

## [Foreclosures Soar as Housing Wealth Faces Huge Risk](#)

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A congressional report indicates that the potential damage from the national **mortgage** crisis in **California** is taking a bad shape as an estimated \$23.6 billion of housing wealth might be lost if the **prices of real estates** continue to nose-dive as **foreclosure** with respect to **home loans** smash through the roof.

The Senate Joint Economic Committee released a study that said the state stands to incur a loss of over \$111 million of around 191,000 **repossessed homes** and the repercussion on property wealth of neighboring areas.

The Senate Joint Economic Committee Chairman Chuck Schumer, D-N.Y., released a statement that from the East Coast of US to the West, the administration is set to lose billions of dollars in wealth, revenues and property estates, as in almost every state the economic debacle over **foreclosure issue** is devastatingly high. The biggest forecast **foreclosures** are supposed to happen in the states of **California, Ohio, New York, Florida** and **Michigan**.

In the national scenario, \$71 billion of housing wealth from around 2 million homes plus \$32 billion from lowered values on nearby estates along with \$917 million in revenue (property tax) lay at risk. Almost 500,000 **subprime foreclosures** had been assumed to happen by the Bush administration officials.

Different federal regulatory bodies, banks, non-profit organizations and research firms provided the data for the survey that included not only direct losses incurred by the administration, lenders and borrowers but as well as indirect losses confirmed by homeowners in the vicinity.

Though, some economists such as Jon Haveman, assumes the survey's report to be a trifle too optimistic in its approach.

According to Haveman, matters related to home prices dropping are only in the initial stage, and are about to spiral out of control to mayhem. This pattern of a slouch in housing prices will take a break in the beginning of next year, expects Haveman as 70 percent of expenditure incurred in the US is by consumers.

As per Haveman's assumption, consumers are going to reorganize their household spending scheme as their housing no more gives them monetary security after retirement as well as does not have potential of a strong cash value as the housing prices have slumped to such a surprising low.

The committee had asked the authority to take a number of measures: encouraging **foreclosure-prevention guidance**; relenting on Fannie Mae and Freddie Mac to buy up **mortgages**; protecting borrowers from the **foreclosure** element by advising change to the **bankruptcy** code; and observing that predation and unfair loan repayment assignments are not dealt to borrowers to **prevent foreclosures** from taking place.

The sudden housing boom caused borrowers to fall in the trap of owing more than they owned and hence allowed **foreclosures** and **late mortgage repayments** to occur.

According to economists and purists, the housing pricing amendments will take many years to take shape and provide an outcome, as in the case of **Southern California**, which took 10 years to recover from such a similar phase in the housing market. Thus, only a prolonged wait and attempt shall see a realistic positive change in the housing market industry.