

Nation's Biggest Banks Each Hold over \$20B in Foreclosures: Report

By Global Research

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New data released this week shows that the nation's largest banks are holding monstrous volumes of soured home loans. Not only has the housing crisis left major lenders knee-deep in an ocean of non-performers, but added exposure to early delinquencies means they could sink even deeper.

According to an analysis by Weiss Ratings, an independent ratings agency covering the financial sector, JPMorgan Chase, Bank of America, and Wells Fargo each reported more than \$20 billion in single-family mortgages currently foreclosed or in the process of foreclosure as of midyear.

In addition, Weiss found that for each dollar these banks held of mortgages in foreclosure, there were an additional \$2 in loans in the pipeline that were 30 days or more past due.

Among all U.S. banks, JPMorgan Chase has the largest volume of mortgages in foreclosure or foreclosed with \$21.7 billion. On top of that, the company has \$43.4 billion more in mortgages past due.

Compared to JPMorgan, Bank of America has a somewhat smaller volume of foreclosures — \$20.3 billion — but it has a larger pipeline of past-due mortgages at \$54.6 billion.

Wells Fargo's foreclosures come to \$20.5 billion, with \$48 billion in overdue home loans. According to Weiss, including all foreclosed and delinquent categories, Bank of America has the largest volume of bad mortgages among U.S. banks, with \$74.9 billion, while Wells Fargo has the second largest with \$68.6 billion.

Other banks, despite their large size, are less heavily exposed to mortgage difficulties. Citibank has \$6.3 billion in foreclosures and \$19.2 billion in past-due mortgages, or a total of \$25.6 billion.

The volume of foreclosures and delinquencies held by other large banks, such as U.S. Bank (\$9.5 billion), PNC Bank (\$8.9 billion), and SunTrust (\$7.3 billion) is even smaller.

Martin D. Weiss, chairman of Weiss Ratings, said, "In addition to the volume of bad mortgages, the vulnerability of each bank to the foreclosure crisis depends on the capital and loan loss reserves it has set aside to cover losses and other factors such as its earnings, liquidity, reliance on less-stable deposits, and the quality of its overall loan portfolio."

Among banks with \$1 billion or more of mortgages already foreclosed or in process of foreclosure, Weiss found that Wells Fargo has the greatest exposure to bad mortgages in proportion to its capital. For each dollar of Tier 1 Capital, the bank has 75.4 cents in bad mortgages, or a ratio of 75.4 percent.

The equivalent ratios for JPMorgan Chase, Bank of America, and SunTrust are 66.8 percent, 66 percent, and 57.6 percent, respectively.

Weiss explained that losses on foreclosures and past-due loans will first be absorbed by the banks' loan loss reserves, but then they may have to dip into capital.

"Considering that many large banks also take other kinds of risks beyond strictly home mortgages," Weiss said, "these are very large exposures that could directly impact shareholders and even the safety of depositors."

Reflecting both their exposure to foreclosures and the other economic factors, the JPMorgan, BofA, and Wells all merit a rating of D ("weak") or lower from Weiss Ratings, indicating vulnerability to financial difficulties and instability if conditions continue to deteriorate.

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