## US home foreclosures rise by 75 percent in 2007

Jerry White 30 January 2008

Nearly 1.3 million homes—or more than one percent of all US households—were in some phase of foreclosure in 2007, according to year-end data released Tuesday by RealtyTrac, an online real estate marketer. The number of homes receiving default notices, auction sale notices and bank repossessions rose by 75 percent between 2006 and 2007, the web site reported, with foreclosure filings reaching 215,749 last month, up 97 percent from the previous December.

The report was one of a series issued in recent days, which detail the scale of the ongoing housing crisis in the US and its catastrophic impact on millions of working and middle class families.

Of the 1.3 million households receiving foreclosure notices last year, 405,000 saw their homes repossessed by the banks—a figure 51 percent higher than the 268,532 homes lost in 2006. This means, at a minimum, another 800,000 households, which received foreclosure notices last year are still facing the threat of having the banks put them out of their homes this year.

This is in addition to the 1 million to 2 million households that analysts predict could face foreclosure in 2008 and in the first half of 2009 when the "teaser" rates on their adjustable mortgages reset to market rates that could reach 11 to 13 percent.

The foreclosure crisis is affecting homeowners throughout the country. Nevada had the nation's highest foreclosure rate, with 3.4 percent of households entering some stage of foreclosure last year. Foreclosures were filed against 34,417 properties, a 200 percent rise from 2006.

Gail Burks, head of the Nevada Fair Housing Center, a community group that aids homeowners facing foreclosure, said some neighborhoods in Las Vegas, Nevada's biggest city, have as many as 40 percent of homes in foreclosure.

Florida had the second highest rate in the US, with 2 percent—or 165,291 households—in some stage of foreclosure. This was followed by Michigan—a state hard hit by the downsizing of the auto industry, with 1.9 percent of its households—or 87,210 homes—facing foreclosure. Michigan's December total was up 275 percent from December 2006.

California, Colorado, Ohio, Georgia, Arizona, Illinois and Indiana all posted foreclosures rates in the nation's top 10. In sheer numbers, California led the nation with 249,513 homes in

foreclosure last year and 66,000 bank repossessions.

A report released Monday by real estate analyst First American Core Logic—based on data from 381 metropolitan areas in the US—concluded that the risk of foreclosure had jumped 22 percent over the last year. With the US economy entering or already in a recession, the report predicted, risk of foreclosure would continue to rise for at least the next 18 months. It noted that defaults continued to rise for two years after the end of the last recession in 2001.

The meltdown of the housing and mortgage industry led to the largest decline in home ownership rates on record last year, reversing a trend of rising ownership rates over the last 20 years, the US Census Bureau reported Tuesday. Homeowners accounted for 67.8 percent of occupied homes in the fourth quarter of 2006, down 1.1 points from a year earlier—the sharpest fall since the government agency began tracking figures in 1965.

Ownership rates hit a peak of 69.2 percent in the second and fourth quarters of 2004, when low interest rates and subprime loans were used to entice many first-time buyers into the market. With the bursting of the housing bubble and the tightening of lending restrictions, ownership rates have now fallen to the level that existed prior to the housing boom of 2003-2005.

"The vast majority of those switching to renting are foreclosures or those forced to sell because they can't make the payment," Dean Baker, co-director of the Center for Economic and Policy Research, told CNNMoney.com. "What's really striking," he continued, "is we should have seen a rise of ownership because of the demographics, with all the baby boomers entering their peak home ownership years. Instead, we're seeing it fall quite a bit."

New home sales also posted the largest drop on record last year, according to the Census Bureau. Sales fell to 774,000, down 26 percent from 1.05 million in 2006, the sharpest drop since the government began tracking the figures in 1963 and surpassing the 23 percent decline in the recession year of 1980. Some analysts predict new housing starts will slide another 30 percent by the end of 2008.

In the last quarter of 2007 a record 2.18 million homes—approximately a nine-month supply—sat vacant and

available for sale, matching the record high reached in the year's first quarter. This has devastated the home building industry, precipitating Tuesday's announcement of the bankruptcy of Florida-based home-builder Tousa, massive losses for other housing-related companies and the loss of thousands of jobs, among carpenters and other building tradesmen.

