



## Letter to the Editor

August 5, 2008

*The following letter is in response to our article, [The Size, Scope, and Future of the Sub-Prime Crisis](#), which appeared on February 12, 2008.*

Dear Editor:

This was a good article. However, I believe many people have not thought this crisis through completely. In Orlando, we are seeing foreclosures selling for up to \$100,000 less than what is owed on the house. This may seem like a great deal. But, with the possibility of another 15% drop in prices, who would advise a client to buy? We can never know when or where the bottom is. But if an investor will not buy a \$35 dollar stock when there is a potential for a 15% downside, why would they buy a \$300,000 home with a possible 15% downside?

I think we will not see a recovery in the real estate market until sometime after 2010. People who can afford to buy are going to wait until the bottom has hit before they come back to the housing market.

The article does not address the other problem caused by the sub-prime crisis: the credit card crisis that will be coming. These very same people who are walking away from their homes (because they could not afford them in the first place) took advantage of "buy now and make no payments until 2009, 2010 and 2011" offers. They maxed out their credit cards on discretionary spending. Now, according to the Banker's Association this has switched to non-discretionary expense spending.

I agree with John Mauldin we are in the 5th inning of a 9 inning game.

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