

# Housing Crash to Resume on 7 Million Foreclosures, Amherst Says

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Sept. 23 (Bloomberg) -- The crash in U.S. home prices will probably resume because about 7 million properties that are likely to be seized by lenders have yet to hit the market, Amherst Securities Group LP analysts said.

The "huge shadow inventory," reflecting mortgages already being foreclosed upon or now delinquent and likely to be, compares with 1.27 million in 2005, the analysts led by Laurie Goodman wrote today in a report. Assuming no other homes are on the market, it would take 1.35 years to sell the properties based on the current pace of existing-home sales, they said.

Helping to stoke speculation the housing slump has ended, an S&P/Case-Shiller index for 20 U.S. metropolitan areas showed the first month-over-month increases in values since 2006 in May and June, reducing the drop from the peak to 31 percent. Echoing other mortgage-bond analysts including those at Barclays Capital Inc., Amherst cautioned that a change in the mix of foreclosure and traditional sales over different parts of the year lifted prices in the period, as the distressed share shrank.

"The favorable seasonals will disappear over the coming months, and the reality of a 7 million-unit housing overhang is likely to set in," they said.

The amount of pending foreclosed-home supply has been boosted by more borrowers going into default, fewer being able to catch up once they do, and longer time periods to seize properties because of issues such as loan-modification efforts and changes to state laws, the New York-based analysts wrote.

## A Limited Aid

Accounting for efforts to have more loans reworked to avert foreclosure makes "not much" of a difference in the shadow inventory, with optimistic assumptions leading to a 1 million reduction in the amount, they said. "And many of these borrowers would default later, if they remain in a negative equity position," they added.

Goodman is the former head of fixed-income research at UBS Securities LLC whose team there was top-ranked for non-agency mortgage debt in a 2008 poll of investors by Institutional Investor magazine. Amherst is a securities firm specializing in trading and advising investors on home-loan debt.

The analysts didn't forecast home prices. The Barclays analysts including Glenn Boyd, who earlier this year wrote that once it starts, the housing recovery will be dulled by a "pent-up supply" of homes from owners who have put off sales during the slump, this month predicted 8 percent further depreciation.

That's better than the New York-based Barclays analysts' previous forecast of 13 percent because of their view that recent data show that the end of the crash is "decidedly under way," they wrote in a Sept. 11 report. Foreclosed-home "supply should sap the strength of the recovery in all but the most optimistic of scenarios," they added.

To contact the reporter on this story: Jody Shenn in New York at [jshenn@bloomberg.net](mailto:jshenn@bloomberg.net) or

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