

Foreclosures At Record High In First Half 2009

Despite Aid

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Global Research, July 16, 2009

Reuters 16 July 2009

Region: [USA](#)

Theme: [Global Economy](#)

US home foreclosure activity galloped to a record in the first half of the year, overwhelming broad efforts to remedy failing loans while job losses escalated.

Foreclosure filings jumped to a record 1.9 million on more than 1.5 million properties in the first six months of the year, RealtyTrac said on Thursday.

The number of properties drawing filings, which include notices of default and auctions, jumped 9.0 percent from the second half of 2008 and almost 15 percent from the first half of last year.

"Despite everybody's best efforts to date we're not really making any headway against the problem," Rick Sharga, senior vice president at RealtyTrac in Irvine, California, said in an interview.

Loans that were temporarily frozen by various state and federal programs, which mostly ended in March, started pushing through the process in the past three months.

One in every 84 households with loans got at least one foreclosure filing in the first half of this year.

"I don't think this suggests the economy is any worse than anyone expected but I certainly don't think it shows by itself any signs of improvement," Sharga said.

President Obama's housing rescue is gaining momentum in refinancing troubled borrowers with higher-rate loans and modifying untenable terms for others.

But the programs have been off to a slow start and in some cases will be too late or not enough to help severely struggling homeowners, industry analysts agree.

Private sector efforts to alter loans terms have made headway but are facing an uphill battle as the unemployment rate heads to double digits.

Problems emanating from loans made when standards were much looser have taken a back seat to defaults stemming from job losses and wage cuts.

"Unemployment-related foreclosures account for much of this increased activity, and the high number of borrowers who find themselves owing more on their mortgages than their homes are now worth represent a potentially significant future risk," James J. Saccacio, RealtyTrac chief executive, in a statement.

In June, as home prices continued to fall, albeit more slowly, foreclosure filings rose 5.0 percent from May and 33 percent from a year earlier.

June's foreclosure activity was the third highest on record, and the fourth straight month of filings on more than 300,000 properties.

"If we're really going to slow down the inflow of new foreclosure activity we are probably going to need to see more aggressive and more integrated activity between the lending community and the government," Sharga said.

The Treasury Department asked the largest 25 mortgage servicers last week to appoint a special liaison to work directly with government officials aiming to thwart defaults.

RealtyTrac forecasts about 4 million total filings this year on 3.2 million households with loans, which means little improvement from the first-half performance. The prior record was 3.1 million filings last year, up from a more typical year when about 800,000 foreclosure actions would be made.

The highest unemployment rate in nearly 26 years is the biggest factor keeping homeowners from staying current on monthly payments, Sharga said.

But there could also be a whiplash caused by "the big white elephant in the middle of the room" — option ARMs, or adjustable rate mortgages with the option to make minimum payments. "A lot of them are going to be seriously upside down, probably at least 40 percent upside down."

That would mean a borrower owes at least 40 percent more on the mortgage than the home is worth.

A new U.S. program enabling borrowers are up to 25 percent upside down to refinance their loans would not be enough to help most option option ARM holders, Sharga said.

States where sales and prices soared most in the five-year housing boom early this decade stayed hardest hit in the first half of 2009.

Nevada remained the state with the highest foreclosure rate, with one in every 16 housing units with a loan getting a foreclosure filing. Arizona, Florida and California followed.

Other states in the top 10 were Utah, Georgia, Michigan, Illinois, Idaho and Colorado.

California was the state with the highest total number of foreclosure filings in the first half, with actions taken on 391,611 properties, or one in every 34 housing units with mortgages.

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