



How The Economic Downturn Is Still Having An Impact On Housing Sales

Are stricter lending standards holding back the recovery of the housing market?

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If you've seen [The Big Short](#), you saw the way banks were handing out mortgage loans like candy during the middle of the last decade. The housing industry seemed invincible, and Wall Street was making crazy amounts of money off of the bonds that they were building from those mortgages that they were giving out left and right. Everything was peachy-keen as housing prices continued to rise and homeowners kept making their payments on time.

But, in their charge to hand out mortgages that could continue feeding the Wall Street machine, banks didn't really check to make sure the home buyers they were lending money to had any realistic chance of paying them back.

“Prior to the economic downturn, the lenders were very lax in their lending requirements” Larry Kramer, owner of Management Realty Partners explained. “They had ‘no doc’ loans, and you did not have to verify your income. You simply had to have a down payment and an appraisal for property valuation. This environment led to higher values but riskier loans.”

Needless to say, when people stopped making payments on mortgages they couldn’t afford, and when home prices started falling, it caused a chain reaction that nearly broke the financial system. After the economic downturn, lenders tightened their qualifying standards, which of course led to a lower number of qualified buyers, hence lower values in the housing industry.

There are some obvious pros and cons to stricter lending standards, but one thing is certain: it was impossible for the housing market to quickly bounce back to what it once was. Barbara Bliss, owner of [Showhomes North Shore](#), was a realtor for years before the economic downturn and to this day continues to help Chicagoland sellers put their homes’ best foot forward.

“Before the downturn, if you had a house, you would be able to immediately sell it,” Bliss explained. “Now, there aren’t as many qualified buyers, but there also is a much larger inventory because so many people have been waiting years for the market to improve before putting their homes up for sale.”

So it’s twofold why the market hasn’t been able to bounce back quickly – there is more inventory from people who held off on selling their homes when the values went down, and there are less qualified buyers. However, while the housing market hasn’t made a full comeback yet, companies like Showhomes have found different revenue streams in the industry that are helping the country’s real estate market to steadily improve in a whole new way. People are turning to things like staging and home updating in order to attract qualified buyers and stand out from the crowd.

When Bliss realized she was doing well in business for herself through flipping and staging homes, she knew there were more lucrative ways to stick with the industry she was so passionate about. And although lenders will never go back to giving out loans as easily as they once did, home owners are beginning to trust that qualified buyers will certainly come along.