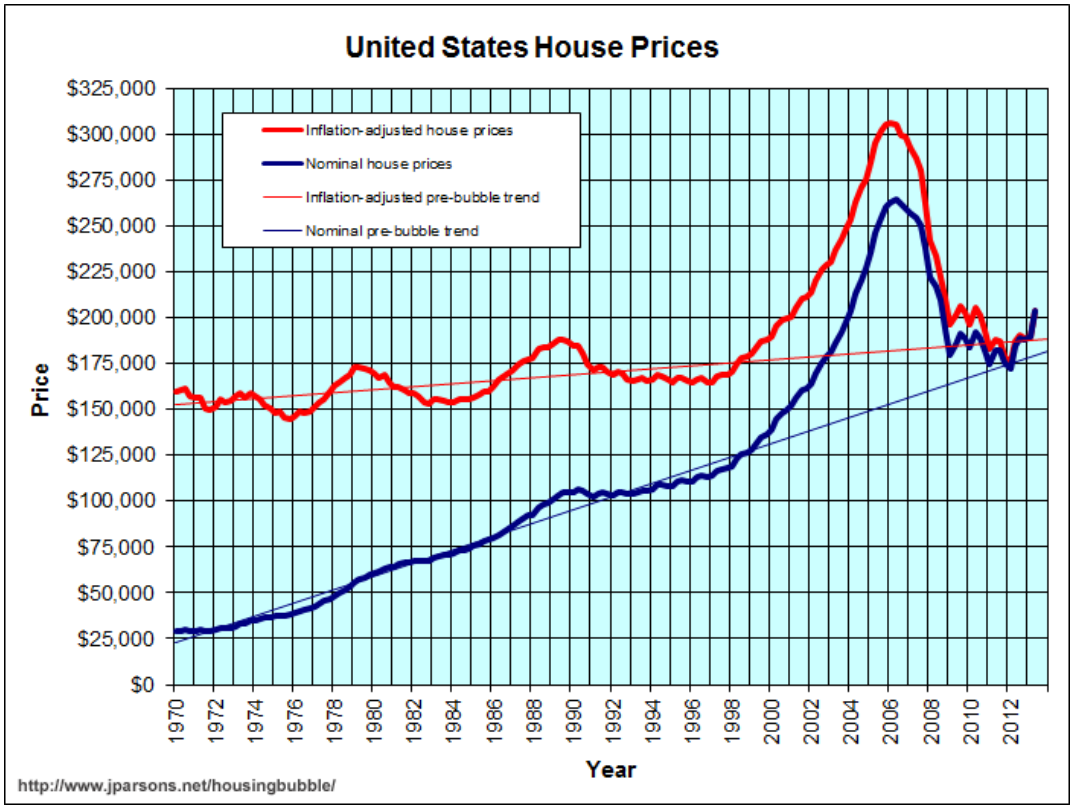
2000 and 2006, followed by a crash in values from which the country's housing market is still recovering in some areas of the country, though back to pre-crash levels in some cities, such as New York City and San Francisco.

Illustrating these trends is a chart showing home values over time in both nominal and inflation-adjusted terms.[34]



Home loans under the laws of most states (including Ohio) are recourse loans. In the past, lenders rarely exercised their rights to enforce deficiency judgments beyond foreclosing on the property security, though that trend appears to be changing.[35] That is to say, lenders rarely attempted to place liens on other property owned by the taxpayer or, if state law permits, to garnish wages. As a short review of the rules that you learned in Chapter 12, the following results would usually arise on the transfer of a principal residence in a foreclosure action or a reduction of the principal amount in a debt workout without a transfer.

- If the home is transferred and the cancelled debt does not exceed the fair market value of the home, the entire debt relief is § 1001(b) amount realized under *Crane*, creating a realized § 1001(a) gain that could be excluded to the extent provided in § 121 or a realized loss that would be nondeductible under § 165(c)(3) (depending on the home's basis).
- If the home is transferred, the cancelled debt exceeds the home's FMV, and the lender cancels the remaining debt in excess of the home's FMV, the debt relief creates § 1001(b)

[34] www.jparsons.net/housingbubble (stating that this chart is in the public domain and that users are free to copy it).
[35] *See* Kimbriell Kelly, *Lenders Seek Court Actions Against Homeowners Years After Foreclosure*, at http://articles.washingtonpost.com/2013-06-15/news/39990952_1_foreclosure-crisis-homeowners-rockville.