

Foreclosure Filings in U.S. Reach Record 1.5 Million

By Dan Levy

July 16 (Bloomberg) -- U.S. foreclosure filings hit a record in the first half, a sign that job losses and falling property prices deepened the housing recession, according to [RealtyTrac Inc.](#)

More than 1.5 million properties received a default or auction notice or were seized by banks in the six months through June, the Irvine, California-based seller of default data said today in a statement. That's a 15 percent increase from the year earlier. One in 84 U.S. households received a filing.

"People are losing their jobs, seeing their income go down and are underwater on their mortgage," [Richard Green](#), director of the Lusk Center for Real Estate at the University of Southern California in Los Angeles, said in an interview. "It's a toxic combination."

Home prices in 20 major U.S. metropolitan areas dropped 18.1 percent in April from a year earlier, according to the S&P/Case-Shiller index. The [unemployment rate](#) rose to 9.5 percent in June, the highest since 1983, bringing the total number of lost jobs to about 6.5 million since the recession started in December 2007, the Labor Department said.

Defaults by [subprime](#) borrowers with poor credit histories spurred the housing recession and spread to prime borrowers as home prices and sales declined. The Mortgage Bankers Association said May 28 that [prime](#) fixed-rate home loans to the most creditworthy borrowers accounted for 29 percent of new foreclosures in the first quarter, the biggest share of any type of loan.

One in eight Americans is now late on a payment or already in foreclosure, the Washington-based mortgage group said.

California, Florida Lead

Twenty of the 50 U.S. counties with the highest foreclosure rates were in California and 12 were in Florida, RealtyTrac said.

Clark County, Nevada, home to Las Vegas, had the highest rate in the nation with one in 13 households receiving a filing, according to RealtyTrac. Lee County, Florida, home to Fort Myers and Cape Coral, ranked second at one in 14. Three counties tied for third place at one in 15 households: Merced, California; Osceola, Florida; and Lyon, Nevada.

Riverside, California ranked sixth; Nye, Nevada was seventh; and San Joaquin, San Bernardino and Stanislaus, all in California, ranked eighth through 10th, RealtyTrac said.

No Tide Turning

"I don't see any turning of the tide," said Donald Haurin, an economics professor at Ohio State University in Columbus. "The effect of more foreclosures will be continued downward pressure on house prices, and lead to difficulty making mortgage payments that are continuing to reset."

Payment-option [adjustable rate](#) mortgages will contribute to higher defaults, said [Rick Sharga](#), executive vice president of RealtyTrac. Option ARMs allow borrowers to pay less than the interest they owe each month, tacking on the difference to their total debt and creating the potential for bigger bills in the future.

About three quarters of those loans will adjust to require higher payments next year and in 2011, with the peak coming in August 2011 when about 54,000 loans recast, according to data from First American CoreLogic of Santa Ana, California.

Government and lender-supported plans to help troubled homeowners -- including President Barack Obama's \$275 billion pledge to jumpstart sales and encourage banks to modify sour loans -- have had little effect, Haurin said.

New Approaches

As many as 3.2 million U.S. households will get a foreclosure filing by the end of the year, Sharga said.

"Stemming the tide of foreclosures is a critical component to stabilizing the housing market, so it is imperative that the lending industry and the government work in tandem to find new approaches to address this issue," [James Saccacio](#), RealtyTrac's chief executive officer, said in the

statement.

More than 8.3 million U.S. mortgage holders owed more than their homes were worth and an additional 2.2 million borrowers will be “underwater” on their loans if prices decline another 5 percent, First American said March 4.

Foreclosure filings in the second quarter totaled a record 889,829, up 11 percent from the first quarter and up 20 percent from a year earlier, RealtyTrac said. June filings were 336,173, the third highest monthly total in records going back to January 2005.

Nevada had the highest foreclosure rate in the first half, with one in every 16 households receiving a filing, RealtyTrac said. A total of 68,708 properties were affected, 61 percent more than in the first half of 2008.

Top 10 States

Arizona had the second highest rate, one in 30 households; Florida was third at one in 33; and California ranked fourth at one in 34. Other states in the top 10 included Utah, Georgia, Michigan, Illinois, Idaho and Colorado.

California led in total filings with 391,611, an increase of 15 percent from a year earlier; followed by Florida at 268,064 for a 42 percent increase, RealtyTrac said. Arizona was third with 89,799 filings, up 55 percent, and Illinois was fourth with 68,932, up 29 percent.

Other states in the top 10 for their sheer number of foreclosures and defaults were Nevada, Michigan, Ohio, Georgia, Texas and Virginia, said RealtyTrac, which collects data from more than 2,200 counties representing 90 percent of the U.S. population.

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