

Six Out of Every Seven Dollars



There's an aspect to the Occupy movement that puzzles a lot of people. The cultural critics and the media personalities call it a lack of focus, or a foggy agenda. When people take to the streets, they usually have a list of demands, and a council of leaders who can articulate what needs to change.

There's a good reason they won't find it with this crowd. Here's not a single thing, or a simple issue that we need to fix. It's the "universal ground rules" of the game that are at issue. The playing field is no longer simply tilted, it has been reshaped to the point where the visiting team can't even hope to play.

Here's an example to chew on: in an average mortgage, six out of every seven dollars the homeowner pays every month goes to the lender for "interest." This is just the average, not what happens in one of those high risk loans. The average, everyday terms of a deal that isn't very fair. Everybody has simply accepted the terms of this deal, and it cannot hold for much longer. The banks have tilted things by "front loading" their loans to collect as much interest as they can before allowing the borrower to accrue any equity. They defend this practice by telling the world that they're taking on the risk, and fronting the money, and so they should get their fair share up front. And we accept it, we don't question it, and we're conditioned to think that if we don't go along with it, we won't get the loan.

Take out a calculator and try running some numbers. Start with an average monthly mortgage payment of \$1,250 on a \$144,000 loan. Multiply it by 12. Take the total and multiply it by 6. Look at the total paid in over six years.

Take a moment, and then multiply that number by .85%. That's the bank's cut. The rest is "equity" or the amount of principal the lender has paid down on their loan. These are not pretty numbers, and yet we take them for granted. Given the fact that lenders can borrow money from the federal government at rates approaching 0%, it's hard to believe they found a way to lose enough money to require a bailout.

Perhaps it's time we rethink the nature of our anti-trust laws. The mortgage lenders invested a lot of effort, and spent many years tilting the playing field to get those six out of every seven dollars, and to get us to think of it as normal. There wasn't any active collusion, no star chamber or convention in the Bahamas to plot and scheme. Each player just did their part to tighten the noose a little bit at a time.

The theorists tell us that market forces will drive them to a different line of business, just as the strip miners eventually move on. While we wait, they socialize their real cost of doing business and we all pay. When we recognize that an industry has grown to rely on such practices, we should investigate to determine if there is good cause for regulating their activity (i.e., if we all bear some of their cost of doing business, then we deserve a say in how they conduct that business).

Another fun example to consider: employers are now telling people they won't consider an applicant who lives in another state. Fun Catch-22 with this one. If you can't find a job in the state where you live, and you can't afford to relocate until you find a job in another state, and they won't consider your application until you move to another state, you're kind of stuck.

Which leads us to consider a difficult question: is it fair to discriminate against an applicant based on their present location? No easy answer, but the market is once again tilted to favor the employer at the expense of the rest of the culture, which must now find a way to subsidize relocation or house the homeless when a company decides to "let some people go."

It's not an easy game, challenging the status quo. But when circumstances dictate, we have to be willing to suit up and go against the big boys, the ones who have been known to throw a low punch when they get the chance. We know who they are, and where they decide how the rules can change. Call them up, write them a note, and think a lot harder about where your next congressional vote will go.

Here's a thought: If they won't talk about that elephant in the room, they probably don't deserve your vote.



Steven Peterson, 2011