

America's New **GROUND ZERO**

Hollywood, Florida, looks like an American paradise—with its rows of palm trees, perfect lawns, clean beaches and driveways boasting shiny new Range Rovers. But beneath the calm lies the wreckage of the USA as thousands of families fight the banks in a losing battle to keep their home. Jonathan Franklin investigates the meltdown of the American Dream.

Photography: Morten Andersen



“You feel bad; you don’t want to take their wedding rings,” says Michael Bruce, from behind a row of thick steel bars.

“But they need the money, and that’s what we’re here for.”

Bruce holds out a black velvet jewellery tray, each row holds 12 wedding rings: big diamond, little diamond, stylish or gaudy, he has dozens. “While they take the ring off their finger, they get all choked up. It’s just something you got to deal with...that’s just the way the economy is—it’s trash.”

Bruce, whom everyone calls ‘Junior’, is the manager of a pawn shop on the outskirts of Hollywood, Florida, a diamond of a city set on Southern Florida’s Atlantic beaches.

“It is easier for them to pull a ring off their finger than to bring in a lawnmower,” says Bruce, who says Americans are so desperate to pay off their mortgages that they come to his pawn shop to sell “everything from musical equipment to the gold teeth from their mouth.”

In 2007, Hollywood, Florida was named ‘All American City 2007’—the best place to live in the United States. Now it seems more like Ground Zero USA, the epicentre for the growing financial crisis. Practically every street is packed with For Sale or Open House signs.

On some streets, five or six houses in a row are for sale, most with additional details,

such as Price Reduced or Foreclosure.

In a normal economy, neighbours would never publicly admit that they’re broke and had their house seized. Today, many doors are plastered with notices from the Sheriff’s office, warning of forthcoming eviction.

Instead of signs for lost pets, the telephone poles are plastered with hand-written signs pleading: ‘Buy My Home’. One guy simply bought an ‘Open House’ sign and scrawled in handwriting ‘CHEAP’.

I follow the ‘cheap’ trail to find a tired home, in a quiet Hollywood neighbourhood, next to golf courses and a canal. The beach is nearby, about 14 blocks. The owner is gone. He has left the front and back doors open. A box of cockroach poison sits on the table next to a piece of paper with a cell phone number. The house is abandoned, wires coil from the walls, the plants are dead and it looks like the owner simply gave up. I wait an hour, but no-one appears.

Pawning wedding rings or abandoning homes are just two indications of the economic meltdown which has now so paralysed the US economy it has also placed the global economic outlook on warning.

From 1995 to 2005, the American economy grew steadily and housing prices tripled. In late 2005, the economy peaked. Housing prices slowed, stalled and then began to fall. Condo prices in the Hollywood

area have now fallen 40 per cent. People who bought a residential home between 2005 and 2007 now owe the bank much more than the house is worth. A new term has entered the vernacular to describe this situation—a house with more debt than value is called ‘Upside Down’.

Nowhere has the economy been more crushed than in Southern Florida. Because developers, speculators and investors saw years of 20 per cent plus returns on real estate prices, they poured money in. Banks joined the party by offering a novel loan—No Documentation. Known as ‘No Docs’ the loan asked the guy off the street how much money he earned, whether he had ever been bankrupt and how much money he needed for a new home.

Throughout the Hollywood area, investors, developers and average people took all their cash and poured it into real estate. The boom got so hot that everyone wanted in—especially the banks.

“There was a lot of fraud, people would lie about how much they earned. You put down your salary and they gave you a million dollars and said ‘go buy a house,’” explains Carlos Justo, a celebrity broker who has worked in real estate for 30 years and recently founded Sotheby’s International Realty of Miami. “I had a banker client who said, ‘Carlos, my 13-year-old son could get ▶




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▶ a mortgage.' I knew we were in trouble; the 13-year-old had a social security number and a tax ID, he could have applied to get a million dollars."

Because the banks made little to no effort to check if the information given was true, applicants typically were able to get loans known as 'subprime loans'—contracts allowing for two to three years of minimal payments followed by an increase of 500 per cent, so that an \$800 per month payment blows out to \$4000 per month.

The economic chaos now rocking the world is widely blamed on the widespread use of these loans, leading the current recession to be known as The Subprime

“People are clueless on what the potential [for economic meltdown] could be. Look what happens when we have a hurricane—people fight over a loaf of bread!”

