Detroit: highest home foreclosure rate in US

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Over the last four decades, Detroit has gone from boasting the highest rate of home ownership in the nation to the highest rate of home foreclosures in the US. Last week, the mortgage research company RealtyTrac Inc. announced that the economically depressed automotive center had the highest foreclosure rate in 2007 of the largest 100 metropolitan areas nationally.

Nearly 5 percent of the households in metro Detroit were in some stage of foreclosure last year, a rate nearly five times the national average and a 68 percent jump over 2006. RealtyTrac reported 72,616 filings of default notices, auction sale notices or bank repossessions on 41,273 properties located in the Wayne County cities of Detroit, Livonia and Dearborn.

Foreclosures have also risen sharply in nearby Oakland and Macomb Counties, which ranked 17th on RealtyTrac's list with more than 2 percent of the households in some form of foreclosure. This rate is 95 percent higher than it was in 2006, when 30,378 filings took place for 21,607 homes.

Nationally, 86 of the largest metropolitan areas of the country saw increases in foreclosures, according to RealtyTrac Chief Executive Officer James J. Saccacio. These included Stockton, California and Las Vegas, Nevada—number two and three on the list—which experienced sharp growth rates and unsustainable prices over the last few years.

Daren Blomquist of RealtyTrac told the WSWS that the crisis in Detroit was "due to the high unemployment Detroit has experienced compared to other areas." In addition to high unemployment, continued Blomquist, "there is the loss of higher-wage jobs. People are not able to make their mortgage payments."

Since 2000, the Detroit metropolitan area has seen the loss of more than 150,000 jobs, primarily through the downsizing of the auto and auto parts industry. The same week that Detroit hit number one in home foreclosures, General Motors announced it would offer buyouts and early retirement packages to its entire blue collar workforce of 74,000 employees. Under the recent contracts signed by the United Auto Workers (UAW) union, the auto companies will be able to hire tens of thousands of workers at half the wage.

Michigan has the third highest rate of home foreclosures in the country, with nearly 2 percent of all households at risk for foreclosure. In 2007, 136,205 foreclosure notices were issued on 87,210 homes—or 1.95 percent of all homes in the state—according to RealtyTrac. The number was up 68 percent over 2006 and a staggering 282 percent since 2005.

Michigan has both the highest percentage of subprime loans in the country and the highest unemployment rate at 7.6 percent. While subprime mortgages were initially offered to people with a poor credit history it has been documented that loan sellers often foisted these higher-rate loans on those qualified for prime or near-prime loans. In return, lenders earned higher commissions.

Borrowers were also often lied to about the adjustable rates, which reset at sharply higher rates after two years. Finally, mortgages were written with prepayment penalties that made it far more expensive to get out of a subprime loan through refinancing.

Nationally, personal bankruptcies rose 30 percent in January. In 2007, 800,000 households filed for Chapter 13 bankruptcy protection, up 40 percent from the year before, overall. With more than 1 million subprime adjustable-rate mortgages (ARMs) due to reset in 2008, the American Bankruptcy Institute is preparing for tens of thousands of more bankruptcies.

On February 12, Michigan's Attorney General Michael Cox organized a forum in Detroit on the foreclosure crisis. More than 2,500 residents attended the event, where they were advised to try to renegotiate the terms of their loans with lenders.

The WSWS spoke to several people at the forum, including homeowners who were attempting to save their homes. Kevin Anderson, a retired Detroit Diesel worker who was forced to take a buyout, said he and his wife had an ARM that went from $1,300 a month to $1,778. Their lender informed them the ARM could go as high as $2,778 a month, something they could not afford.

"I told them that if it goes that high they can have it," protested Anderson. "From $1,300 to nearly $3,000 is just too much."

Duane Fox, a retired state parole officer said he refinanced on his home twice for a total of $42,000 on the home that was in his family for generations. "Both times all kinds of fees were attached to it," stated Fox. "Now I owe $80,000.

"These adjustable rates—that's a crime. It was set up to fail. I think the government should step in. Whose income is going to increase that much year after year? I worked 30 years, and my wages increased 30 percent during the whole time. And most of that happened in the first seven years."

Aileen Potter, a real estate agent in Roseville, and her partner Gino Spano, a specialist in foreclosures, spoke to the WSWS. Ms. Potter was indignant about the forum called by Cox. "It's hogwash, they can't help these people. If they lost their job, how can they make payments? They can't refinance. Once you lose your job, you lose everything. They are not going to say 'I understand you lost your job, we are going to let you slide on your payments.'

Spano added, "We personally know five or six people who have lost their jobs. How are you going to make your car or house payment?"

Referring to the state and federal government, Spano said, "Why don't they freeze these interest rates? I don't think we have a government strong enough or one that cares. I don't see how Bush can still be president. He could care less about the financial crisis. He cares about Iraq, and that is it."