job.”

That is when I knew that Ms. Dungan was sending this message to me personally, as she added, “The having a job part might be tough; the missing two payments part, easy.”

And even if this doesn’t work out for me, I still have plenty of other options. For one, she notes that “several mortgage lenders have suspended foreclosures, at least through January 2009”, and that “Several cities and states have suspended enforcing foreclosures”! Too sweet! Hahaha!

Of course, since real governmental stupidity requires universal participation, “Initially, delayed-foreclosure preference was given to mortgagees who lived in their houses. It now has been extended to having an occupant in the house.” Hahaha! Now I can stop paying the mortgage on my rental property, too! It just keeps getting better and better! Hahaha!

Of course, this is all part of a desperate, last-ditch attempt to make overvalued houses more overvalued because of the benefit to, for the most part, government revenues, although it is not working, as housing prices have now come back to where they were in 2004, according to the S&P/Case-Shiller index, which has the average home price at about $160,000 now, versus $225,000 around the peak in 2006, meaning that the average homeowner has lost about $65,000 in equity, and for those poor bastards that bought at the market top, they are paying the mortgage interest on $65,000 for nothing! Hahaha!

I could use up some of your valuable time and explain how all of these losers would be a lot better off if they had bought gold and silver, but as Junior Mogambo Rangers (JMRs), you already know that! Whee! This investing stuff is easy!