

US foreclosure filings surge 55 percent

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By ALAN ZIBEL, AP Business Writer

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The number of homeowners stung by the dramatic decline in the U.S. housing market jumped last month as foreclosure filings grew by more than 50 percent compared with the same month a year ago, according to data released Thursday.

Nationwide, more than 272,000 homes received at least one foreclosure-related notice in July, up 55 percent from about 175,000 in the same month last year and up 8 percent from June, RealtyTrac Inc. said. That means one in every 464 U.S. households received a foreclosure filing last month.

Irvine, Calif.-based RealtyTrac monitors default notices, auction sale notices and bank repossessions. More than 77,000 properties were repossessed by lenders nationwide in July, the company said.

Nevada, California, Florida, Arizona, Ohio, Georgia and Michigan had the highest foreclosure rates. Foreclosure filings increased from a year earlier in all but eight states.

The combination of weak housing sales, falling home values, tighter mortgage lending criteria and a slowing U.S. economy has left financially strapped homeowners with few options to avoid foreclosure. Many can't find buyers or owe more than their home is worth and can't refinance into an affordable loan.

The mortgage crisis has moved far beyond the subprime loans that started to go bust last year, especially as borrowers start to default because they have lost their jobs due to the sour economy, said Christopher Thornberg, a principal with Beacon Economics in Los Angeles.

"It's every part of the housing market that's getting whacked right now," he said.

As foreclosures soar, banks and mortgage investors are also facing a pileup of foreclosed properties on their books and are cutting prices dramatically.

RealtyTrac noted that it had more than 750,000 foreclosed homes in its database of properties for sale, equal to about 17 percent of the 4.5 million U.S. homes that were up for sale in June.

To speed up the disposition of the 54,000 foreclosed properties it owns, Fannie Mae is opening offices in California and Florida and is considering selling those properties in bulk to investors. "I do not think this is a time to be holding onto (foreclosed properties) hoping for a better day," CEO Daniel Mudd said last week.

It remains to be seen how much the government's intervention will stem the housing crisis. President Bush last month signed sweeping housing legislation that aims to prevent foreclosures by allowing homeowners to swap their mortgages for more affordable loans, but only if their lender agrees to take a loss on the initial loan.

The number of foreclosures "could start to stabilize as early as the first quarter of next year if the government program gains any traction," said Rick Sharga, RealtyTrac's vice president for marketing. "That's really the unknowable right now."

The bill is projected to help about 400,000 households. However, consumer advocates fear that lenders will simply put their highest-risk loans into the program, and borrowers will default anyway, leaving taxpayers on the hook.

The Congressional Budget Office estimates that about 35 percent of borrowers that enter the refinancing program will default.

Even with government help, nearly 2.8 million U.S. households will either face foreclosure, turn over their homes to their lender or sell the properties for less than their mortgage's value by the end of next year, predicts Moody's Economy.com.

In the RealtyTrac report, the Cape Coral-Fort Myers area in Florida was the metro area with the highest rate of foreclosure, followed by three California cities: Merced, Stockton, and Modesto. Las Vegas ranked fifth.

Separately, the National Association of Realtors reported Thursday that median home prices fell in more than three-quarters of U.S. cities in the second quarter. Nevertheless, home sales rose in areas where the market is flooded with foreclosures, indicating that borrowers are taking advantage of steep discounts.

Nevada and California, battered by a housing market bust, were the only states to show sales gains in the second quarter compared with a year earlier.

Nationally, sales fell by 16.3 percent in the second quarter compared with the same period a year ago.

On the Net:

RealtyTrac Inc.: <http://www.realtytrac.com>

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