Meltdown. “It got so crazy,” explains Katerina Brosda, a 28-year-old Russian real estate broker. “That at one point [in 2006] I was walking around with 57 cheques for \$100,000 dollars each in my pocketbook, for two weeks! Each [cheque] was a deposit for a new condo.”

“I had associates who were sleeping in tents waiting to get into the sales office to buy a condo, and I personally saw people fighting over units, hitting each other.”

These days, the locals are fighting to dig themselves out of debt. At the Hollywood Public Library, the only empty shelf is the section on financial assistance.

“People are just upping and leaving,” says Antoni, a gray-haired, bespectacled man who volunteers at the library. He points to an empty shelf: “All the finance books and financing information is gone”.

With so much chaos in the economy, everyone on the streets of Hollywood is either a real estate expert or a victim.

“It’s about greed,” says a man in an SUV the size of a bus. “George Bush spent a trillion dollars on this war in Iraq—what is that going to do to our grandchildren? He’s going to cause another Great Depression.” He tells me the meltdown has shaken his faith in America. “I never thought that Americans could do this to Americans.”

Around the corner, standing outside his \$780,000 three bedroom home, Jim Roberts smokes a cigar and admits that if he wanted to sell the home, he would have to drop the price to about \$600,000.

As he describes the housing situation, Roberts sees a far more serious economic collapse. “This country is no longer an industrial power—we don’t even manufacture steel—and the Saudi’s now own 30 per cent of Wall Street, and, of course, Dubai had to bail out Citibank.”

With his thick tattoos and tales of gunfights in the Sudan, Roberts is a veteran who has travelled widely in the Third World. He sees the same chaotic conditions of this region now engulfing his beloved Hollywood.

“These people are so clueless about what is happening beyond their compact little world, they are absolutely clueless on what the potential [for economic meltdown] could be. You shut a grocery store for a day and they panic. Look at what happens when we have a hurricane! People go to stores and fight over a loaf of bread!”

Bob Boynce, a Hollywood real estate broker, says: “People are walking away from their homes. We sold homes to young couples four years ago for \$400,000. Now they could only sell it for \$275,000, so they’re just walking out and losing it all. You won’t see that in the newspapers.”

“They think about it for a few months, go to a lawyer, if they can afford it, then they find a place to rent. Their [mortgage] payments may be \$4000 a month, but they can rent a decent place for \$1700—that cuts their payments in half. The only [damage] is to their credit rating. It’s not a crime. This is happening by the thousands; I have close friends who have done this.”

This phenomenon of ‘walkers’ has become so common that bank employees who collect the day’s mail call the envelopes full of ▶

ABOVE LEFT: A shattered resident of Hollywood, Florida, prepares to leave his foreclosed home

TOP: Pawn shop worker, Junior, displays some of the wedding rings put up for sale last month at his store

ABOVE & BELOW: Typical hand-made Sale signs litter the once prosperous and family-oriented neighbourhood





ABOVE: Beachfront, Hollywood, Florida
RIGHT: Two to three bedroom homes are being sold off by banks at less than one third of their original value



▶ owner-returned keys 'jingle mail'. So who's buying all this lost property? "Foreigners are coming in droves," says Paul Merlesena, a local real estate broker. Eighty per cent of people coming to our office are from England, France, Germany, Italy. Between the falling prices and falling dollar, they can buy for practically nothing. Who wouldn't?"

The collapse of the American economy is obvious to anyone who sees the prevalence of bright yellow signs reading 'Sell Your House, Fast Ca\$h 954-294-5420' littering

local architecture. The guy behind the phone is Ricardo Morales, 39, who set up www.ricardobuyshouses.com. He's been securing properties for 25 per cent of their listed value. "The banks had properties at \$240,000, but now they're dumping them for \$89,000—that seems to be the favoured price—and we're talking three bedroom, two bathroom homes in nice areas."

I notice dumpsters full of unopened mail and decide to open a few. I find a bundle of letters addressed to 'Uri'—he owes close to

\$100,000 and the companies chasing the money can't even get him to open his mail. Multiply Uri by a million and you begin to understand the depth of this meltdown.

I stayed in Hollywood for one week. I came to love its quiet streets and screech of parrots at sunset. But when I left, I was haunted by the pawnshop wedding rings, signifying the broken end of the American dream. "People come here for money, they're not spending," says Junior, "Except on golf clubs. No-one's working, so..." 

