ChatGPT

The 2008 Foreclosure Crisis in Human Terms

One illustrative case is **Maureen McKenzie** of Kirkwood, Missouri – a middle-class homeowner who bought modestly and lost everything. In March 2004 McKenzie (a Chamber-of-Commerce bookkeeper) purchased her small ranch home from her father with a conventional 30-year mortgage (~$900/month) [1]. Two years later she refinanced in September 2005 into a 40-year *payment-option ARM* for $184,500 [2]. The loan had a **teaser rate** of just 2.25% initially (payment ≈ $757.95/month) [3]. Within *days* the rate shot up: on Nov. 4, 2005 the lender notified her that the index-based rate reset to 7.875% [4]. Her **interest-only** payment became $1,367, but the loan's *minimum payment option* remained ~$758 [5], meaning nearly $610 of unpaid interest was added to principal every month.

- **Loan details (2005):** Refinanced $184,500 ARM (First Magnus) with 2.25% intro rate [2] [3]. Initial monthly P&I was $583.28 (plus $174 impounds) = $757.95 [3].
- **Rate reset (Nov 2005):** Interest jumped to 7.875%, raising the interest-only payment to $1,367.32 [4]. McKenzie's *minimum* remained $758, so her unpaid interest was being capitalized (negative amortization) [5].
- **Trigger (Aug 2007):** By August 2007 McKenzie's loan balance hit its cap ($202,950), terminating the option payment. Her required monthly payment **doubled** to $1,610.70 [6]. McKenzie – now on disability (fibromyalgia) – could not possibly afford this; even the old $758 was straining her budget [7].

Unable to meet the new payment, McKenzie ultimately **lost her home to foreclosure in May 2008** [8]. By late 2008 she had moved into her second apartment after foreclosure [9]. In her own words she was "shocked" that the ARM payment gap blew up her principal, and felt the system failed her despite doing "everything right" to be a responsible borrower [10] [9].

Another example: **Sheila Ramos**, a Florida small-business owner and grandmother. After falling behind on her risky mortgage and being denied a loan modification, Ramos lost her three-bedroom house. She and her grandchildren eventually ended up living in a *tent* in Hawaii [11] – a stark portrait of how decent families were uprooted. (As one report noted, Ramos "wound up living in a tent outside her hometown," after the mortgage gave out [11].)

Lending Terms and Market Context

During 2005–2007 many middle-class buyers were encouraged into **subprime/ARM loans with very low down payments**. Introductory ARM rates were often in the mid-single digits but could reset 2–3 points higher a few years later. For example, CBS News reported that a $200K ARM originated in the mid-2000s might start at ~4.5% and climb to ~6.5% at reset [12] (a 24% jump in payment). Caps typically limited yearly rate increases (~2.5% per year [12]), but that still meant a 6% initial rate could reach ~9% within a few years.

Down payments had also collapsed. One 2005 survey found **43% of first-time buyers put 0% down** (no money down!), with a *median* down payment of only ~2% [13]. Even among all buyers, the median down payment was just 13% (far below the traditional 20%) [13]. In practice many borrowers – like McKenzie – financed their homes with minimal equity, banking on rising prices.

Scale of the Crisis

The human toll was immense. Estimates suggest on the order of **8–10 million U.S. homeowners lost their homes** to foreclosure from 2007 through 2014 [14]. (At the peak of the crisis roughly 1.8 million homes were foreclosed per year [12] [14].) These were not exclusively speculators or the very poor – many were middle-class professionals. For example, pastors noted entire congregations of teachers, probation officers, engineers and tradesmen facing foreclosure [15] [11].

In short, these stories and figures show how ordinary families who had "done all the right things" – buying a home, even a small one – were devastated when adjustable loans reset and the bubble burst. Maureen McKenzie's case (with documented loan figures [16] [8]) and others like Sheila Ramos underscore the personal cost behind the statistics.

Sources: Investigative reports and news accounts detail these cases. St. Louis Public Radio documented McKenzie's mortgage and foreclosure step by step [17] [18]. National reporting (e.g. The Guardian, ABC News, etc.) and books like *Chain of Title* provide first-person accounts (e.g. Ramos's story) and data on lending terms [11] [12] [13] [14]. These sources reveal the loan terms, payments, and circumstances that led to foreclosure and their aftermath.

---

[1] [2] [3] [4] [5] [6] [7] [10] [16] [17] Anatomy of a foreclosure, Part 2: How an adjustable rate mortgage led to crisis | STLPR
https://www.stlpr.org/economy-business/2008-09-25/anatomy-of-a-foreclosure-part-2-how-an-adjustable-rate-mortgage-led-to-crisis

[8] [9] [18] Anatomy of a foreclosure, Part 3: Life in the aftermath.... now what? | STLPR
https://www.stlpr.org/economy-business/2008-09-26/anatomy-of-a-foreclosure-part-3-life-in-the-aftermath-now-what

[11] US Foreclosure: the psychological cost – how has it affected you? | Amanda Michel | The Guardian
https://www.theguardian.com/commentisfree/2012/may/23/foreclosure-psychological-cost-peoples-panel

[12] The Mortgage Trap - CBS News
https://www.cbsnews.com/news/the-mortgage-trap-19-07-2006/

[13] Down Payments' Downward Trend - The Washington Post
https://www.washingtonpost.com/archive/realestate/2006/01/21/down-payments-downward-trend/f4d5ad8a-3461-465e-b1d0-53619c3cb6dd/

[14] The End Is in Sight for the U.S. Foreclosure Crisis | St. Louis Fed
https://www.stlouisfed.org/on-the-economy/2016/december/end-sight-us-foreclosure-crisis

[15] National Protest by Churches against Foreclosures is Led by Adventist Pastor – Adventist Today
https://atoday.org/national-protest-by-churches-against-foreclosures-is-led-by-adventist-pastor/