The meltdown of the mortgage industry is also continuing. On Tuesday, Countrywide Financial, the nation's largest mortgage lender, announced a fourth quarter loss of \$422 million—down 58 percent. The loss followed a third-quarter decline in earnings of \$1.2 billion. Countrywide has been rocked by write-downs on loans that it could not resell on the global financial markets, as well as rising credit losses as home prices fell and borrower defaults rose. The company, which has already cut thousands of jobs, is being taken over by Bank of America, the nation's second largest bank, in a \$4 billion deal that will assuredly reward both companies' top executives, while leading to further downsizing.

The glut of unoccupied houses and wave of foreclosures has produced the first decline in housing prices since the Great Depression of the 1930s, drastically undermining the single most important asset for the majority of working families. Declining home values have already cost homeowners an estimated \$1.3 trillion.

The median prices of homes sold in December recorded the biggest year-over-year decline ever, dropping 6 percent from a year earlier to \$208,400. The three biggest declines in prices ever recorded have now come in the last three months, according to a report issued by the National Association of Realtors last week.

The day before the investment bank Merrill Lynch, which has already been forced to write off billions in bad loans connected to subprime mortgages, predicted that housing prices would drop 15 percent in 2008 and a further 10 percent in 2009, with a further depreciation likely in 2010. Because housing prices were still relatively high compared with other measures such as rent and GDP, the Wall Street firm reported, "By our calculations, it will take about a 20 to 30 percent decline in home prices to correct this imbalance."

In the face of this social calamity, the economic stimulus and mortgage relief packages offered by the Bush administration and leading Democratic Party presidential contenders are, at best, band-aids, aimed, above all, at bailing out the big lenders and Wall Street banks which profited from the subprime loan industry, not the millions of working people facing the loss of their homes.

Under the administration's plan—which was drafted by US Treasury Secretary Henry Paulson, the former CEO of investment firm Goldman Sachs, together with the major Wall Street banks—only a small percentage of subprime adjustable rate borrowers will have their interest rate frozen for five years at the entry. The vast majority of homeowners—including those

deemed unable to maintain their current mortgages or those deemed able to squeeze by with the higher rates—will receive no relief.

For their part, the Democrats are offering little more. In addition to the five-year interest rate freeze, Senator Hillary Clinton, who has been a major recipient of campaign contributions from the mortgage industry, called for a 90-day moratorium on foreclosures and the setting up of a \$5 billion fund to assist homeowners—a pittance when one considers that \$2.5 trillion in subprime loans have been issued since 2000. Barack Obama has rejected any call for a moratorium on foreclosures and instead has called for a \$10 billion fund to help "responsible homeowners."

Both parties reject out-of-hand any suggestion that the government should organize a massive relief program to bail out borrowers and help them save their homes, although this could be paid for simply by rescinding the more than \$1 trillion in tax cuts for the rich enacted by the Bush administration with Democratic support or ending the war in Iraq, which consumes billions of dollars each month.

Nor will the Democrats and Republicans hold the Wall Street banks and big mortgage lenders financially and legally accountable for the disaster, which they created through the frenzied drive to boost profits and returns to wealthy investors. This is because both parties in the name of the "free market" promoted the deregulation of the banks and other financial institutions that led to predatory lending and other forms of fraud, which contributed to the present catastrophe.

Seventy-five years ago, fearing a social explosion during the Great Depression—when more than half of the country's homeowners and farmers could not pay their mortgages—the Roosevelt administration took emergency measures to bail out distressed homeowners, including backing up their home loans with government guarantees.

Today, America's ruling elite—and the two parties that defend them—are opposed to the slightest reform that threatens to encroach upon the massive personal fortunes they have accumulated at the expense of the working class.

The right to high quality and affordable housing must be guaranteed to all. This can only be assured by placing the homebuilding and financing industry under public ownership, pouring hundreds of billions of dollars in public funds into the construction of new homes and guaranteeing that the provision of shelter does not cost the average worker more than 20 percent of his or her income. Such measures are only possible on the basis of a radical redistribution of wealth to meet the needs of working people.



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